

**MINUTES OF THE RETIREMENT COMMISSION**  
**Thursday, June 30, 2016**

A meeting of the Retirement Commission was held on Thursday, June 30, 2016 at 8:30 a.m., at the Talmer Building, 2<sup>nd</sup> 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, Carol Grant, Derek Miller, Matthew Murphy, George Brumbaugh

Excused:

Bob Hoepfner

Also Present:

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

**1. Call to Order**

There being a quorum of the committee present, the meeting was called to order at 8:31 a.m. by Chair Flynn.

**2. Adoption of Agenda**

Chair Flynn proposed moving the Franklin Templeton presentation and the International Equity Search discussion up in the agenda (after the Retirement Administrator Report).

*A motion was made by Trustee Deldin, supported by Vice-Chair Cutler to approve the agenda as amended by Chair Flynn. The motion carried.*

**3. Public Participation**

None

**4. Approval of Minutes**

*A motion was made by Trustee Miller, supported by Trustee Grant to approve the minutes of the June 16, 2016 meeting as presented. The motion carried.*

**5. Approval of Invoice**

*A motion was made by Trustee Deldin, supported by Trustee Murphy to approve the invoice as presented. The motion carried.*

## 6. Chairman's Comments

Chair Flynn distributed copies of two handouts to the Board members. The first is a copy of the contract the Board has with the Human Resources and Labor Relations (HRLR) Department to provide Retirement Services and the second is a list of items in the contract with a tracking system. He stated that he wants the Board and the Retirement Administrator to work on shared, tangible goals. He indicated he has spoken to several Board members as well as Mr. Herppich from HRLR about this. Chair Flynn does not feel that waiting until August for a timeframe to make updates to the website is reasonable. He opened the floor to comments from other Board members.

Trustee Murphy indicated that most of the feedback he receives from his constituents at the Sheriff's Department is positive regarding the services they receive related to the Retirement office. He is hoping they can reach some sort of middle ground and nurture a healthy relationship by finding a way to work towards the goals the Board has in terms of updating the website.

Trustee Miller, as a relatively new Board member, asked for further clarification on the problems Ms. Dobson and her office have encountered in the transition to the Buck actuary system. He would like a better understanding of why the process has been so time consuming. Ms. Dobson responded that since taking over in that office, she has come across numerous and major discrepancies in the information found in the prior actuary (GRS) system. She said that her office has been getting some additional assistance from HRLR staff, but Mr. Herppich pointed out that solving the problems is not as simple as adding more people to the project. Since determining a line-by-line, complete audit was necessary to correct the issues that have been uncovered (people missing from the actuary system, pensions that should have been stopped that never were, etc.), they have been consumed with making sure the information going into the new system is correct from the beginning. The Information Technology (IT) Department has also been involved making sure the new file feed format is working properly with the Buck system. Ms. Dobson has also been working with IT at the Department of Roads as well as the Martha T. Berry staff to do payroll feed audits. Mr. Herppich and Ms. Dobson confirmed that many of the errors that have been uncovered appear to have been made by the staff who previously manned the Retirement Services office. Because the data was not maintained properly by prior staff, they are now finding these errors and having to take extra time to do research and make the appropriate corrections.

Chair Flynn indicated that he does not feel that any of the issues prohibiting progress on updating the website are due to a lack of effort or lack of skill. He understands the challenges the Retirement office has been encountering and is simply looking for a way forward for the goals of the Board and fulfilling the needs of the contract. Mr. Herppich advised that Ms. Dobson and her staff have two meetings scheduled with County IT to begin discussing the development of website information and how to publish it. The first of those meetings is this afternoon and he is hopeful that these meetings will help streamline the process of generating a timeline for updating the website by the July meeting for the Board's review and comments.

## **7. Retirement Administrator Report**

Ms. Dobson provided the activity report for May. She also reported that the Buck system had been successfully released on Monday, June 20<sup>th</sup> as expected and the final parallel run for the July pension checks was completed. She provided an update on the two audits that are on-going to make sure the Buck system works as efficiently as possible. One of these audits primarily revolves around verifying the correct dates for various events are entered into the system for each employee/retiree. These are very important for ensuring accurate calculations. So far they have found approximately 10% of entries they have checked have needed to be corrected. The other audit that is on-going is related to service time purchases. Every file is being pulled to make sure necessary payments have been made to obtain full credited service and then the information is entered into the Buck system.

Ms. Dobson also mentioned the meetings she has set-up with IT to discuss the website. She has a staff member from HRLR who will essentially be working as her back-up on many of the items necessary to update the website.

