

MINUTES OF THE RETIREMENT COMMISSION
Thursday, December 1, 2016

A meeting of the Retirement Commission was held on Thursday, December 1, 2016 at 8:00 a.m., in the Administration Building, 9th Floor Conference Room, located at 1 South 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:

Stephanie Dobson, Stephen Smigiel, Eric Herppich, John Kravitz, Bryan Santo, Tom Michaud, Mike Holycross

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:06 a.m. by Chair Flynn.

2. Adoption of Agenda

Chair Flynn requested the addition of one employee issue as #6a on the agenda. Mr. Greg Santo from the Public Works Department was present at the meeting to discuss an issue related to an actuarial calculation.

A motion was made by Trustee Hoepfner, supported by Trustee Deldin to approve the agenda as presented with the additional item proposed by Chair Flynn. The motion carried.

3. Approval of Minutes

- **November 10, 2016**

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

- **November 17, 2016**

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

4. Approval of Invoices

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

5. Public Participation

None

6. Chairman's Comments

Chair Flynn advised that the County Board of Commissioners (BOC) added a discussion of the restatement of the Retirement Ordinance to the agenda for their meeting yesterday and their meeting today. Yesterday, it was received and filed and there were no questions. Next week, after the budget approval process is completed, they will roll out the clarifying amendments. Mr. Michaud has been working with Mr. Smith to prepare a draft to be run through the BOC process late next week with a final vote hopefully being taken on December 8th.

a. Actuarial Calculation – Greg Santo

Mr. Greg Santo was present to discuss an issue he is having with being required to pay \$900 to cover the actuarial costs of changing his DROP date. Mr. Santo stated that back in September or October he visited Retirement Services in the Human Resources and Labor Relations (HRLR) Department to apply to go into the DROP program. He had heard that a change to the program had been proposed in labor negotiations and because of this he intended to retire/go on the DROP program before January 1, 2017. This rumor involved a change that stated that once an individual worked their additional five years on the DROP program, they would then have to leave and he wanted the option to stay after the five years.

As labor negotiations proceeded, that change was taken off the table. At that point, he reconsidered his decision and contacted Retirement Services to request a change be made to his DROP date. His original DROP date was supposed to be December 17th and he had an appointment to sign paperwork scheduled for November 2nd. Mr. Santo wanted to move his DROP date to after the first of the year and at that point he was informed that there was an actuarial cost that would be assessed with changing his date. He was not aware of this and he is here today to ask the Board for some consideration to help him out with the actuarial costs.

Trustee Deldin asked Ms. Dobson to provide some background information related to Mr. Santo's issue. Ms. Dobson stated that she believed that Mr. Santo originally completed an "estimate form" to begin the process and because he has an EDRO on file, an employee has to establish a retirement date in order for the information to go to the actuaries to begin the calculation process. When Mr. Santo originally came in to begin the process, the Board had not yet put in place the policy requiring the cost of EDRO calculations be paid by the individuals. The first analysis that was conducted for Mr. Santo (based on the dates he provided) was not

associated with a cost because the policy had not yet been put in place. When Mr. Santo called and requested to change his retirement date, he was told about the policy and the fee that he would be required to pay because the actuary would have to recalculate the offsets and what his actual pension amount would be.

Chair Flynn asked if Ms. Dobson could bring the paperwork related to this process (specifically for Mr. Santo's situation) to the next meeting. He also asked when the EDRO Policy went into effect. Ms. Dobson thought it had been approved by this Board in September or October and then had a communication window to allow time for employees and unions to be notified. A county-wide email went out to "everyone" and she believed that Mr. Herppich had also communicated the new policy to the labor unions.

Mr. Michaud recommended that since this is the first time this has come to the attention of the Board, that this be put into a little bit more detail and added to the next meeting agenda for further review. He would also then be in a better position to make some suggestions in his capacity as legal counsel. Ms. Dobson also noted that there has been another individual (a deferred retiree) with an EDRO on file who had their calculations made nearly simultaneously with Mr. Santo and they have already paid the actuarial costs per the policy.

Mr. Santo expressed his appreciation to the Board for their time and the matter will be placed on the December 15, 2016 agenda for further examination.

A motion was made by Trustee Hoepfner, supported by Trustee Murphy to receive and file the information presented. The motion carried.

7. Disability Retirement

- Frank Delise (Appeal Determination)

The Board was in receipt of the Medical Director's medical reports and opinion pertaining to Mr. Delise's disability re-examination appeal. The Medical Director has certified he is mentally or physically totally incapacitated for duty in the employ of the County. Based on the Medical Director's opinion, the Board concurred to approve Mr. Delise'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 Frank Delise dated November 3, 2016 and

WHEREAS, 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) 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 has been 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 January 18, 2016, Dr. Mitchell Folbe's report and certification reflects that Frank Delise is **not** totally and permanently incapacitated for duty in the employ of the County, and further indicates that Frank Delise should **not** be retired, and

WHEREAS, on July 12, 2016 said applicant exercised their right for appeal and the Retirement Commission resolved to have the appeal processed, and

WHEREAS, on October 19, 2016, Dr. Bala Rasad conducted an appeal independent medical examination and reviewed all records provided and concludes Frank Delise is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Frank Delise should be retired, and

WHEREAS, the Retirement Commission is in receipt of a certification from the Medical Director, dated November 17, 2016, which states that Frank Delise is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Frank Delise should be retired, and

WHEREAS, the Retirement Commission has discussed this matter and has determined that Frank Delise 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 Frank Delise 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 Frank Delise and all other appropriate parties.

