

MINUTES OF THE RETIREMENT BOARD
Thursday, September 21, 2017

A meeting of the Retirement Board was held on Thursday, September 21, 2017 at 8:30 a.m., in the Administration Building, 9th Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Mark Deldin, Gary Cutler, Carol Grant, Matthew Murphy, Larry Rocca, Bryan Santo, Bob Smith, George Brumbaugh

Excused:

Also Present:

Stephanie Dobson, Stephen Smigiel, Larry Lee, Tom Michaud, Karen Bathanti

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 Deldin.

2. Adoption of Agenda

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

3. Approval of Minutes – September 7, 2017

A motion was made by Trustee Santo, supported by Trustee Murphy to approve the minutes of September 7, 2017 as presented.

Trustee Brumbaugh asked that the minutes be updated to reflect his recollection that AndCo agreed to match the rate of Morgan Stanley (Graystone) and also Trustee Rocca's clarification of the motion approving AndCo as the new consultant based on fees negotiated and the contract coming back before the Board for final approval.

Chair Deldin indicated that he did not hear Mr. Holycross or anyone from AndCo agree to the \$180,000 fee for five years. He recalled them saying they would be willing to discuss it. Trustee Brumbaugh said that Mr. Holycross agreed it could be discussed, but that the other gentleman from AndCo (he could not recall his name) said that they would match that fee. In fairness, Trustee Brumbaugh stated that he did not think that Morgan Stanley (Graystone) said for sure they would do \$180,000 for five years, but said they would do \$180,000 for three years and would consider the additional two years at \$180,000. He said they did not make that total

commitment, so he thinks it would be unfair to impose that upon AndCo (\$180,000 for five years), but he did think they agreed to the \$180,000 for three years. That is his recollection.

Trustee Smith said that he did recall something similar to Trustee Brumbaugh in that Mr. Holycross stated something like, "we aren't going to let \$10,000 stand in our way" and that AndCo would match an offer like that if they had to. He did not remember the exact wording, but it was pretty clear to him that AndCo was not going to lose the contract over that little amount of money.

Trustee Grant recalled the Board indicating that they would have Chair Deldin and Vice-Chair Cutler negotiate the fees with AndCo. Mr. Michaud pointed out that is reflected in the minutes under "New Business".

Trustee Santo stated that he did not recall AndCo saying they would match the fee, but something more along the lines of "not letting a few thousand dollars stand in the way".

Trustee Grant thought that she recalled when she asked whether or not AndCo had any clients currently out for RFP, that they had said Wayne County was the only one. Ms. Schave responded that AndCo had indicated that none were currently in the RFP process, but that Wayne County was scheduled to go out for RFP within the next year.

The minutes from the September 7, 2017 meeting will be updated to reflect the above information.

The motion carried.

4. Approval of Invoice

A motion was made by Vice-Chair Cutler, supported by Trustee Grant to approve the invoice as presented. The motion carried.

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson provided the report with the activity numbers for August. She also had an update for the Department of Roads numbers. There are 169 people from Roads in the Defined Benefit (DB) plan (for a new total of 1,875). There are 25 people from Roads in the Defined Contribution (DC) plan (for a new total of 491).

Ms. Dobson inquired whether the Board wanted her to continue reporting the numbers for participants in the DC plan at Martha T. Berry. Their DC plan is completely separate from the

County's DC plan and is not managed by her office in any way. The Board agreed it was not necessary to continue reporting that data.

Ms. Dobson also reported that the third notice for the Annual Signature Verification will be going out on Friday to the remaining 34 people who have not responded yet. They will allow two to three weeks for a response and then will attempt to call those individuals. If there is still no response, they are looking at November 1st for possible suspensions of pension benefits. Vice-Chair Cutler requested a copy of the third notice letter so he could see what was being sent out. Ms. Dobson indicated she would get him a copy. Trustee Grant asked how long Ms. Dobson waits once the letter goes out before they take the next step. Ms. Dobson stated they allow for a three week window per the letter itself, but they typically do not take any action until about four weeks afterward (at which point they would start making phone calls to the individuals).

