

**MINUTES OF THE RETIREMENT COMMISSION**  
**Thursday, November 10, 2016**

A meeting of the Retirement Commission was held on Thursday, November 10, 2016 at 8:30 a.m., in the Administration Building, 9<sup>th</sup> Floor Conference Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Chair David Flynn, Mark Deldin, Carol Grant, Bob Hoepfner, Matthew Murphy, George Brumbaugh

Excused:

Vice-Chair Gary Cutler, Derek Miller

Also Present:

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

*Chair Flynn requested some flexibility in the agenda so that the legal items can be addressed before Corporation Counsel needs to depart for another commitment. A motion was made by Trustee Deldin, supported by Trustee Murphy to approve the agenda as presented. The motion carried.*

**3. Approval of Minutes - October 27, 2016**

*A motion was made by Trustee Grant, supported by Trustee Hoepfner to approve the minutes from October 27, 2016 as presented. The motion carried.*

**4. Approval of Invoices**

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

**5. Public Participation**

None

## **6. Chairman's Comments**

Chair Flynn will reserve his comments for the discussion of additional draft language for the Restatement of the Retirement Ordinance later in the agenda.

## **7. Retirement Administrator Report**

Ms. Dobson provided the Activity Report with the numbers through September. Her office has been holding 3-4 appointments per day as they approach year end and as more employees consider either joining the DROP program or retiring.

### **-- Review of job classifications in disability retirement examinations**

Ms. Dobson had received an inquiring from Trustee Murphy about the applicability of job classifications as they relate to disability retirement examinations. She reiterated that job descriptions are provided to the Medical Director along with the medical information provided by the employee at the time of application for disability retirement. That information is then forwarded by the Medical Director to the physician conducting the examination. They are making their determinations while looking at the job description and in relationship to the individual's abilities to perform the essential functions of the job.

Trustee Murphy expressed concern that because there are some jobs that have different requirements where a total disability is not applicable and the physician does not deem them disabled, the individual may still unlikely be able to perform some of the essential functions of the job. Ms. Dobson also pointed out that many of the job descriptions tend to be very generic and it is possible that there are certain positions within the County that have more physically demanding requirements that are not necessarily noted within the description. In those instances, it may be necessary to add an addendum to the job description, but this would not apply to all positions.

Chair Flynn also had a question about the DROP program and the Collective Bargaining Agreements. He had heard there was a provision that employees had to enter the DROP program by the end of 2016 in order to only have to stay five years. Ms. Dobson said that although she is not a member of the negotiating team, it was her understanding that provision was on the table, but had not been agreed to by any of the unions.

Chair Flynn asked if someone had completed their paperwork based on the belief that provision was going to be accepted and was slated to enter the DROP program in December, can they rescind that paperwork? Ms. Dobson stated that past practice has always been that the day they sign the DROP paperwork is the day they are committed. Mr. Schapka confirmed that if they have signed the paperwork, it is irrevocable at that point.

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

## 8. Disability Retirements

### -- Eric Pugh (Re-examination Appeal Determination)

The Board was in receipt of the Medical Director's medical reports and opinion pertaining to Mr. Pugh's re-examination appeal. The Medical Director has certified he is not mentally or physically totally incapacitated for duty in the employ of the County. Based on the Medical Director's opinion, the Board concurred to disapprove Mr. Pugh's continual disability retirement.

*A motion was made by Trustee Deldin, 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**, Eric Pugh was granted a disability retirement on March 4, 2005, after a finding by the Retirement Commission 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 Commission requires a disability retiree to undergo a medical examination directed by the Retirement Commission Medical Director, and

**WHEREAS**, that the Retirement Commission directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Eric Pugh to be re-examined and to advise the Medical Director of their responsibilities, and

**WHEREAS**, on March 21, 2016, Dr. Cheryl Lerchin's report and certification reflects that Eric Pugh is **not** totally and permanently incapacitated for duty in the employ of the County, and further indicates that Eric Pugh should **not** remain retired, and

**WHEREAS**, on July 21, 2016 said retiree exercised their right for appeal and the Retirement Commission resolved to have the appeal processed, and

**WHEREAS**, on October 19, 2016, Dr. Bala Prasad conducted an appeal independent medical examination and reviewed all records provided and concludes Eric Pugh is **not** totally and permanently incapacitated for duty in the employ of the County, and further indicates that Eric Pugh should **not** be retired, and

**WHEREAS**, the Retirement Commission is in receipt of a certification from the Medical Director, dated October 31, 2016 which states that Eric Pugh is **not** totally and permanently incapable of duty in the employ of the County, and further indicates that Eric Pugh should **not** be retired, and

**WHEREAS**, the Retirement Commission has discussed this matter and has determined that Eric Pugh has **not** met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

**RESOLVED**, that the Retirement Commission hereby **disapproves** the continual disability retirement of Eric Pugh and directs that benefits stop being paid consistent with the Retirement System's provisions, and further

**RESOLVED**, that a copy of this resolution shall be provided to Eric Pugh and all other appropriate parties.

*Motion carried.*

## **9. Mesirow Financial Institutional Real Estate**

Mr. Mark Rivitz and Mr. Tony Fragapane joined the meeting to provide an update on the Courtland Partners international and domestic real estate funds. Mr. Rivitz advised that in July 2015 Mesirow exited the fund-to-fund business, so Courtland Partners took over as the manager.

Mr. Fragapane provided an update on the International Partnership Fund I. The overall return of the fund is 1.57% and they expect that to improve as more assets are liquidated. He covered the diversification of the fund and stated there are seven funds remaining with net asset value (NAV). As those funds liquidate their holdings over the next three years more capital will be returned. He is estimating this will be roughly \$7.5-8.5 million coming back to the Retirement System across that time period.

