

MINUTES OF THE RETIREMENT COMMISSION
Thursday, September 22, 2016

A meeting of the Retirement Commission was held on Thursday, September 22, 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, Jill Lezotte (on behalf of George Brumbaugh)

Excused:

George Brumbaugh

Also Present:

Stephen Smigiel, John Schapka, Eric, Herppich, Stephanie Dobson, John Kravitz, Tom Michaud

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:33 a.m. by Chair Flynn.

2. Adoption of Agenda

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

3. Public Participation

Ms. Jill Lezotte, residing at 50778 Bower Court, Chesterfield Township, Michigan 48047 spoke on behalf of the Retirees' Association in the absence of Trustee Brumbaugh. She is the Treasurer for the Association and was present to affirm some of Trustee Brumbaugh's statements regarding the changing of "Commission" to "Board" and the 1,000 hour rule as they relate to the restatement of the Retirement Ordinance. The Retirees oppose the changing of "Commission" to "Board" and they agree that state law says 12 consecutive months for tracking 1,000 hours worked (not any calendar year). Trustee Brumbaugh respectfully requests that the Board adhere to the County Charter and state law as they relate to both of these issues.

4. Chairman's Comments

Chair Flynn advised the Board that he excused the Holycross Group from today's meeting as there were no investment items to be covered. He did indicate, however, that a letter had been

received from Clarkston Capital regarding some changes that have been made to their investment team. That item will be presented under "Other Business" on today's agenda. Mr. Holycross will have something more formal to present after his team has had an opportunity to conduct due diligence on this change.

Chair Flynn also stated that he has relayed to the County Board of Commissioners (BOC) that they will be receiving the restatement of the Retirement Ordinance very soon for review and approval. The BOC commented that they are hoping that the restatement does not come through to them at the last minute and they would like to have a chance to have an education period on the document. Chair Flynn would like to provide the BOC with a memo very soon outlining the last 18-months of progress and the reasons behind the updates/clarifications that are being requested.

5. No Show Fee Policy Draft

Mr. Michaud directed the Board to page two of the draft policy he provided which outlines how the no show fee (now referred to as "Cancellation Charge") would be recouped from a member who fails to appear for their scheduled independent medical examination. Payment is to be made within 90 days of notification of their responsibility to pay (either by a lump sum or through an adjustment to payroll or monthly retirement benefits, whichever is applicable). No interest applies to these options. If the member does not select a repayment option within 90 days, the payroll deduction or deduction from monthly retirement benefits applies. If the individual is no longer employed by the County and is not collecting a pension, the System will recoup the fee from the refund of accumulated contributions or pension benefits (when they begin). Interest (at the System's actuarial assumed rate of investment return) will be assessed in these instances.

Trustee Grant inquired about the appeals process. Mr. Michaud explained that the individual may appeal the Cancellation Charge in writing and request a hearing within 90 days to explain why they do not feel they should be required to pay the fee.

A motion was made by Trustee Deldin, supported by Trustee Murphy to adopt the "Disability Examination – Cancellation Charges" policy. Trustee Grant offered a friendly amendment to change the sentence reading "The request for appeal shall contain a statement of the claimant's reasons for believing the Cancellation Charge to be improper" to "The request for appeal shall contain a statement of the claimant's reasons for disputing the Cancellation Charge". Trustees Deldin and Murphy accepted the friendly amendment. The motion carried.

6. Restatement of Retirement Ordinance

Chair Flynn directed the Board to page 15 and the section which refers to elected officials and the County Commissioners. Mr. Michaud provided an update on sub-section "b" which would now include sub-sections "i" and "ii" that would separate the two groups and clarify the exclusion language for each.

The second item for discussion is the hard close vs. the soft close in Section 18. Mr. Michaud reminded the Board that the first option notes that after January 1, 2016 any individual who returns to County employment would become a member of the DC plan. The second alternative is if an individual is re-employed by the County within three years of separation, they would be eligible to be reinstated in the DB plan. This alternative incorporates a "break in service" concept allowing them to go back into the DB plan as though they had never left.

The next item is the eligibility of DROP members to nominate, vote and serve as employee elected members of the Pension Board. Mr. Michaud directed the Board to page 42, where he has added language that would allow participants in the DROP plan to vote in elections and also serve on the Board as employee representatives. Mr. Herppich asked for clarification on whether this would only apply to non-represented employees until the applicable collective bargaining agreements had been changed. Mr. Michaud confirmed this is correct.