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

7. Disability Retirements

The Board was in receipt of the Medical Director's confidential medical reports regarding the initial examination of Julie Bratten, and the re-examinations of Timothy Hartman, Carrie Hogan, Cindy McFadden, Siobhan O'Brien and Mark Wyzlic. The Medical Directors have concluded, based on the exams, that disability retirements should be granted/continued.

A motion was made by Vice-Chair Cutler, supported by Trustee Rocca that based on the Medical Directors opinions, the disability retirement of Julie Bratten shall be approved and the disability retirements of Timothy Hartman, Carrie Hogan, Cindy McFadden, Siobhan O'Brien, and Mark Wyzlic shall be continued and the following resolutions shall be adopted:

a. Julie Bratten (Initial Exam Opinion)

WHEREAS, the Retirement Board 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 Board is in receipt of an application for disability retirement from Julie Bratten dated January 3, 2017, and

WHEREAS, in accordance with Section 28 of the Retirement Ordinance provides that upon the application of a member, or their department head, a member who (1) is in the employ of the County, (2) is vested, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Retirement Board: 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 Board (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 Board has previously acknowledged receipt of said application and directed the processing of said application in accordance with the Retirement System provisions, and

WHEREAS, on August 16, 2017, Dr. Leonard Rosen, M.D. conducted an independent examination and reviewed all records provided and concludes Julie Bratten is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Julie Bratten should be retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated August 23, 2017, which states that Julie Bratten is totally and permanently incapacitated for duty in the employ of the County, that such incapacity will probably be permanent, and further indicates that Julie Bratten should be retired, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Julie Bratten has met the eligibility requirements for disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the disability retirement of Julie Bratten and directs that benefits be paid consistent with the Retirement System's provisions, and further

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

b. Timothy Hartman (Re-examination Opinion)

WHEREAS, the Retirement Board 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, Timothy Hartman was granted a disability retirement on March 17, 2006, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Timothy Hartman to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on July 5, 2017, Dr. Zachary Endress, M.D. conducted an independent examination and reviewed all records provided and concludes Timothy Hartman is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Timothy Hartman should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated August 23, 2017, which states that Timothy Hartman is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Timothy Hartman has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Timothy Hartman and directs that benefits be paid consistent with the Retirement System's provisions, and further

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

c. Carrie Hogan (Re-examination Opinion)

WHEREAS, the Retirement Board 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, Carrie Hogan was granted a disability retirement on June 23, 2014, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Carrie Hogan to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on August 23, 2017, Dr. Robert J. Kantor, M.D. conducted an independent examination and reviewed all records provided and concludes Carrie Hogan is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Carrie Hogan should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated August 30, 2017, which states that Carrie Hogan is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Carrie Hogan has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Carrie Hogan and directs that benefits be paid consistent with the Retirement System's provisions, and further

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

d. Cindy McFadden (Re-examination Opinion)

WHEREAS, the Retirement Board 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, Cindy McFadden was granted a disability retirement on February 3, 2016, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Cindy McFadden to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on July 21, 2017, Dr. James R. Hawkins, M.D. conducted an independent examination and reviewed all records provided and concludes Cindy McFadden is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Cindy McFadden should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated August 25, 2017, which states that Cindy McFadden is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Cindy McFadden has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Cindy McFadden and directs that benefits be paid consistent with the Retirement System's provisions, and further

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

e. Siobhan O'Brien (Re-examination Opinion)

WHEREAS, the Retirement Board 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, Siobhan O'Brien was granted a disability retirement on May 23, 2016, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Siobhan O'Brien to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on August 3, 2017, Dr. Hermann Banks, M.D. conducted an independent examination and reviewed all records provided and concludes Siobhan O'Brien is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Siobhan O'Brien should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated August 25, 2017, which states that Siobhan O'Brien is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Siobhan O'Brien has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Siobhan O'Brien and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, that a copy of this resolution shall be provided to Siobhan O'Brien and all other appropriate parties.

