

MINUTES OF THE RETIREMENT COMMISSION
Thursday, September 15, 2016

A meeting of the Retirement Commission was held on Thursday, September 15, 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, Carol Grant, Bob Hoepfner, Derek Miller, Matthew Murphy, George Brumbaugh

Excused:

Also Present:

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

1. Call to Order

There being a quorum of the Board 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. Approval of Minutes from August 25, 2016

A motion was made by Trustee Deldin, supported by Trustee Grant to approve the minutes of the August 25, 2016 meeting as presented. The motion carried.

4. Approval of Invoice

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

5. Public Participation

None

6. Chairman's Comments

Chair Flynn stated that over the next couple of weeks, he would like to see a productive discussion continue as they narrow down any questions still remaining related to the Ordinance restatement. He is hoping that votes can be taken on each section of the restatement at the meeting scheduled for September 22, 2016. Mr. Herppich is scheduled to meet with the labor unions to go over the restatement and by that time, Chair Flynn would like to have a defined Ordinance that has been voted on and supported as a resolution to send to the County Board of Commissioners (BOC). He remains hopeful that the restatement of the Ordinance can be passed by the end of the year. Trustee Murphy inquired whether the unions would have a set time frame to review the document. Chair Flynn confirmed they would have time to review and offer feedback as it is forwarded to the BOC. Due to time constraints, some of the review may need to be conducted concurrently in order to achieve the goal of finalizing the restatement before the end of the year.

7. Retirement Administrator Report

Ms. Dobson provided the numbers for the month of July. She said the activity has been fairly consistent as this same time last year. Her office is seeing an increase of appointments as people are preparing for potential December and January retirement dates. Ms. Dobson also reported that the Human Resources and Labor Relations Department is slated to begin their move to the Administration Building the first week of October. Her office will likely be closed for a day or two as files are relocated, but they will do their best to schedule appointments around this down time.

Chair Flynn inquired whether the office closure would be posted on the website. Ms. Dobson was reminded that she wanted to advise the Board that the Retirement Commission website has been transitioned by the IT Department to the new format. She indicated there are a lot of technical issues that have popped up as a result of this transition and they have been working with the Web Support staff to solve these issues. She has stressed to them the importance of getting the Retirement website functional in time for open enrollment as that is when it is slated to be introduced to the retirees.

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

8. MMRO "No Show Fee" Follow-up

Ms. Dobson reminded the Board that at the last meeting they voted on passing the "no show fee" cost on to a member who fails to keep their scheduled appointment for the Independent Medical Exam for disability retirement. She did go back to MMRO to see if they would be willing to waive the fee and they are not willing to do so. They advised that the fee is charged to them by the physicians directly. She is looking for direction from the Board and Mr. Michaud in how to go about collecting this fee from the member if they indicate they will not pay it.

Mr. Michaud indicated he sees this as a larger policy decision. He provided a memo with some additional information and options for how the Board could collect the amount owed. If the individual is collecting a pension due to disability retirement, the Board has the ability to offset their disability check by the amount owed. If the individual is in the application process, the Board can choose to hold their disability application until the fee has been paid. At some point, each person will be eligible for a pension or a refund of their accumulated contributions, so in the long-term a note could be placed in their file that they owe the retirement system and it could be collected at a later (possibly much later) date.

Trustee Grant inquired who the member is supposed to notify in the event they cannot keep their appointment (Ms. Dobson's office or MMRO?). Ms. Dobson advised that cancellations and rescheduling are all done through the medical director (MMRO) and they are supplied with the contact information when they are notified of their appointment. Trustee Murphy inquired about the feasibility of an installment plan for the member to make payment of the no show fee. Ms. Dobson stated that she would feel comfortable providing an agreement outlining a payment schedule. Trustee Deldin inquired at what point in the process the employee understands that there will be a fee assessed if they do not show up for their appointment. Ms. Dobson responded that this information is provided on the very first letter the employee receives notifying them when their appointment is. Trustee Miller wanted more clearly defined reasons why someone would be charged this fee or if there are any exceptions that would exempt someone from having to pay a no show fee (illness or death in the family, etc.). Chair Flynn stated that it is his understand that there currently are no exceptions. Mr. Michaud indicated the Board could consider an appeal process on a case-by-case basis and have the member come to a Board meeting and explain the circumstances resulting in the no show. Trustee Brumbaugh is offended by the high cost of the no show fee and feels that the requirement to cancel three days before the appointment is excessive.