Motion carried.

8. Request for Recognition of Public Service Credits from Previous Municipal Service – John Abraham

Mr. Michaud recommended that this matter be directed to legal counsel for further review. He briefly explained the Reciprocal Retirement Act and offered to answer any questions the Board may have. Trustee Brumbaugh indicated that he had done some research and found online that the City of Troy is not, in fact, a reciprocal unit. He stated that Ms. Dobson is 100% correct in her assessment and unfortunately this gentleman worked for a municipality that was not reciprocal. In his view, the decision on this is pretty cut and dry and Mr. Abraham's previous service credits from the City of Troy cannot be recognized.

Mr. Michaud and Mr. Schapka will work on drafting a legal opinion to be presented at the December 15th meeting.

A motion was made by Trustee Murphy, supported by Trustee Deldin to receive and file the Request for Recognition of Public Service Credits from Previous Municipal Service from Mr. John Abraham. The motion carried.

9. Request to Return to Defined Benefit (DB) Plan – Derek Miller

Trustee Miller advised the Board that this item no longer needs to be addressed. He received a letter from Mr. Eric Herppich yesterday and is satisfied with the decision. Chair Flynn indicated he had not yet seen the letter and Ms. Dobson advised that she had brought a copy with her. It simply indicates that after review with Corporation Counsel, Trustee Miller's retirement benefits will be by the Defined Benefit plan as defined by the Macomb County Employees' Retirement System for all of his employment service with Macomb County. Copies of the memo were also sent to Trustee Deldin, Ms. Dobson, Chair Flynn and Mr. Schapka.

Mr. Michaud suggested that the memo be placed on the December 15th meeting agenda. Chair Flynn indicated it will be added to that agenda so that it can be received and filed.

10. Update on Independent Counsel Review

Mr. Michaud excused himself from the meeting, so the Board could discuss this matter. Chair Flynn reminded the Board that bids for this will be opened on December 15th in the afternoon. The question before the Board is if they want to call a special meeting after their meeting in the morning of December 15th in order to discuss this or if they want to leave it up to the next Board to decide. Vice-Chair Cutler stated that he would prefer to see the current Board handle this prior to the end of the year. There were no objections. Ms. Schave will work on scheduling that meeting for a date that works best for the Board.

A motion was made by Trustee Hoepfner, supported by Trustee Grant to receive and file the Update on Independent Counsel Review. The motion carried.

11. Other Business

Chair Flynn requested updates on what has been happening in Lansing in terms of proposed legislation related to pension benefit changes. Mr. Michaud indicated that much of the discussion happening in Lansing had originally been slated to be deferred until 2017, but that has changed recently and a bill was introduced yesterday afternoon that deals with health care benefits. Bill 6074 is still being reviewed, but essentially it provides limitations and restrictions on active and employee retiree health care benefits in terms of what can be contributed by the employer to pay for that type of coverage. It is contingent upon the funding levels of the health care plan. He stated that if a plan is 80% funded, then there are limitations on how much the employer can pay for health care coverage. Those employed after May 1, 2017 have a health care benefit restricted to 2% of an individual's base pay. The employer can only contribute 2% of the employee's base pay toward their retiree health care coverage. There is another provision in the bill that would create an enforcement mechanism in which a lawsuit could be brought to the Court of Appeals that would then potentially subject the municipality to civil fines and penalties. There are two hearings scheduled for discussion of this bill and it's possible that changes could be made before the bill is released from committee to be voted on. He stated this is all very last minute, and his office has had discussions with the governor's office as well as members of the house, but they will have to wait to see where this is going. He expects that he will have a better sense of what may happen by the meeting on December 15th.

Mr. Smigiel asked if the County gets credit for their bonds. If the bonding is excluded, the funding is likely under 80%, but if it is included, funding is over 100%. He would suspect most plans are going to be under the 80% target. Mr. Michaud responded that there are likely 100s of unanswered questions at this point because the bill creates numerous legal and practical questions. It is not clear at this point what is even meant by the term "funded". Every municipality is different, every fund is different and every collective bargaining agreement is different.

Trustee Miller inquired about the math behind this bill. If funding is under 80%, then the municipality can only contribute 2% of the employee's annual base salary to fund their health care meaning the employee has to contribute the rest. He is wondering what Macomb County currently contributes to employee health care. Mr. Michaud reminded him that this is only for employees hired after May 1, 2017. Mr. Herppich stated that for new employees hired into the County after January 1, 2016 the County does not contribute anything toward their retiree health care. He does not think the 2% rule is going to apply due to the way the contributions have been structured in the labor contracts. Trustee Brumbaugh asked when the state goes out of session. Mr. Michaud stated he believes they have 12 business days left, but he did not know when the last day actually is. Trustee Miller stated that historically they have been in session up to Christmas Eve and then after the holiday before the first of the year.

Mr. Holycross distributed a handout to the Board members that had also been emailed to them previously. He is expecting the markets will continue to rally though year end and into 2017. He will have more detail at the next meeting.

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Deldin, supported by Trustee Grant to adjourn the meeting at 8:42 a.m. The motion carried.