f. Mark Wyzlic (Re-examination Opinion)

WHEREAS, the Retirement Board 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, Mark Wyzlic was granted a disability retirement on May 9, 2016, after a finding by the Retirement Board that the requirements of the Retirement System had been met, and

WHEREAS, in accordance with Section 32 of the Retirement Ordinance, at least once each year during the first five (5) years following retirement of a member with a disability pension and at least once every three (3) year period thereafter, the Retirement Board requires a disability retiree to undergo a medical examination directed by the Retirement Board Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Mark Wyzlic to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on July 21, 2017, Dr. Lawrence E. Blase, M.D. conducted an independent examination and reviewed all records provided and concludes Mark Wyzlic is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Mark Wyzlic should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated August 25, 2017, which states that Mark Wyzlic is totally and permanently incapable of resuming employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Mark Wyzlic has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Mark Wyzlic and directs that benefits be paid consistent with the Retirement System's provisions, and further

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

The motion carried.

8. Rumps and Walsh Arbitration Award Implementation

Ms. Karen Bathanti Director of Human Resources and Labor Relations joined the meeting because her staff needs some direction from this Board on how to proceed given the ruling in the Rumps and Walsh Arbitration. She proceeded to give the Board some background on the situation.

Ms. Bathanti said about a year-and-a-half ago two employees (Rumps and Walsh) from the Juvenile Justice Center (JJC) approached her office about their date of hire and how it impacted their calculation for the pension. They were both part-time employees for a period of time (one did become full-time eventually). Their part-time dates were in question, their grievance was denied and then went to arbitration. The arbitrator ruled that their part-time date of hire is the date that should be used in regard to determining their benefit tier and where they fall within the County's defined benefit (DB) plan. The Court upheld this decision.

Her question for the Board today is where her department should go with this ruling. There had been some discussion about only applying the ruling to Rumps and Walsh, but she has been contacted by nearly all of the County's union presidents and there are over 500 part-time employees countywide and this decision may impact them. The union presidents are asking if this will apply to all of their part-time employees. These are members who have a part-time date that has never been considered in determining benefit tiers. She would like to get some direction from this Board on how to move forward. Mr. Michaud added that he would be happy to answer questions from the Trustees.

Trustee Smith asked if there had been any kind of study or review done on the impact that this could have on the system with potentially more than 500 additional people in question. Mr. Smigiel said that this is the first he's heard of this and to his knowledge no study has been done. He asked for some additional background on these two individuals (whether or not they ever exceeded the 1,000 hour limit or if they ever paid in to the system). Ms. Dobson responded that one of them did have two consecutive years over 1,000 hours, but elected to not repay the system back. Mr. Smigiel asked if that individual is now getting service credit. Ms. Dobson said he is not getting service credit, but the benefit level is what is in question. Ms. Bathanti said that it is really the 70 point plan that came into play for these individuals.

Mr. Michaud asked the Board members to turn to page 23 of their packets and note that the Court opinion references the collective bargaining agreement (CBA) language. Trustee Murphy

asked if the Board decided to apply this decision solely to the two individuals involved, if that would mean that any other union/member would have a fairly strong case based on the precedent this sets. Mr. Michaud responded by noting specific language on page 23 that, "For any employee hired on or before December 31, 2001..." He said that is the language that is being discussed as far as the significance of what that means. Does "hired" mean you are a member of the system or does "hired" simply mean you were hired by the County? How are retirement benefits applied with respect to the term "hired"? This CBA language is similar (if not identical) to other CBAs in terms of the language that ties eligibility, vesting, and membership to a specific date of hire.

In this instance, the arbitrator determined that date of hire is date of hire and if you were hired by the County in any capacity, then that rule applies to you. That decision for that specific union was challenged in Court and the Court determined that the arbitrator is correct. Mr. Michaud said that this rule clearly has to be applied to these two individuals and to similarly situated individuals within the same bargaining unit. His thinking is that from a consistency standpoint, it is reasonable to approach this for all individuals that have language dealing with the date of hire. Treat them uniformly, across the board, until the language changes at some point in the future.