Chair Flynn redirected the conversation back to the question at hand – how to recoup the fee incurred by a member who fails to follow the proper cancellation procedure. Trustee Murphy stated he thinks it is reasonable to set up a payment arrangement, but that an appeal process might be something to consider. Vice Chair Cutler stated that his only objection would be placing a hold on the initial application or reexamination as it goes through the process should a member fail to appear for their appointment. Mr. Michaud pointed out that the Board is likely going to have an individual at some point who refuses to pay the fee or make arrangements to pay. Ms. Dobson indicated that in HR when overpayments need to be re-collected the individual is given a payment schedule and if they fail to respond, deductions are taken based on that schedule. Trustee Miller requested to see what the employee receives that tells them what the no show fee is and when it is assessed. Ms. Dobson provided him with a copy of what was distributed to the Board at the last meeting.

Trustee Deldin indicated he feels that a lump sum payment or repayment in equal installments across six months as fair. Trustee Hoepfner agreed. Mr. Michaud questioned again what happens if the individual refuses to pay. The Board's discussion on this did not yield a consensus.

Mr. Michaud volunteered to lay out a very basic policy to be presented at the next meeting. The Board agreed that this would be the best approach. Discussion will continue and a decision will be made at the next meeting.

9. Disability Retirement
-- Michelle Washburn (Appeal determination)

The Board was in receipt of the Medical Director's medical reports and opinion pertaining to Ms. Washburn's independent medical evaluation. The Medical Director has certified she is mentally or physically totally incapacitated for duty in the employ of the County, that such incapacity will probably be permanent and that she should be retired. Based on the Medical Director's opinion, the Board concurred to approve Ms. Washburn's disability retirement.

A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to adopt the following resolution:

WHEREAS, the Retirement Commission is vested with the general administration, management and operation of the Macomb County Employees Retirement System ("Retirement System") and has fiduciary responsibilities relative to the proper administration of the pension trust fund, and

WHEREAS, the Retirement Commission is in receipt of an application for disability retirement from Michelle Washburn dated January 26, 2016 and

WHEREAS, in accordance with Section 28 of the Retirement Ordinance which provides that upon the application of a member, or their department head, a member who (1) is in the employ of the County, (2) has ten or more years of credited service, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Retirement Commission: provided that after a medical examination of the member made by or under the direction of the medical director, the medical director certifies to the Commission (1) that the member is totally incapacitated for duty in the employ of the County, (2) that such incapacity will probably be permanent, and (3) that the member should be retired, and

WHEREAS, the Retirement Commission has previously acknowledged receipt of said application and directed the processing of said application in accordance with the Retirement System provisions, and

WHEREAS, on April 6, 2016, Dr. Shlomo Mandel's report and certification reflects that Michelle Washburn is **not** totally incapacitated for duty in the employ of the County, and further indicates that Michelle Washburn should **not** be retired, and

WHEREAS, on June 16, 2016 said applicant exercised their right for appeal and the Retirement Commission resolved to have the appeal processed, and

WHEREAS, on August 2, 2016, Dr. Emmanuel Obianwu conducted an appeal independent medical examination and reviewed all records provided and concludes Michelle Washburn is totally incapacitated for duty in the employ of the County, and further indicates that Michelle Washburn should be retired, and

WHEREAS, the Retirement Commission is in receipt of a certification from the Medical Director, dated August 23, 2016, which states that Michelle Washburn is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Michelle Washburn should be retired, and

WHEREAS, the Retirement Commission has discussed this matter and has determined that Michelle Washburn has met the eligibility requirements for disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Commission hereby approves the disability retirement of Michelle Washburn and further

RESOLVED, that a copy of this resolution shall be provided to Michelle Washburn and all other appropriate parties.

The motion carried.

10. Comerica Organizational Update Follow-up

Mr. Holycross and Mr. Burger distributed a memo related to the organizational changes taking place at Comerica and their effect on World Asset Management (WAM). Cuts began at the executive level and have now been completed. Graystone does not see any issues with the re-organization and there have been no changes in assets under management. There is no intent on the part of Comerica to sever ties with WAM. Vice-Chair Cutler inquired about what other cuts they might be making in addition to personnel (resources, technology, etc.). Mr. Holycross understands Vice-Chair Cutler's unease, but Graystone feels there are still plenty of resources available to WAM and as a passive manager, they do not have any concerns about any of the changes that have been made or their stability going forward.

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to receive and file the Comerica Organizational Update Follow-up. The motion carried.

11. Morgan Stanley 2nd Quarter Performance Update

Mr. Holycross distributed a "Preliminary Performance Update" dated September 7, 2016 as well as a handout entitled "Market Outlook & Commentary" dated September 2016. He began the update by pointing out that 2016 had the worst start on record for the capital markets and now as of September 7th the total portfolio is up almost 7% year-to-date. There has been a significant turnaround in the 2nd and 3rd quarters this year moving things into positive territory. Mr.