*A motion was made by Trustee Miller, supported by Trustee Murphy to receive and file the Retirement Administrator Report. The motion carried.*

## **8. Franklin Templeton Presentation**

Mr. Michael Wasz, Mr. Richard Herbert and Mr. Paul Silva joined the meeting to give the Board an update on the Franklin Templeton portfolio. Mr. Herbert covered portfolio performance since inception and reviewed the performance attribution summary. He discussed the portfolio's characteristics as well as currency and sector allocation. Despite the challenges they have seen over the last six months, their thesis remains intact and they continue to maintain their high conviction on their position.

*A motion was made by Trustee Miller, supported by Trustee Grant to receive and file the Franklin Templeton presentation. The motion carried.*

## **9. International Equity Search**

Mr. Holycross provided the Board with the results of Graystone's International Equity Search. They are recommending the Board consider moving some of the WHV money that was parked in the World Asset Management (WAM) international equity portfolio to an active manager. The goal of this search was to identify some international equity managers that have good track records and would complement the EARNEST Partners position. A good portion of the funds would still be kept with WAM.

Mr. Holycross summarized the screening process and there are three candidates they are recommending for interview – Cambiar, HGK and Lazard. They provided a comparison of common characteristics for these three firms with EARNEST (geographic breakdown, sector

breakdown and market cap breakdown). Mr. Holycross also explained portfolio crossover and indicated that they like to see differentiation between current manager and the interview candidates.

*A motion was made by Vice-Chair Cutler, supported by Trustee Grant to invite all three recommended candidates (Cambiar, HGK and Lazard) in for interviews as international equity manager. The motion carried.*

Mr. Holycross will schedule the interviews for the July 21<sup>st</sup> Board meeting.

Mr. Holycross advised Chair Flynn that there was an additional item of business Graystone would like to bring before the Board. They have been advised that NWQ will have some ordinary shares within their portfolio and with that comes some additional custody costs with Wells Fargo. He believes the cost is relatively small (\$1,500) for the portfolio on the Wells Fargo contract. Mr. Burger consulted with Mr. Michaud and he advised to bring the issue to the Board at the meeting.

*A motion was made by Trustee Deldin, supported by Trustee Murphy to authorize the necessary alteration to the Wells Fargo contract. The motion carried.*

Mr. Holycross will work with Mr. Michaud and Wells Fargo to get this approved.

Chair Flynn inquired if Mr. Holycross would like to address the Brexit vote. Mr. Holycross distributed a handout related to market ups and downs as a result of the vote to exit being confirmed. This is something that will be on the radar until the new government takes over and well into the next few years.

*A motion was made by Trustee Grant, supported by Trustee Murphy to receive and file the Brexit update. The motion carried.*

## **10. Michael Grix Re-employment Issue**

Mr. Michaud provided the Board with a copy of the memo he had originally prepared in December 2015 related to this issue. To summarize, Mr. Grix was an employee of the County for just shy of 10 years and left County employment (in March 2014) for approximately six months. When he vested with the County, he did so under the 8 years of service requirement. When he returned to County employment as a new hire (in September 2014), he returned under the 15 years of service vesting requirement. In his December opinion, Mr. Michaud stated that he believes Mr. Grix's second period of time is subject to the 15 year rule because the Collective Bargaining Agreement (CBA) specifically says this rule applies to employees hired into the County after 2012 (as Mr. Grix was when he returned to County employment). Mr. Michaud indicated he does not forgo his eligibility for his first segment of employment because he was vested after 8 years (and became deferred when he separated from County employment). The system has a concept called the Reciprocal Retirement Act, so even when Mr. Grix comes back to work for the

second period of time, the system can still recognize his first period of time for purposes of eligibility under the Reciprocal Retirement Act. As long as Mr. Grix works 30 months in his second period of time, he can use his service credit in his first period for purposes of eligibility. This is really a question of, because he left is he “re-employed” or “newly employed”? Mr. Michaud views it as he is newly employed because he had separated from employment and when he returned he became subject to the new rules in effect at that time.

Trustee Miller asked for clarification on what information Mr. Michaud was drawing his conclusion from for this circumstance. Mr. Michaud indicated that it is drawn from both the CBA and the Ordinance, and that the CBA only refers to “hires” (it does not address those who previously worked for the County and may consider themselves “re-hired”).

