

MINUTES OF THE RETIREMENT COMMISSION
Thursday, December 17, 2015

A meeting of the Retirement Commission was held on Thursday, December 17, 2015 at 8:30 a.m., at the Macomb County Administration Building, 9th Floor Conference Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Jerry Moffitt – Chair, Gary Cutler, Dave Flynn, Bob Hoepfner, Mark Deldin, Matthew Murphy

Excused:

Darra Slanec – Vice-Chair

Also Present:

George Brumbaugh, Stephen Smigiel, John Schapka, John Kravitz, Stephanie Dobson, Mike Holycross, Aaron Castle

1. Call to Order

There being a quorum of the committee present, the meeting was called to order at 8:30 a.m. by Chair Moffitt.

2. Adoption of Agenda

A motion was made by Trustee Cutler to amend the agenda by switching item #5 with item #7 to allow for the 2014 Valuation Update to be given prior to the Approval of Invoices and approve the agenda as revised. The motion was supported by Trustee Murphy. The motion carried.

3. Public Participation

None

4. Approval of Minutes

A motion was made by Trustee Deldin, supported by Trustee Hoepfner to approve the minutes of the December 3, 2015 meeting as presented. The motion carried.

5. 2014 Valuation Update

Ms. Dobson reported that they are hopeful the 2014 valuation will be completed by GRS by the end of the year. In preparing for the switch to Buck's system, she has uncovered many data deficiencies in the GRS system which have caused some challenges for the valuation. Ms.

Dobson will be preparing a report summarizing the issues she has uncovered and will present it to the Board in January.

A motion was made by Trustee Flynn, supported by Trustee Hoepfner to receive and file the 2014 Valuation Update. The motion carried.

6. Disability Retirement – Nancy Oermann (Opinion)

Trustees were in receipt of the Medical Director’s confidential medical documents regarding the independent medical examination of Nancy Oermann. The Medical Director has certified based on the independent medical exam that Nancy Oermann is not mentally or physically totally incapacitated for duty in the employ of the County, and therefore does not meet the requirements for a disability retirement.

A motion was made by Trustee Cutler, supported by Trustee Hoepfner that based on the Medical Director’s certification, to deny Nancy Oermann a disability retirement and 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 Nancy Oermann dated August 7, 2015 and

WHEREAS, Section 28 of the Retirement Ordinance provides that upon the application of a member, or his/her 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 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, the Retirement Commission is in receipt of a report from its Medical Director, Dr. Calmeze Dudley, M.D., who conducted an independent exam of Nancy Oermann on November 17, 2015, and

WHEREAS, Dr. Calmeze Dudley, M.D., in conducting the review, has reviewed all the records provided and has considered such factors as Patient History, Past Medical History, Current Medications, Allergies, Social History, Outside Medical Records, Physical Examination, and

WHEREAS, Dr. Calmeze Dudley, M.D.'s, report and certification reflects that Nancy Oermann is not totally incapacitated for duty in the employ of the County, and further indicates that Nancy Oermann should not be retired, and

WHEREAS, the Retirement Commission has discussed this matter and has determined that Nancy Oermann has not met the eligibility requirements for disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Commission hereby disapproves the disability retirement of Nancy Oermann and further

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

Motion Carried.

7. Approval of Invoices

A motion was made by Trustee Cutler, supported by Trustee Hoepfner to approve the invoices as presented with the exception of the GRS invoice (to be held in abeyance until the 2014 valuation is completed). The motion carried. Chair Moffitt requested Ms. Dobson communicate with GRS to advise them of the status of this invoice pending the completion of the valuation.

8. Legal Opinion and Recommendation – Michael Grix

Mr. Castle provided a summary of the legal opinion authored by Mr. Michaud in the matter of Mr. Michael Grix's unique re-employment/vesting situation. They are recommending a "hybrid" solution wherein Mr. Grix's two terms of employment would essentially be recognized individually. He would only receive one pension at the time of his retirement, but it would be based on two separate computations (one for the initial period of employment and one for the second period of employment).

Mr. Brumbaugh indicated he agreed with Mr. Michaud's opinion, but not his conclusion. He thinks the Board is being asked to interpret a labor agreement and that there is an important distinction between an employee's "hire date" and their "re-hire date". Mr. Brumbaugh believes Mr. Grix should be given the relief he has asked for. Mr. Castle explained that the distinction between "hired" and "re-hired" was something that was examined in the drafting of their legal opinion.