The administrative team needs direction to apply the rule and there are various circumstances where this would come into play for different individuals with different bargaining agreements. This opinion was previously presented to the Board for informational purposes, but now there is a request to give direction to implement a specific rule. Trustee Murphy questioned if they are just prolonging the inevitable if they choose to narrowly apply this decision to only the two individuals involved knowing that the unions are obviously already following the decision. Mr. Michaud's recommendation is to look at the facts, look at the language and determine if there is a reason to distinguish the facts from some other factual scenario and if there's not, consistency is key. Whatever decision the Board makes could be subject to a second guess, so the Board has to support whatever decision they do make based on the facts they have in front of them. Right now they have an arbitration decision and Court opinion that says this is the application of the date of hire language.

Vice-Chair Cutler wanted to clarify his understanding of the decision. He wants to make sure that the service credit only goes back to the date the employee began paying into the system, not back to their date of hire. Ms. Dobson stated that is correct. They are not talking about service credit.

Chair Deldin asked Ms. Bathanti if she and Ms. Dobson have a proposed remedy on how they would ask the Board to proceed. Ms. Bathanti stated that it is their desire to use date of hire across the board. She understands there will be an impact to the system, but she firmly believes that if the ruling were applied only to Rumps and Walsh, her department would have a line out the door of other individuals filing grievances ending with a loss at arbitration being the outcome. The contract language clearly states date of hire. No reference is ever made to membership, part-time or full-time. Ms. Dobson had been asking for some time to include "membership" in the CBAs during negotiations. Unfortunately, that has not been done and in

hindsight Ms. Bathanti believes it should have been one of their priorities because using the term “membership” defines everything. Without having that clearly defined, that is why they have “buckets” of employees who just don’t fit in certain provisions the County has in the plan. Ms. Dobson said that she supports what Ms. Bathanti has said and that they should use date of hire and in the next round of negotiations really pursue the “membership” language in the CBAs going forward.

Mr. Smigiel asked for confirmation again that this decision does not affect service credit, only their benefit level. He asked about how many Ms. Dobson thinks will be affected by this. Ms. Dobson said there are about 200 that will need to have a complete review of their dates to know where they fall in terms of their benefit level. He asked if there are some in that group who will vary between the eight year vesting and the 15 year vesting. She confirmed that to be a possibility. Mr. Smigiel wondered if an actuarial analysis might be necessary. Ms. Bathanti believes there may also be some defined contribution (DC) employees affected by this. Mr. Smigiel expects that there will be an impact on retiree health care as well.

Trustee Smith noted that there are potentially going to be some cases of people who started part-time, may still be part-time and if they get moved to full-time now, they would go back into the DB plan which is an interesting problem for management. Moving someone from part-time to full-time adds them to the County’s retirement plan that was taken out of play for new employees almost two years ago. He wondered if there was any legal paperwork that person could sign that would opt them out of the DB plan. Mr. Michaud that he expects that at some point in the future, the Board will be presented with groups of individuals who fall into these different categories. At that point, the Board can shore up the procedures, policies and forms to make sure those situations are covered and everyone understands what the rule is in advance.

Chair Deldin asked the other members if they would like to have Ms. Dobson and Ms. Bathanti come back with some data at the next meeting that will show how many people are in these “buckets” and where they are proposing that they go. Ms. Dobson asked what type of data they would like to see. Chair Deldin said it would be helpful to see how many people would be eligible for the 70 point plan and other changes based on their date of hire. He understands that will not necessarily give them an idea of the financial impact, but he agreed that it should be cleaned up and they should not wait for another grievance to be filed before that happens.

A motion was made by Trustee Grant, supported by Trustee Rocca to postpone further discussion on this item until the October 5th meeting. The motion carried.