Also up for discussion is one of the items Ms. Lezotte spoke about on behalf of Trustee Brumbaugh (calendar year vs. trailing year). A copy of the applicable state statute is enclosed in the Board member's packets for today's meeting. Mr. Michaud directed the Board to page seven of that document where a reference is made to 1,000 hours in any 12 month period. Mr. Michaud believes that the statute is open to reasonable interpretation and can be amended by the Ordinance. Chair Flynn asked for confirmation that the past practice of the County has been to use a 12-month calendar year. Mr. Herppich confirmed that has been the practice for at least the last 26 years.

Vice-Chair Cutler indicated that he and Mr. Smigiel met to discuss the Final Average Compensation calculation and they determined that 26 consecutive pays was not exactly right. They are trying to come up with something that the actuaries could work with and this is still a work in progress. Mr. Smigiel is generally in agreement with Vice-Chair Cutler on this subject, but would like to study this a little more before the next meeting. Mr. Michaud inquired whether the language in the document could remain and the calculation could simply be clarified with a policy providing greater detail. Mr. Smigiel and Vice-Chair Cutler agreed that this may be the best solution as the calculation may be quite complicated and not need to actually be included as a part of the Ordinance.

Trustee Miller requested to go back to the discussion on Section 18. He inquired about whether or not there would be any distinction made between someone who takes their money out of the system and someone who does not. Mr. Michaud confirmed that this distinction is not included right now because of the Reciprocal Retirement Act. He did not want to overly complicate the situation for this reason. Vice-Chair Cutler expressed the opinion that one or the other of the options should be selected before the document is presented to the County BOC. Chair Flynn agreed and when the Board votes on that item only one option will be chosen to remain in the document.

VOTING – Restatement of Retirement Ordinance

The first item requiring a vote is sub-section “b” on page 15 which would be split into two further sub-sections (one for the County BOC and one for other elected officials).

A motion was made by Trustee Deldin, supported by Trustee Murphy to accept the amendment as presented by Mr. Michaud. The motion carried.

The second item requiring a vote is the choice between a soft close vs. hard close in Section 18. Option #1 is considered a hard close and option #2 allows an individual to return to County employment within three years and be reinstated in the DB plan. A roll call vote was taken with each Board member responding with the Option they are voting affirmatively for:

Flynn – Option #2	Murphy – Option #2	Miller – Option #2
Deldin – Option #2	Cutler – Option #2	
Hoepfner – Option #2	Grant – Option #2	

Option #2 was selected unanimously and will be included in the draft of the restatement forwarded to the unions and the County BOC.

The third item requiring a vote is adding language to allow DROP participants to be eligible to nominate and vote in employee representative elections and serve as employee representatives on the Pension Board.

A motion was made by Trustee Hoepfner, supported by Trustee Grant to amend the Ordinance as described in the draft document. The motion carried.

The fourth item requiring a vote is the calendar year vs. trailing year. Chair Flynn inquired if anyone on the Board wanted to make a motion to make the change recommended by Trustee Brumbaugh. No motions were made to change the current practice.

A motion was made by Trustee Hoepfner, supported by Trustee Deldin to send the Restatement of the Retirement Ordinance to the County BOC as amended at today’s meeting. The motion carried.

Chair Flynn advised that he believes that Mr. Michaud’s services would likely be needed when this document is presented to the County BOC at their meeting. He inquired about how the Board would like to handle payment of Mr. Michaud’s billing for those services. Mr. Schapka and Mr. Michaud agreed that payment would need to be made by the Pension Board as he would be presenting on behalf of the Retirement System. He also suggested that he would prepare a cover letter to accompany the document, so that the purpose of the restatement is clearly explained. There were no objections to this proposal.

7. Other Business

Chair Flynn distributed copies of the letter that had been sent by Clarkston Capital Partners advising of a change in their investment team. Mr. Jeremy “JJ” Modell is no longer going to be serving on their investment committee for equity strategies and will instead focus on business development and fixed income portfolio management. Chair Flynn stated that Mr. Holycross will be putting together a formal analysis of this change to present to the Board and will have that available at the first meeting in October.

8. Adjournment

There being no further business before the Board, a motion was made by Vice-Chair Cutler, supported by Trustee Miller to adjourn the meeting at 9:04 a.m. The motion carried.