Mr. Schapka pointed out that it is beyond the scope of this Board's jurisdiction to be dealing with HR policy and union contracts. Trustee Flynn inquired whether this was solely a legal issue or something that should be addressed through the Retirement Ordinance. Mr. Schapka confirmed that a change in the Retirement Ordinance could be made to address Mr. Grix's situation and others like it going forward. Trustee Flynn expressed his opinion that the Board should take the time to address these type of circumstances formally through the Retirement Ordinance and not make a decision today that will set precedent for all future instances similar to Mr. Grix.

A motion was made by Trustee Deldin, supported by Trustee Flynn to refer this issue to the Administrative Policy Committee to be formally addressed through a revision to the Retirement Ordinance. The motion carried.

9. Graystone Consulting – 3rd Quarter Performance Report

Mr. Holycross detailed the third quarter data for all of the fund managers. He also provided three additional handouts to the Board at the meeting. He spoke about the rate hike that just occurred and described the impact it could have on the market. This is the first rate hike since 2006. He expects earnings to be up in the neighborhood of 10-15% in the next year to year-and-a-half. He thinks stocks will be in positive territory over the next couple of years. They are confident that the market and economy will continue to expand.

He then discussed the performance of the portfolio in the third quarter. The total portfolio was down 5.95%, S&P down 6.5% in the third quarter. He explained that global liquidity conditions tightened dramatically and this was related closely to the activity in China. He also noted that large cap stocks (the S&P) outperformed small cap stocks for the year.

A motion was made by Trustee Flynn, supported by Trustee Murphy to receive and file the Graystone Consulting 3rd Quarter Performance Report. The motion carried.

10. Bloomfield Capital due diligence status update

Mr. Holycross provided an update on the due diligence Graystone is conducting into Bloomfield Capital. The process has been started and operational due diligence and investment due diligence have been scheduled in early and mid-January (done by two separate teams). Typically, 30 days after that, the teams write their opinions and approval is then either granted or denied by the research committee. This yields an end of February, beginning of March timeline.

11. Intercontinental cash flow update

Mr. Holycross provided an update on the cash flow from Intercontinental. He indicated there is plenty of cash available and that although the Retirement System is in the redemption queue, Intercontinental must go through an audit on all of their financials before any distributions can be made. He was told to expect distribution sometime in mid-March. Chair Moffitt inquired about whether the distributions are only made once per year and Mr. Holycross confirmed that

distributions are made on a quarterly basis, but that the System entered the redemption queue for the December 31, 2015 distribution. Chair Moffitt questioned when their request was put in and Mr. Holycross thought it was in September or October. Trustee Cutler believed there was supposed to be 90% redemption with 10% held back until after the audit. Mr. Holycross responded that he was not told that by Intercontinental, but that he will go back through the legal documents and review the terms for redemption. Chair Moffitt was also curious about when the request was actually put in.

12. Proposed meeting dates for 2016

Chair Moffitt suggested moving the February 11th meeting to February 18th and eliminating the February 25th meeting altogether. Mr. Holycross questioned the necessity of the back-to-back meetings scheduled in September and November, but the Board agreed to leave those meetings scheduled at this time and reassess as the dates approach.

A motion was made by Trustee Hoepfner, supported by Trustee Deldin to approve the meeting schedule for 2016 as revised. The motion carried.

13. Other Business

Trustee Cutler requested clarification from Ms. Dobson on the benefit date changes policy. For example, if an employee was with the County for 10 years as a part-time employee and worked 1,000 hours for the first few years, so they were contributing members of the Retirement System and then they are terminated and brought back into a full-time position, what is the situation with the employees that this happened to between October 2015 (when the policy change took place) and the end of this year? Ms. Dobson responded that their service credits do not change and that they keep those service credits. If for some reason, an employee chose to take a refund of their contributions, then they would they lose those service credits.

On behalf of the retirees, Mr. Brumbaugh took a moment to thank Ms. Dobson and her staff for the hard work they put into coordinating the retiree holiday luncheon. He stated that he thought it was well organized and he heard compliments from many of the attendees. Ms. Dobson reported that donations were down again this year and with over 500 people in attendance, there may be a need to reassess the viability of the luncheon next year. Trustee Cutler requested a list of the vendors that contributed toward the luncheon, so they can be recognized for their generosity. Ms. Dobson advised she will be sending out thank you cards, but will provide the list of donors to the Board members.

14. Adjournment

There being no further business before the Board, a motion was made by Trustee Murphy, supported by Trustee Hoepfner to adjourn the meeting at 9:37 a.m. The motion carried.