

MINUTES OF THE RETIREMENT COMMISSION
Thursday, June 16, 2016

A meeting of the Retirement Commission was held on Thursday, June 16, 2016 at 8:30 a.m., at the Talmer Building, 2nd Floor Finance Department Conference Room, located at 120 North Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Chair David Flynn, Vice-Chair Gary Cutler, Mark Deldin, Bob Hoepfner, Derek Miller, Matthew Murphy, George Brumbaugh

Excused:

Carol Grant

Also Present:

John Schapka, Stephanie Dobson, Tom Michaud, John Kravitz, Eric Herppich, Mike Holycross, Erik Burger

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 Flynn.

2. Adoption of Agenda

A motion was made by Trustee Hoepfner, supported by Trustee Murphy to approve the agenda as presented. The motion carried.

3. Public Participation

None

4. Approval of Minutes

A motion was made by Trustee Deldin, supported by Trustee Murphy to approve the minutes of the May 26, 2016 meeting as presented. The motion carried.

5. Approval of Invoices

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to approve the invoices as presented. The motion carried.

6. Chairman's Comments

Chair Flynn advised the Board that he had been contacted by Trustee Grant who was unable to attend today's meeting due to illness. He also provided each Board and staff member with a copy of an internal document listing contact information for each person.

Chair Flynn then inquired if Ms. Dobson had brought the timeline for updating the Retirement Commission website he had asked her to prepare previously. Ms. Dobson indicated she had not had a chance to work on the timeline as she has been unexpectedly short-staffed and the conversion to the new actuary system has consumed nearly all of her time for the last several weeks. She indicated she could have a timeline for updating/adding to the website available for the first meeting in August. Chair Flynn was unhappy the information was not available today and questioned why a timeline could not be prepared sooner than August. Ms. Dobson explained that the critical project in her office at this point has been the implementation of the Buck system and they are preparing to do final calculations and audits with an expectation that the system will be live on Monday next week for the next pension run. They have also been consumed with completing a full audit of all dates for each employee and retiree within the system. That audit will continue after the system is up and running.

Chair Flynn advised that he had reviewed the contract the Board has with Human Resources to provide Retirement Services. He indicated that the goal of improving the website has been in existence for quite some time and he is concerned that without some additional accountability for the responsibilities of the Retirement Services Office goals like this one will remain unmet. He is frustrated by the lack of progress in this area. Trustee Murphy questioned whether the County IT Department has been brought into the conversation regarding the website. Ms. Dobson indicated she has a contact within the IT Department, but other than a conversation she had with them some time ago about potential changes to the website, she has not spoken to them recently. Trustee Deldin advised the Board that the IT Department is actually in the midst of a complete overhaul of every County department's website to create a consistent, common template that will be mirrored across all departments. He offered his assistance in coordinating this with IT and helping to make it a priority.

Mr. Herppich, as the director of Human Resources (of which Retirement Services is a part of), offered some insight into the work that Ms. Dobson has been doing over the last several weeks. He explained the level of difficulty involved with converting to an entirely new computer system. He indicated Ms. Dobson is working 10-12 hour days Monday through Friday, most Saturdays, and upwards of 60 hours per week to clean up the data and make sure that once the Buck system goes live, the information that resides within it is accurate. He also expressed that their next biggest priority is handling questions and requests from employees and retirees. Nearly every interaction involves somewhat complex information and can take a good portion of time to work through. He believes that once the Buck system is fully operational, Ms. Dobson will have plenty of time to devote to other projects including developing a timeline and working on updating the website. Chair Flynn expressed appreciation for his input, but reiterated his desire

to move the website project forward at a faster pace. Vice-Chair Cutler suggested at minimum a Frequently Asked Questions document be drafted and made available on the website to provide answers to the most common inquiries.

7. Retirement Administrator Report

Ms. Dobson stated again that the Buck system is slated to be “live” on Monday next week. The goal is to have the July pension checks run parallel through GRS and the new system with less than a 1.5% variance between the two systems. Once the new system is live, there is another important project that must be continued. Her office is completing a full audit of all of the dates that are housed within the system. This involves physically pulling each employee or retiree’s personnel file and verifying the information in the file matches the data in the system. They have come across numerous errors and uncovered incredibly inaccurate data in the GRS system, some of which has actually been costing the County money. This includes two instances of people collecting pensions that should not have been. Ms. Dobson’s office has managed to recoup several thousands of dollars that were paid out in error. Historical errors and poor data maintenance are continually being corrected.

Ms. Dobson also stressed that she prides herself on her and her staff’s attention to detail and reported that her office receives many positive comments from the employees and retirees they are servicing. Ultimately, her goal is to provide members coming in with the correct information they are looking for the first time around and not need to re-do calculations multiple times (as happened in the past) due to errors within the data. She also reported that they are very close to having a final draft of the restatement of the Retirement Ordinance ready to hand over to the unions and the Board for their review/comments.

Mr. Herppich requested some direction on an item that had been discussed at a prior Retirement Commission meeting. This issue is related to Michael Grix and his re-employment with the County. Mr. Herppich acknowledged that Mr. Michaud had prepared a memo previously in regards to the options available to the Board for addressing Mr. Grix’s situation. Mr. Herppich would like to have his office make a recommendation to the Board at the next meeting in order to resolve this outstanding issue. He indicated that there are now several other employees in a similar situation and they have not been able to provide any answers to those employees as Mr. Grix’s situation has not yet been resolved. This item will be added to the agenda for the next meeting.

A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to receive and file the Retirement Administrator Report. The motion carried.