Mr. Rivitz provided a performance overview on Domestic Partnership Fund I. Returns are exceeding the target with a net return of 12.9%. There are five funds that will comprise 82% of the activity going forward and he expects remaining distributions to take place through the next 2-3 years.

*A motion was made by Trustee Grant, supported by Trustee Murphy to receive and file the Courtland Partners (Mesirow Financial Institutional Real Estate) update. The motion carried.*

## **10. The Townsend Group**

Mr. Jeff Deal joined the meeting to provide an update on the Townsend Real Estate Alpha Fund II (TREA II). The final close for this fund was earlier this year in January. So far there are 18 committed transactions and they anticipate possibly two or three more investments to be added to the portfolio over the next few months. This portfolio is very diverse mix of different opportunities. Of the \$10 million that the Retirement System committed last December, about 54% has been called at this point and he expects another 10% or so to be called in the next 30-60 days. Mr. Deal also reviewed several recent investment transaction summaries.

*A motion was made by Trustee Deldin, supported by Trustee Murphy to receive and file the Townsend Group presentation. The motion carried.*

**11. Penn Square Real Estate Group**

Mr. Jeff Deal also provided the update on the Penn Square Global Real Estate Fund I. This fund is fully invested and is entering its “wind down” phase. They are projecting a profit margin of a little over 20% of the overall program, net-net of all fees. It is expected this will be fully liquidated within the next 2-3 years.

*A motion was made by Trustee Deldin, supported by Trustee Murphy to receive and file the Penn Square Real Estate Group update. The motion carried.*

**12. Restatement of Retirement Ordinance – additional draft language (Sections 16, 18, 21, 22, 23)**

Mr. Michaud started the discussion by stating that the goal of the additional discussion today is to ensure that Sections 16, 18, 21, 22 and 23 all read consistently.

In Section 16, the new draft language states that once money has been withdrawn from the system, all prior service credit is forfeited and an individual is not able to put their money back into the system in the event they return to County employment. They will become a member of the Defined Compensation (DC) plan going forward. Chair Flynn is concerned that implementing this policy change now will be confusing since education has already been done with the County Board of Commissioners (BOC) and many questions were already asked and answered related to this. This would also be a change from what was presented to all of the bargaining units.

In Section 18, it is noted that vesting requirements are “...based upon the provisions in effect at the time the individual previously separated from membership.” This is not a change, just a clarification based upon previous action taken by the Board for specific individuals.

In Section 21, for eligibility requirements for service retirement, it is noted that, “Any member shall be entitled to retirement pursuant to the provisions of MCERS and the individual’s collective bargaining agreement in effect at the time the individual previously separated from membership.” This is also not a change, just another clarification based upon previous action taken by the Board for specific individuals.

In Section 22, a clarification is made regarding the past practice of a “hybrid calculation” for individuals who separate from the County under one multiplier and return to employment under another. Each period of employment has its own calculation based on what the multiplier was during each time period.

Mr. Herppich advised that he has sent the draft restatement of the Ordinance out to the unions twice with opportunities to provide feedback and he has not really received much

communication in response. He would like to send out the most current draft of the document with notations on any specific clarifications that have been made one more time and give them a final opportunity for comment. If no questions come back, he feels they will have adequately satisfied their obligation to communicate the revisions to the labor unions.

Trustee Brumbaugh asked the members to look at Section 16(d) which includes the language, "...nor (8) elected county officials, other than members of the Macomb County Board of Commissioners, whose term of office commenced on or after January 1, 2016." He is concerned that this would exclude elected county officials who begin a new term of office after the January 1, 2016 date. He gave the example of the re-election of Sheriff Wickersham. He will be starting a new term of office on January 1, 2017 and according to this language would be excluded from the Defined Benefit (DB) plan (although he has already been a member for some time). This could also potentially prohibit an individual already employed by the County and a member of the DB plan from running for elected office. Although there would be no break in service, he believes that this needs to be clarified. Legal counsel will determine the best way to word this.

Chair Flynn indicated that he has no issues with bringing forward language that clarifies information in the document. He does not intend to bring forward any policy changes, however, since the process for getting to this point has taken almost 18 months and both the unions and the BOC have already been presented with a draft. Time is running very short for the BOC as there are only a handful of meetings left and the majority of those are set for budget approval. It is still hoped that the Restatement can be approved by the BOC by the end of 2016.

*A motion was made by Trustee Grant, supported by Trustee Hoepfner to receive and file the Restatement of the Retirement Ordinance – additional draft language (Sections 16, 18, 21, 22 and 23). The motion carried.*

#### **a. Ethics Ordinance**

Chair Flynn advised that the County BOC had amended the Ethics Ordinance back in August and he thought it would be a good idea for the Board to adopt the amended Ethics Ordinance as its own. Trustee Brumbaugh inquired about what the major changes were to the document. Chair Flynn replied that the major changes were to the process for filing a complaint and providing due process to those that were accusing and those that were accused of a violation.

*A motion was made by Trustee Hoepfner and supported by Trustee Deldin to adopt the County Ethics Policy. The motion carried.*

### **13. Other Business**

Mr. Holycross distributed a handout related to the election results and the positive and/or negative impacts of a Trump presidency within certain segments of the market.

**14. Adjournment**

*There being no further business before the Board, a motion was made by Trustee Hoepfner, supported by Trustee Grant to adjourn the meeting at 10:06 a.m. The motion carried.*