

**MINUTES OF THE RETIREMENT COMMISSION**  
**Thursday, December 15, 2016**

A meeting of the Retirement Commission was held on Thursday, December 15, 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, 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 Schapka, 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 8:33 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 - December 1, 2016**

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

**4. Approval of Invoices**

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

**5. Public Participation**

None

**6. Chairman's Comments**

Chair Flynn stated he would reserve his comments for the Special Meeting on December 19<sup>th</sup>, with the exception of notifying the Board members that the Restatement of the Retirement

Ordinance (along with the clarification amendments) was unanimously approved by the County Board of Commissioners (BOC) last Wednesday. Provided there is no veto by the County Executive, the restatement will go into effect 10 days from the approval. Mr. Michaud is preparing a clean version of the document for distribution online and to employees.

## **7. Retirement Administrator Report**

Ms. Dobson provided the Activity Report with the numbers for the month of October. She stated that her office has moved into their busiest time of year. They are holding 3-4 appointments per day with individuals looking to either retire or DROP in the months of December and January.

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

## **8. Disability Retirement**

### **- Andrea Perry (Application)**

*A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to adopt the resolution to process the disability retirement application of Andrea Perry and direct Human Resources to order an IME. The motion carried.*

Vice-Chair Cutler inquired about whether or not the resolution should be changed to reflect a "duty disability" given the nature of the information provided on Ms. Perry's application. Mr. Schapka confirmed that she was on duty and in uniform with the alleged incident took place. Vice-Chair Cutler asked that the resolution be updated to read "duty disability".

## **9. Update on 2015 Valuation Timeline**

Mr. Smigiel advised that he has spoken with Larry Langer at Buck Consulting and they are working through the existing data issues. Martha T. Berry still has to review and update their data and overall there has been a lot of data clean-up performed. A report is expected sometime in mid-to-late January. Mr. Herppich added that there was a lot of human involvement and manual entry of data with the old GRS system and going forward there will be less of that with the Buck system. This will keep the data clean and allow for reports to be run much more smoothly in the future.

*A motion was made by Trustee Deldin, supported by Trustee Grant to receive and file the Update on the 2015 Valuation Timeline. The motion carried.*

## **10. Fee for Actuarial Calculation – Greg Santo**

Mr. Santo was present at the meeting. He is asking for clarification on the actuarial charge attributed to individuals in the event of a divorce. Mr. Michaud provided a summary of the

issue as presented at the last meeting. Mr. Santo provided Retirement Services with a DROP date and a calculation was done based on that date. After October 15<sup>th</sup> (the date the Board's new EDRO policy went into effect), Mr. Santo requested to change his DROP date and thus became required to pay for the cost of the new actuarial calculation associated with that new date. Mr. Michaud referred the Board members to the timeline prepared by Ms. Dobson and he stated that he views the request for a new DROP date as a new application as it required a new calculation. He recommends the Board be consistent across the board for everyone and that they should enforce the policy and charge Mr. Santo the fee as stipulated by the policy.

Chair Flynn inquired if the individuals are required to sign a document indicating they understand a fee will be charged for the calculation of the EDRO. Ms. Dobson indicated that there is now a form that the individuals sign indicating they understand that a fee is required. She stated that Mr. Santo never signed this form because it was not required when he came in and set his initial DROP date. When he called to change his date (after the new policy was put in place), the form was forwarded to him, but he never signed or returned it.

Trustee Deldin remarked that given the circumstances and the fact Mr. Santo had his first retirement date established before the policy took effect, he would still have a difficult time not following the policy, but would propose splitting the cost of the calculation since this is a non-precedent setting exception. Chair Flynn agreed that splitting the cost seems to be a viable option in this case, but he stated that going forward he would like to see that no calculations are completed until the document explaining and acknowledging their responsibility for the calculation fee has been signed by the appropriate individual.

Chair Flynn suggested sending this back to the Administrative Policy Committee, so the entire process can be reviewed including all paperwork that will be signed by the employee. Mr. Schapka and Mr. Michaud could also review that information, at which point it would be brought back before this Board for final approval. He feels that this will mitigate any chance of this happening again in the future.

*A motion was made by Trustee Deldin, supported by Trustee Grant to have the Retirement System pay half of the actuarial fee owed by Mr. Santo. The motion carried 6-1. Vice-Chair Cutler was opposed.*

*A motion was made by Trustee Hoepfner, supported by Trustee Grant to send this matter back to the Administrative Policy Committee to create a draft process by February. The motion carried.*

- 11. Pension Calculation Question – Coleen Head**
- 12. Pension Calculation Question – Mark Steenbergh**

Ms. Head was present at the meeting to provide some background on her situation. She worked for the County for 10 years and then left and returned to County employment approximately four years later. She did not withdraw her money from the retirement system. Since she has been back, she has been receiving periodic pension estimates with a single

pension amount. She recently went for her DROP meeting and she was presented with two pension calculations based on her two terms of employment (which have different Final Average Compensation calculations). She is requesting a ruling on whether or not she should have one or two calculations.

Mr. Steenbergh was also present at the meeting to provide some background on his situation. He was also employed by the County for a period of time, left and returned to County employment later. He has also received two separate calculations based on two separate Final Average Compensation numbers for his two periods of employment. He distributed handouts to the Board members showing the calculation as he believes it should be made. Mr. Steenbergh does not believe there is anything written (ordinance, resolution, etc.) mandating a split calculation. His employment is concluding effective December 31, 2016 so time is of the essence for a determination in his circumstance and he is asking for a conclusion from the Board as to whether or not he should have one or two calculations.

Trustee Deldin indicated that since the Board is already scheduled to have a Special Meeting on December 19, 2016 he feels it would be reasonable to give the members some time to consider these matters and allow time for legal counsel to review past practice before a final decision is made.