8. Disability Retirements

-- Siobhan O'Brien (Application)

A motion was made by Trustee Hoepfner, supported by Trustee Deldin to adopt the resolution to process the disability retirement application of Siobhan O'Brien and direct Human Resources to order an IME. The motion carried.

-- Dean Rasch (Re-examination Appeal)

A motion was made by Vice-Chair Cutler to enter into closed session to discuss Mr. Rasch's request and allow him an opportunity to present any new medical information. The motion was supported by Trustee Deldin. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

Upon conclusion of the closed session, a motion was made by Trustee Murphy, supported by Trustee Deldin to have MMRO proceed with their standard protocol when an appeal is requested. MMRO will assign Mr. Rasch's previous and new medical information to another case manager who will review it and determine if another IME is warranted. The motion carried.

-- Michelle Washburn (Re-examination Appeal)

A motion was made by Vice-Chair Cutler to enter into closed session to discuss Ms. Washburn's request and allow her an opportunity to present any new medical information. The motion was supported by Trustee Hoepfner. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

Upon conclusion of the closed session, a motion was made by Vice-Chair Cutler, supported by Trustee Murphy to have MMRO proceed with their standard protocol when an appeal is requested. MMRO will assign Ms. Washburn's previous and new medical information to another case manager who will review it and determine if another IME is warranted. The motion carried.

9. Correspondence from Maria Zardis

County employee Ms. Maria Zardis joined the meeting and presented her situation wherein she has discovered that she is not eligible for the 70-point retirement plan as she had believed. A change was made by the Board of Commissioners in 2009, but it appears the Retirement Ordinance was not updated at that time to reflect this change. Ms. Zardis maintains she was not notified of the change and believes there are likely other employees in the same situation.

Mr. Michaud recommends Ms. Zardis' correspondence be forwarded to legal counsel for a formal response. He anticipates having a response prepared for the Board's first meeting in July.

A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to forward Ms. Zardis' correspondence to legal counsel for a formal response to be prepared expeditiously. The motion carried.

10. MAPERS Legal Update

Mr. Michaud provided the Board with summaries of legal issues other Pension Boards are dealing with. Healthcare is a topic found in many of these cases, as well as the Open Meetings Act and Eligible Domestic Relations Orders (EDROs). Ultimately, if the Board follows the procedures, policies and ordinances it has established and if the Courts are applying the correct standard, the decisions of a Pension Board will be upheld.

A motion was made by Trustee Deldin, supported by Trustee Murphy to receive and file the MAPERS Legal Update. The motion carried.

11. Global Dividend Manager Decision

Mr. Holycross provided some supplemental information from Graystone which included a breakdown of returns and updated fees for all candidates. Their recommendation is to allocate \$35 million to NWQ on the active global side and \$35 million to LS Advisors on the domestic passive side. Vice-Chair Cutler voiced concern that the amount that would be paid in fees to NWQ is equal to the amount the Board could pay out in several pensions and questioned whether the returns would be worth the added expense. He would rather not add an active manager and would prefer to stay entirely with LS Advisors and their passive strategy. Trustee Brumbaugh indicated he agreed with Vice-Chair Cutler and also expressed disapproval at the lowering of fees at the last minute. He feels that firms should come forward with their best offer from the very start. Mr. Holycross believes that the difference in fees between NWQ and LS Advisors would be made up in returns.

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to concur with Graystone's recommendation to allocate \$35 million to NWQ on the active global side and \$35 million to LS Advisors on the passive domestic side. The motion carried 5-1. Vice-Chair Cutler was opposed.

12. International Equity Search

Graystone did not provide any material related to this search. This item will need to be addressed at a future meeting.

13. Morgan Stanley 1st Quarter Update

Mr. Holycross spoke briefly about the upcoming Brexit vote and the odds that the United Kingdom (UK) will withdraw from the European Union. He also supplied the Board with hard copies of additional information from Graystone. He stated that the Board's overall exposure is currently 14% in non-U.S. stocks (5% in EARNEST Partners and 9% in the WAM portfolio). Forty-

one percent of the EARNEST portfolio weights to Europe, 11% in the UK (roughly a 2.5% position total for the overall portfolio). The WAM Index Fund is 34% in Europe, 16% in the UK (roughly another 4%). This is approximately 6-6.5% for the total portfolio between developed Europe and the UK. If there was a drop in excess of 10% in European stocks, he indicated the impact on the portfolio would certainly be noticeable in the 2nd quarter numbers.

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to receive and file the Brexit information from Graystone. The motion carried.

In addition to the customary quarterly report, Mr. Holycross also provided a Market Commentary handout and a Preliminary Performance Update as of June 14, 2016. He reviewed the Market Commentary, total fund performance, manager performance and examined the alternative investments summary.

Mr. Holycross proposed a rebalance which would take \$10 million from the Edgewood Large Growth portfolio and \$5 million from the WAM Large Core Passive portfolio and move that \$15 million to the Loomis Large Value portfolio.

A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to approve the rebalance as proposed by Graystone (moving \$15 million to Loomis with funding for this being \$10 million from Edgewood and \$5 million from the WAM Large Core). The motion carried.

Mr. Holycross indicated this rebalance would take place within the week.

A motion was made by Trustee Murphy, supported by Trustee Miller to receive and file the Morgan Stanley 1st Quarter Update. The motion carried.

14. Other Business

None

15. Adjournment

There being no further business before the Board, a motion was made by Trustee Hoepfner, supported by Trustee Miller to adjourn the meeting at 9:54 a.m. The motion carried.