

MINUTES OF THE RETIREMENT COMMISSION
Thursday, May 28, 2015

A meeting of the Retirement Commission was held on Thursday, May 28, 2015 at 8:30 a.m., at the Macomb County Administration Building, 9th Floor Conference Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Jerry Moffitt – Chair, Mark Deldin, Bob Hoepfner, Gary Cutler

Excused:

Darra Slanec – Vice Chair, Matthew Murphy, Dave Flynn

Also Present:

Steve Smigiel, John Kravitz, Stephanie Dobson, Eric Herppich, John Schapka, Brian Green, Mike Holycross, Tom Michaud

1. Call to Order

There being a quorum of the committee present, the meeting was called to order at 8:30 a.m. by Chair Moffitt.

2. Adoption of Agenda

A motion was made by Trustee Deldin to adopt the agenda as presented. The motion was supported by Trustee Hoepfner. The motion carried.

3. Public Participation

Ms. Rhonda Vermander, 7 Grove Park, Mount Clemens, Michigan 48043

Ms. Vermander presented a request for review of a denial she received to purchase her part-time service time. She provided background information related to her request. Mr. Michaud will work with Mr. Schapka to review the documents provided by Ms. Vermander and they will coordinate with one another to generate a response.

4. Approval of Minutes – May 14, 2015

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to approve the minutes of May 14, 2015 as presented. The motion carried.

5. Retirement Administrator Report

Ms. Dobson provided a current Retirement Activity report and an update on the status of the projects she is currently working on. She reported that the Human Resources and

Labor Relations Department is approximately halfway through its review of the Retirement Ordinance. They are hoping to have a draft with revisions to Corporation Counsel by June 30, 2015. Ms. Dobson also provided a draft of a survey she would like to send out to new retirees to gauge their satisfaction with her staff and the current process. She will send an electronic version to the Board members for further review.

Ms. Dobson also reported that she is also working on an audit of disability retirements and is generating a list of those that require re-certification in 2015. She also noted that the date for the Retiree Holiday Luncheon has been set.

A motion was made by Trustee Hoepfner to receive and file the Retirement Administrator Report. The motion was supported by Trustee Deldin. The motion carried.

6. Discussion and Recommendation of Actuarial Service Provider

Mr. Smigiel and Ms. Dobson provided an update on the research they have been conducting on the two candidates for Actuarial Service Provider. They are still in the process of contacting references for both Buck Consultants and Milliman, Inc. They have already spoken to a representative with the City of Ann Arbor. The City is currently using Buck and transitioned from GRS. The representative indicated that she felt that Buck has been very responsive and she has been pleased with the service they have received overall. She did stress that testing is an important part of the transition process and that she felt there was not enough testing done before going live with Buck.

Ms. Dobson and Mr. Smigiel also spoke with a representative from Washtenaw County (who also transitioned from GRS to Buck). She was fairly new to the Retirement Division, so she was not able to give them as much information as they would have liked regarding the transition process, but was able to speak to the County's satisfaction with Buck's system and described it as very user-friendly. She indicated it has helped to streamline their retirement process, but admitted they do not use it to its fullest potential (they do not provide their participants with access to the online benefit estimator and do not have forms available online).

Ms. Dobson indicated that nine emails had gone out to clients of Milliman's, but she had not yet received any responses. The references they have received for Milliman may not be able to provide comprehensive opinions because most of them have used either Milliman's actuarial services or their MARC system (not both together).

Mr. Smigiel is approaching the references with a different perspective because he is more concerned with each candidate's responsiveness and turnaround time to meet necessary deadlines. Both references they have spoken to about Buck have indicated that they respond very quickly, but he is not comfortable making a recommendation at this point since they have not gotten any responses yet from Milliman's references.

Mr. Green advised that he can provide Mr. Smigiel and Ms. Dobson with several other people within Washtenaw County that could be contacted for more information about Buck and their service.

Ms. Dobson indicated that one concern she has with Buck is that their IT Support staff is located in California, so there may potentially be a three hour delay if assistance is required. Mr. Smigiel suggested that they confirm what the Help Desk hours are for Buck as they may have staff available earlier to service the needs of their clients in the eastern states. There may not be an issue with a time zone delay.

Chair Moffitt indicated that further discussion would be added to the agenda for the next meeting. Ms. Dobson and Mr. Smigiel will obtain additional reference reports and summarize for that meeting.

7. Recent Legal Issues and Decisions

Mr. Michaud provided a summary of recent cases that other pension boards and health care plans have been involved with during the past year. He surmised that as long as Boards follows their policies and procedures, do their due diligence, work with professionals, and act in the best interest of their plan, hopefully Courts will ultimately uphold the decisions a Board makes. Unless there were questions about a specific case, he did not see the need to go through each one individually, but is willing to discuss in greater detail if the Board wishes at another time.

Trustee Hopefner made a motion to receive and file the report. The motion was supported by Trustee Deldin. The motion carried.

8. Edgewood Management 1st Quarter 2015 Update

Alan Breed and Gui Costin appeared before the Board to present the 1st Quarter update on behalf of Edgewood Management. They provided a brief overview of the firm, its background, and their investment strategy. They have a concentrated strategy limited to 22 stocks and all six portfolio managers vote on all investments.

Mr. Green questioned the number of health care companies that make up a significant portion of the portfolio. Mr. Breed explained that they see great potential for growth in this sector and that there really are no other industries that will see the type of advancements that are coming in the health care field (particularly from these companies). First quarter results were promising and the one company that hurt the portfolio in that quarter (Stratasys) has been sold. They are currently in the market to replace Stratasys to return the portfolio to 22 stocks.

Trustee Cutler inquired about the inclusion of Apple and Google in the portfolio when both are below benchmark numbers. Mr. Breed explained that they have history with Apple (have owned it for the last 12 years) and although they do not hold too firm to

benchmarks, they cut their position size in half during the past quarter. They still believe Apple is a great company, but they prefer to invest where they feel it is likely they are going to be able to double their investment. Google has a new CFO and Mr. Breed is anticipating that Google will be even more profitable in the future with expansion into mobile search technology and the other endeavors they are just beginning (driverless cars, etc.).

A motion to receive and file the 1st Quarter Update from Edgewood Management was made by Trustee Deldin and supported by Trustee Hoepfner. The motion carried.

9. Other Business

None

10. Adjournment

There being no further business before the Board, a motion was made by Trustee Hoepfner, supported by Trustee Cutler to adjourn the meeting at 9:26 a.m. The motion carried.