9. Unfinished Business

a. AndCo Consulting Services Agreement

Mr. Michaud stated that the contract provided in the Board packets reflects what was presented by AndCo at the last meeting (terms and compensation). He noted that compensation is in the form of a sliding scale. From a legal standpoint, this contract meets the

requirements and could be implemented by the end of this month. He opened the floor up for any questions.

Vice-Chair Cutler made a motion, supported by Trustee Santo to approve the Investment Consultant Agreement as presented.

Trustee Smith asked if this reflects anything to do with the negotiations that the Board authorized Chair Deldin and Vice-Chair Cutler to engage in with AndCo. Mr. Michaud directed his attention to the last page of the Board packet which shows the sliding five year fee schedule. Chair Deldin asked Mr. Michaud if at any point during the five years (even in the middle of a year) if this Board (or future Board) has the authority to terminate this agreement if they don't like the fees or the service that is being provided. Mr. Michaud responded affirmatively and also confirmed that within the first year of the agreement, if the contract is terminated, the fee will be rebated (there is a one year money back guarantee, so to speak). Any time after that first year, there is no refund, but the Board has the ability to terminate the agreement immediately with the fee being prorated.

Trustee Brumbaugh stated that the annual fee payment that is included in the contract is not the same as what AndCo submitted with their bid. Their bid was three years at \$190,000 each year and the contract is \$180,000 for the first year, \$190,000 for the second year and \$200,000 for the third year. He asked if this was negotiated because that was a change from their bid. Trustee Murphy asked if it averages out to be \$190,000 across the three years. Chair Deldin said that it averages out to be the same dollar amount for the five years. Trustee Brumbaugh said that is correct and that it is \$995,000 for all five years either way.

Trustee Brumbaugh stated that he has no problem with AndCo. He thinks they are competent and they will do a good job for the Board. He has faith in the consultants as he has known both Mr. Holycross and Mr. Green for a long time. Where he has an issue is as a fiduciary. Morgan Stanley submitted a bid with a fee of \$180,000 and he asked them to clarify that and they said it would be guaranteed for three years, possibly five. That bid from Morgan Stanley was submitted by Mr. Holycross when he was with them. At that time, he was saying he was worth \$180,000 with Morgan Stanley. AndCo came in and Mr. Michaud asked if they would be willing to negotiate their fee and they said yes. Trustee Brumbaugh asked them if they would be willing to match Morgan Stanley and they clearly responded yes which means that the fee they should be entitled to is \$180,000 for three years with the next two years to be discussed.

Trustee Brumbaugh said that he ran into Mr. Holycross about a week ago and that while Mr. Holycross is not happy with him, he submitted to Trustee Brumbaugh that he had brought a ton of value to the Board and he should be compensated for that. Trustee Brumbaugh responded to him that he had submitted a bid for Morgan Stanley at \$180,000 and if he thought he was worth more than \$180,000, then as the representative for Morgan Stanley he should have bid more. Trustee Brumbaugh would not even be talking today if they had said their bid was firm and they were not negotiating it, but they agreed.

Trustee Brumbaugh said that yesterday the Retirees' Association had their annual luncheon meeting and he thought that was a good time to ask the membership that he represents for their input. He explained what happened and there was not one retiree who agreed that they should pay what had been bid. They all said (and he has an affidavit signed by 103 people) that AndCo should stick with \$180,000 as they had agreed to in the meeting. His affidavit/petition is signed by retired Circuit Judges, retired department heads and retired Commissioners. He would bet that if something was sent out to all of the retirees and beneficiaries, they would all agree.