Holycross then reviewed the slides created by Mike Wilson and his team that were provided in the Market Outlook & Commentary handout. Trustee Brumbaugh asked about the effect of presidential elections historically on the market. Mr. Holycross stated that historically the outcome of an election can impact certain industries or sectors more than the overall market. He will do some research and provide some additional information related to this inquiry to the Board.

Mr. Holycross then proceeded to cover the Preliminary Performance Update and noted the considerable differences between that handout and the Performance Measurement Report dated June 30, 2016. The portfolio was down nearly 15% in the first six weeks of 2016 and now there are stocks and managers up 15% subsequent to the first quarter negative outcome in the marketplace. He also advised that the NWQ portfolio has been funded and the Board will start to see some returns there in September. HGK was also just funded September 1st and returns will begin to appear there as well.

A motion was made by Trustee Hoepfner, supported by Trustee Murphy to receive and file the Morgan Stanley 2nd Quarter Performance Update. The motion carried.

12. Restatement of Retirement Ordinance discussion (draft dated 09/15/2016)

Chair Flynn turned the discussion over to Mr. Michaud to cover the items that had been previously reviewed at the last meeting so the Board can begin narrowing down the topics still needing clarification.

On page seven, Mr. Michaud has added some language related to Final Average Compensation (FAC) to make sure it is very clear who the four year and five year each apply to. Chair Flynn inquired whether Mr. Smigiel and Vice-Chair Cutler had been able to sit down and lay out the calculation of FAC on a calendar. Mr. Smigiel indicated that they had not and will work on that before the meeting next week.

On page 16 Section 18 two options remain. Mr. Michaud needs direction from the Board which option should remain in the restatement. The first option is related to employees who are hired back into the County after January 1, 2016 becoming members of the DC plan. The second option allows those hired back into the County within three years of separation to go back into the DB plan. Chair Flynn reminded the Board that votes will be handled at the next meeting, so further consideration and discussion can take place before that. Trustee Miller stated that his opinion is that if someone is a member of the DB plan and removes their money from the system upon separating from the County, there should be no option to return within three years and rejoin the DB plan. However, he stated, that if they left their money in the DB plan, then the three year window should apply to them. He is in favor of a "soft close," but he thinks that there should be a specific difference now that there are multiple systems in place (i.e. if you forfeit your money now, there is no option to return to the DB plan regardless of whether or not you return within the three year time period).

Chair Flynn inquired about whether or not the state statute regarding Trustee Brumbaugh's concern related to the 1,000 hour calendar period had been located. Ms. Dobson advised that she had provided it to Mr. Schapka and Mr. Michaud. Chair Flynn requested that it be distributed to all Board members prior to the next meeting.

On page 32 Section 36, Mr. Michaud advised that a clarification had been made regarding interest and when it is credited to the accumulated contribution account. It is credited at the end of the fiscal year on the beginning year balance and this reflects the policy currently in place.

On page 42, a new paragraph has been added regarding DROP participants and their ability to take part in the election of an employee representative (nominate, vote, and serve on the pension board). Right now, the DROP specifically (per the program) has language that a DROP participant is no longer an active member for purposes of the election and this would amend that to allow someone to participate as if they were an active member. Chair Flynn asked whether the language in the DROP program would also need to be amended in addition to the Retirement Ordinance. Mr. Michaud confirmed that the program language would also have to be amended.

Vice-Chair Cutler suggested that an option be added to Section 23 for the County BOC to offer buyouts (subject to collective bargaining). Mr. Michaud advised that he will put whatever language the Board wants into the Ordinance, but he reminded them that this document was really intended to simply be a restatement of the Ordinance to clarify processes and clean up the document. The Board agreed the topic of buyouts has a much larger scope than was intended at the start of this restatement and could be looked at some time in the future if the Board was so inclined.

Trustee Brumbaugh requested to go back to page 15 Section 16 sub-section "b". He asked whether the Board was happy with the language presented there. He recalls that the BOC passed a resolution that only affected their participation in the retirement system (not all elected officials). He suggested separating "elected officials" and "Commissioners" since the restriction only applies to the Commissioners. Mr. Michaud is fine with separating this information and will present updated sub-sections in the next draft.

A motion was made by Trustee Deldin, supported by Trustee Murphy to receive and file the September 15, 2016 draft of the restatement of the Retirement Ordinance. The motion carried.

13. Other Business

None

14. Adjournment

There being no further business before the Board, a motion was made by Trustee Grant, supported by Vice-Chair Cutler to adjourn the meeting at 10:04 a.m. The motion carried.