Chair Flynn opened the discussion up to additional questions. He questioned what past practice has been in terms of split calculations. Mr. Herppich responded that they are basing Ms. Head and Mr. Steenbergh's split calculations on a legal opinion issued by Corporation Counsel in 2013 (Mr. Brumbaugh at that time). Trustee Brumbaugh was deeply offended that Human Resources and Labor Relations (HRLR) was, from his perspective, using an opinion authored by him to the detriment of these two employees. He said that the opinion was written in response to a question that was asked at the time regarding two different multipliers. He does not believe the breaks in service taken by these individuals should have any impact on their calculations. He stated that he was "flabbergasted" as to why the Board continues to punish the employees and the retirees. He believes that people should get what they have earned and in his opinion Ms. Head and Mr. Steenbergh have earned pensions based on a single calculation.

Trustee Murphy stated that he will be unable to attend the Special Meeting on the 19<sup>th</sup> but that in situations where there is any ambiguity, he is in favor of taking care of the members of the retirement system.

Trustee Deldin was taken aback by Trustee Brumbaugh's statement that this Board continually harms the employees of the pension system and he hopes that is not the message that Trustee Brumbaugh is taking back to the retirees as Chairman of the Retiree Association. Trustee Brumbaugh requested to clarify that he did not intend to state that this Board punishes the employees and although he may not agree with every decision the Board makes, he does believe they are fair decisions and that is the message he takes back to the retirees.

Mr. Michaud reminded those present that the Board has not yet taken any action and that this is the first time these scenarios have been presented. He will make every effort to get the Board a written memo as far in advance of the Special Meeting as possible. There are a number of factors that have changed over the years with respect to membership, how a pension is calculated, vesting requirements, Final Average Compensation (FAC), etc. and this is an issue that is not specific to these two individuals. This is a larger issue with many different scenarios that need to have a uniformly applied conclusion. This will be a policy issue or an interpretation of the Retirement Ordinance that would be applicable to everyone who falls into these or similar circumstances. He understands there is a concern about the timing of resolution of this, but stated that the Board may need to look at past practice and may need to take the time to consider all of the information and make a comprehensive decision that can be applied going forward (not just for these two individuals).

Chair Flynn stated that he will be scheduling a vote on this for the meeting on Monday.

*A motion was made by Trustee Deldin, supported by Trustee Hoepfner to receive and file the information provided by Ms. Head and Mr. Steenbergh with an opinion and vote scheduled for the Special Meeting on December 19, 2016. The motion carried.*

**13. Response to Request to Return to Defined Benefit (DB) Plan – Derek Miller (receive & file)**

*A motion was made by Trustee Deldin, supported by Trustee Grant to receive and file the Response to Request to Return to Defined Benefit (DB) Plan. The motion carried.*

**14. Alidade Capital Fund IV**

Chair Flynn reminded the Board members that this topic was discussed when Alidade came in to do their presentation in November. They had provided a fee schedule that would give an incentive to investors making a commitment to Fund IV before the end of the year. He advised that the Intermediate Trust Board took action this morning that if the Retirement Board elects to make an investment of \$10 million, the Intermediate Trust Board will also make a corresponding, proportional investment.

*A motion was made by Trustee Deldin, supported by Trustee Hoepfner to enter into Fund IV by the end of 2016 or at least give a letter of intent in order to take advantage of the fee incentive offered by Alidade before first close. The motion carried.*

**15. NCPERS 2017 Legislative Conference – January 29-31, 2017**

*A motion was made by Trustee Deldin, supported by Trustee Hoepfner to approve Board member attendance at the NCPERS 2017 Legislative Conference. The motion carried.*

**16. EnTrustPermal Investment Summit – February 21-22, 2017**

*A motion was made by Trustee Deldin, supported by Trustee Hoepfner to approve Board member attendance at the EnTrustPermal Investment Summit. The motion carried.*

**17. Graystone Consulting – 3<sup>rd</sup> Quarter Performance Report**

Mr. Holycross provided the Board with market slides and the quarterly performance report. Across the board, there has been very good news from the Board's asset managers both on the index funds and the active managers. Performance has been very good this year.

Loomis Sayles is behind year-to-date and from an administrative standpoint, their performance has labeled them an "underperforming manager" per the Investment Policy Statement. They have done well so far in the fourth quarter, but Mr. Holycross believes that they should be notified that they are on "watch" status. He does not think they will be surprised by this, but because they have triggered the underperforming watch list, he thinks they should be formally notified and should things not improve in the next two or three quarters, the next step would need to be taken. That would include bringing them in and the potential for a search.

Franklin Templeton has also triggered the underperforming manager policy as of September 30, 2016 and Mr. Holycross would also like to place them on "watch" status.

Vice-Chair Cutler requested some additional education be scheduled for the Board members particularly in the area of real estate early next year. He would like to see some geographic expansion as most of the existing real estate investments seem to be centered in the same geographic areas. Chair Flynn agreed that for the new members joining the Board next year education should be a top priority.

*A motion was made by Vice-Chair Cutler, supported by Trustee Hoepfner to send a notice to Loomis Sayles and Franklin Templeton advising them they are on the "watch list". The motion carried.*

*A motion was made by Trustee Grant, supported by Trustee Hoepfner to receive and file the Graystone Consulting 3<sup>rd</sup> Quarter Performance Report. The motion carried.*

**18. Other Business**

Chair Flynn indicated that a Legislative Update from Mr. Michaud will be provided at the meeting on Monday.

**19. Adjournment**

*There being no further business before the Board, a motion was made by Trustee Murphy, supported by Trustee Miller to adjourn the meeting at 10:08 a.m. The motion carried.*