Trustee Brumbaugh said that he likes the consultants from AndCo, but the decision should not be personal. He thinks the Board should look at this how the public would look at it. If a contractor comes in and says they will do the job for less money and then you give them a contract for more money than they agreed to, how would the public perceive that? He said it comes down more to fiduciary duty. Their fiduciary duty is to get the best representation they can at the lowest price. No one is questioning the competency of these individuals or AndCo, but he is questioning the fact that they agreed to a lesser fee and what has been presented to the Board is not a reduced fee, but the same fee just spread out differently across a five year term. He thinks it's wrong to approve this as presented. He had experience negotiating fees for the County for various services for many years. He said the goal was to always get the best price for the taxpayers, to get the best price for the retirees. When you tell someone it's only \$10,000 more from one year to the next that means a lot to people whose average retirement is \$17,000. If you look at the Actuary Report, there are a lot of people (retirees) getting way less than that. There are retirees who get no cost of living adjustment. What they get when they retire is what they get for the rest of their lives, so \$10,000 means a lot to them and \$10,000 across three years is \$30,000. It just isn't right to go ahead and approve the contract with this fee schedule attached. The only objection he has is the fee schedule.

Trustee Brumbaugh will give his signed affidavit/petition to the Secretary to put into the record for the meeting. This was created by a retiree who submitted it and circulated it among the attendees of the luncheon yesterday. It reads: "We, the undersigned Macomb County retirees, respectfully request that the Retirement Commission hold AndCo to its verbal agreement to charge \$180,000 per year in fees for three years and sign the contract in accordance with that verbal agreement." He said this was signed by a lot of prominent people who have retired from the County (elected officials, Judges, department heads, etc.). He thinks that the department heads really reflect on what the reaction would have been if they had been able to get a product or service cheaper, but they went ahead and paid more. That just cannot be justified. Trustee Brumbaugh thinks the Board should proceed with approving the contract with years one through three at \$180,000 and have further talks with AndCo for their fee for years four and five.

Vice-Chair Cutler (as a point of information) said that he went back and looked and 2007 was when the fee with Graystone first went to \$180,000. The Board has been paying \$180,000 per year for investment consulting services for the last 10 years. He thought this might be relevant for a historical perspective.

Trustee Rocca made a motion to amend the contract with AndCo to reflect what Trustee Brumbaugh said, making it \$180,000 for the first three years. The motion died for lack of support.

Chair Deldin responded to Trustee Brumbaugh's comments. He said that he was not surprised that 103 people signed that petition, but he wondered if Trustee Brumbaugh informed that group that when bids are sought for professional services that this organization is not bound by the lowest rate. Trustee Brumbaugh stated that he believes most of these folks understand that. Chair Deldin is not so certain. Trustee Brumbaugh said he's not voicing his concern because the bid was lower, he is voicing his concern because the gentlemen from AndCo sat there and said they would take \$180,000 for three years. That is what he conveyed to the retirees at the luncheon. They said that they should be held to what they agreed to verbally. He questioned why any Board that is entrusted with public funds (and these funds belong to the retirees) would agree to pay out more funds than agreed upon. He stated that the Board's fiduciary duty is to get the best product they can for the lowest price. He has known Mr. Holycross for 25 years and considers him a friend, but that friendship does not mean he turns his back on the retirees and the fund and agree to pay him a higher fee (even though he thinks Mr. Holycross might be worth it). AndCo agreed to a lower fee and he thinks it is this Board's responsibility to safeguard the funds as best they can.

Trustee Santo said that he did not recall AndCo locking in the rate at \$180,000 for three years. He recalled Mr. Holycross saying something along the lines of "not letting a few thousand dollars stand in the way," but he did not recall him saying they would lock in at \$180,000 for three years. Trustee Brumbaugh said that it was not Mr. Holycross who agreed to it but his boss (Mr. Welker) certainly did. Trustee Rocca expressed his opinion that Mr. Brumbaugh's argument is solid and he feels the Board should be getting the best price for the service they require. He pointed out that AndCo is a brand new company to the Board and they should be grateful they are getting the contract at a comparable price to Morgan Stanley. Trustee Rocca did not know that Trustee Brumbaugh does not have a vote as the retiree representative. He said the Board is responsible for looking out for the retirees and getting the best price and best service is what they are there for. He thinks AndCo will do the work for \$180,000 as they suggested they would and the Board would still get their best service from them. He completely supports what Trustee Brumbaugh said.