Trustee Brumbaugh indicated he had reviewed Mr. Michaud’s memo and concurred that the information it contained is correct. However, he draws a different conclusion. He believes that Mr. Grix should be treated as if the CBA does not exist because the CBA talks about being hired and if there were limitations to be placed on re-hires, the contract should have stated that. The Ordinance specifically talks about re-employment and he does not think the intent of the contract was to limit people who come back to work at the County and was really intended to talk about people who were first hired after the date specified.

Chair Flynn stressed the necessity for a decision to be made regarding this issue. Mr. Michaud and Mr. Schapka both confirmed that this Board must be the decision maker. Trustee Murphy and Trustee Deldin stated support for Mr. Michaud’s recommendation of a split calculation once Mr. Grix has reached 15 years of service. Vice-Chair Cutler believes whatever decision is made should be applicable to all future instances of situations like this one, so that it is not necessary for the Board to repeatedly make these sorts of determinations as they come up.

Trustee Miller suggested the matter be tabled and scrutinized very carefully as the decision that is made will affect all similar situations going forward. He disclosed that he will be affected by this decision since the circumstances under which he returned to County employment are somewhat similar to those of Mr. Grix. Mr. Michaud stressed that this is an eligibility issue for members and this decision should be focused solely on that topic. Trustee Deldin again expressed his support for Mr. Michaud’s conclusion and believes this is the correct way to address this situation. He does not believe that people who leave voluntarily should expect to have the exact same benefits returned to them should they choose to return.

*A motion was made by Trustee Deldin that for the Michael Grix case only, he come back under the 15 year eligibility requirement as recommended by Mr. Michaud.*

Trustee Murphy inquired about how other retirement systems have addressed issues like this. Mr. Michaud indicated there is no direct parallel or standard that can be followed in these circumstances. There are too many different variables to take into consideration.

Chair Flynn inquired whether the other Board members would like to take some more time to consider this issue. The Board concurred and Chair Flynn stated this item will be added to the July 21<sup>st</sup> meeting agenda for a vote.

*Trustee Deldin withdrew his prior motion.*

#### **11. Retirement Ordinance Draft Restatement (for discussion only)**

Chair Flynn advised the Board that this is the draft restatement of the Retirement Ordinance that the Administrative Policy Sub-committee has been working on for almost a year. He inquired whether the Board members would like to call a special meeting for the sole purpose of discussing this draft restatement. He will send out an email with a possible date in July for a meeting to be dedicated to reviewing this document.

Chair Flynn asked Mr. Michaud to provide the Board with a broad overview of the document they had been presented for review. Mr. Michaud had summarized the concept in a cover memo to the Board. This restatement is updated to be consistent with laws and past practice as well as consolidated with Collective Bargaining Agreement (CBA) changes or Ordinance changes that have happened over the years. The goal was to streamline the Ordinance and make it more user-friendly. He expressed gratitude to the Committee, in particular Ms. Dobson who has done a lot of the heavy lifting to get the document where it is today.

The redline version is what they have been presented with and shows what was added, amended or re-adjusted. The document also contains a couple of attachments (primarily IRS language). The IRS language is required to be a part of the document, but for ease of administration it is being included as an exhibit and incorporated by reference within the document. Changes or clarifications are identified in bold and underlined. Once this Board has had a chance to review and comment on the document, it will be passed to all interested parties (the County, the unions, retirees, active employees, etc.) for their opportunity to review and provide comments. Ultimately, it will be forwarded (hopefully by September) to the Board of Commissioners for final review and adoption.

Chair Flynn requested the Board members go through and read the document carefully and be prepared to ask questions or make comments at the special meeting he will be scheduling in July.

*A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to receive and file the Retirement Ordinance Draft Restatement. The motion carried.*

#### **12. MAPERS Fall Conference**

Chair Flynn called for discussion on the MAPERS Fall Conference to be held on Mackinac Island this year. Mr. Michaud requested that two delegates be appointed to represent the Board for voting purposes at the conference. The Board members will check their availability and advise

whether or not they will be able to attend the conference at the next meeting. Delegates will be chosen at that time.

*A motion was made by Trustee Deldin, supported by Vice-Chair Cutler to approve attendance at the 2016 MAPERS Fall Conference. The motion carried.*

**13. Other Business**

Vice-Chair Cutler had some questions about employees being able to roll their annuity withdrawal and their DROP into Vanguard. As an employee rep on the Pension Board, he's been contacted by numerous employees asking about this. The general consensus was to refer employees to their financial/tax advisor or advise them to call Vanguard customer service for assistance.

**14. Adjournment**

*There being no further business before the Board, a motion was made by Vice-Chair Cutler, supported by Trustee Murphy to adjourn the meeting at 10:44 a.m. The motion carried.*