Chair Deldin took a moment to say that he was personally disappointed that Trustee Brumbaugh would rile up 103 (or more) people while this issue was under review and has not been finalized by this Board. Trustee Brumbaugh asked to respond. He stated that he thinks he has a duty to inform the people he represents, the people that elected him to be here, of what occurred. He felt that if he did not bring this up at their annual meeting yesterday when he had the opportunity, then he would be shirking his responsibility to them and not fulfilling the promises that he had made to them to be an advocate for them, to safeguard the assets. He thinks it would be unfair and totally disingenuous to the retirees to keep that information from them. He represents all of the retirees and only a portion of them were in attendance at the lunch meeting. He is willing to bet that if someone were to go out and ask a retiree how they felt about this, they would reflect what he is telling the Board.

Chair Deldin stated, with all due respect, that it sounds like Trustee Brumbaugh focused on just one piece of the companies and that was the price. None of those retirees sat in the meeting for three hours to see the presentations and none of those retirees have sat at this table the length of time some of those in the room have to even understand what an investment consultant does. They were focused on the price. They do not know the whole picture. Trustee Brumbaugh said that Chair Deldin is correct on that point.

Trustee Smith said that if he was a professional company he could see why they would want to hold to their price when they are so close (comparatively speaking). He suspects that may have been the way the conversation might have gone. He agreed that they should always be trying to look for the best price, but at the same time he doesn't necessarily want a company that is willing to do anything they can to get the County's business. He sees the Board simply picking the best company for the right reason and since they have the ability to cancel the contract at any time, he doesn't see any harm in moving forward with AndCo.

Chair Deldin asked Mr. Michaud because the contract presented today has already been executed by AndCo, what would need to be done if the votes are in favor of rejecting the document. Mr. Michaud said if the vote is to approve the contract, it would be signed by an authorized person from the Board and delivered to AndCo. If the vote is to reject the contract, it would go back to be fine-tuned. Chair Deldin asked if it is important the service with a new consultant begins at the start of a new quarter. Mr. Michaud indicated it is the "cleanest" way to start, but it is not essential to start the contract at the beginning of a new quarter.

Trustee Murphy apologized because he was excused from the meeting when the interviews with these firms were conducted, but wanted to clarify that power had been given to the Chair and the Vice-Chair to negotiate the terms of the contract with AndCo. Chair Deldin said that accurately reflects the motion made that day. Trustee Murphy asked if the document presented to the Board today is the outcome of Chair Deldin and Vice-Chair Cutler's discussion with AndCo. Chair Deldin confirmed that it is.

Trustee Rocca asked for confirmation of what the fee is in the contract. Mr. Michaud directed him to the last page of the document that lists the fees.

Chair Deldin asked for a roll call vote. A roll call vote was taken on Vice-Chair Cutler's original motion, supported by Trustee Santo to approve the contract as presented. Deldin – YES, Smith – YES, Santo – YES, Murphy – YES, Cutler – YES, Grant – YES, Rocca – NO. The motion carried 6-1.

10. New Business

Vice-Chair Cutler mentioned again the possibility of discussion related to allowing people to opt out of the pension system and move into the DC plan. This Board could make a recommendation to the Board of Commissioners for them to consider reviewing that. Chair Deldin said that the County Executive's office could probably ask the Human Resources and Finance Departments to engage in an actuarial study for that small class of people to see if it

would be beneficial to the system to allow them to opt out. Mr. Smigiel asked if Vice-Chair Cutler was talking about the deferred individuals. Vice-Chair Cutler said there are two classes of people that he is looking at possibly removing from the pension system. One is the people that are in the system who have the 15 year vesting requirement that probably are not going to be with the County that long and will not end up getting a benefit. The second group is the "deferreds" that vested after eight years and left the County who will eventually draw a pension and health care from the system. He is not suggesting a full-price buyout, but he thinks offering them some determined value to get them out of the system would help smooth the Board's future payments. He feels it would be worthwhile to look at. Mr. Smigiel said that for the deferred individuals, the more difficult calculation would be a buyout on the value of the health care.

11. Adjournment

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