

MINUTES OF THE RETIREMENT BOARD
Thursday, February 14, 2019

A meeting of the Retirement Board was held on Thursday, February 14, 2019 at 8:30 a.m., in the Administration Building, 9th Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Mark Deldin, Bryan Santo, Carol Grant, Harold Haugh, Larry Rocca, Gary Cutler, Matthew Murphy, George Brumbaugh

Excused:

Also Present:

Stephen Smigiel, Stephanie Dobson, John Schapka, Joe Biondo, Christina Miller, 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 Deldin.

2. Adoption of Revised Agenda

A motion was made by Trustee Rocca, supported by Vice-Chair Santo to adopt the revised agenda. The motion carried.

3. Approval of Minutes from January 31, 2019

A motion was made by Trustee Haugh, supported by Vice-Chair Santo to approve the minutes from January 31, 2019 as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson provided the final Activity Report for 2018. She said the trends have remained about the same over the last couple of years. Moving into 2019, she will again do side-by-side comparisons for a few months.

She also advised that her office has officially been transferred to a contact at Buck. She has not received an update yet on the transition of the software, but she is not terribly concerned about that at this time.

Ms. Dobson also mentioned that she would like to reinstate the Administrative Policy Committee. She has been working on updating and revising a few policies recently. It has been some time since that Committee met and she is looking to see who might be interested in participating. The Board agreed that the Committee will be comprised of Mr. Michaud, Mr. Schapka, Mr. Smigiel, Ms. Dobson and Trustee Cutler.

Chair Deldin had one question regarding the Activity Report. He asked for confirmation that there are 2,955 pension payments paid out every month. Ms. Dobson stated that is correct. Chair Deldin noted that there are 1,721 active employees in the Defined Benefit (DB) plan and 535 in the Defined Contribution (DC) plan. In the three years since the DB plan was closed, over 30% of active staff are now in the DC plan. There are only 1,721 active employees in the DB plan and the system is supporting 2,955 retirees/beneficiaries.

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

7. Disability Retirement(s)

a. Janine Sechrist (Re-examination Opinion)

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examination of Janine Sechrist. The Medical Director has concluded, based on the re-exam, that her disability retirement should be continued.

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to adopt the following resolution and continue the disability retirement of Janine Sechrist:

WHEREAS, the Retirement Board 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, Janine Sechrist was granted a disability retirement on January 8, 2018, after a finding by the Retirement Board 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 Board requires a disability retiree to undergo a medical examination directed by the Retirement Board Medical Director, and

WHEREAS, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set-up an appointment for Janine Sechrist to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated January 23, 2019, which states that Janine Sechrist is totally and permanently incapable of resuming

employment with the County in the same or similar job classification in which said individual was employed at the time of disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Janine Sechrist has met the eligibility requirements for a continual disability retirement from the Retirement System, therefor be it

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Janine Sechrist 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 Janine Sechrist and all other appropriate parties.

The motion carried.

Chair Deldin requested to swap items #8 and #9 since Ms. Reynolds is present at the meeting today. The Board members had no objections.

8. State offset – Noel Reynolds

Mr. Michaud reminded the Board that this matter had been discussed previously and referred to his office to prepare a legal opinion. His recommendation at this time is to discuss the legal opinion in Executive Session under attorney client privilege.

A motion was made by Trustee Haugh to enter into Executive Session to further discuss the legal opinion prepared by Mr. Michaud related to this issue. The motion was supported by Trustee Murphy. A roll call vote was taken with all members responding affirmatively to enter into closed session.

A motion was made by Trustee Cutler, supported by Trustee Grant to return to open session. The motion carried.

Ms. Noel Reynolds and her husband Harry were present at the meeting today. Ms. Reynolds was given an opportunity to address the Board. Ms. Reynolds summarized her situation for the Board again. She believes that she is "different" from the others mentioned in the grievance settlement.

Ms. Reynolds says that there is another person who had the exact same situation that she did (same classification, paid in the same manner) who got a "sweetheart" deal from the Administrator at the time who allowed that individual to switch from being partially paid by the State much sooner than she could and was allowed to keep both the State and County pensions. Ultimately, this individual signed off on the grievance settlement as the union representative. Ms. Reynolds stated that the settlement was worked on for two years and the individuals named in the grievance were not allowed much input. She asserted that the County made money off of the dual payment situation. She said the County ended up saying that they would combine both salary amounts at the time of retirement for purposes of calculating each of the five individuals Final Average Compensation (FAC). Ms. Reynolds said that did not happen in her case.

Ms. Reynolds was the youngest out of this group and by the time she was reaching retirement, the County changed the funding of her compensation and she began being paid solely by the County. It is

because of this change, that Ms. Reynolds believes her situation to be different than the other individuals named. She also recalled that when she went to her "retirement classes" with Ms. Wendy Fisher (the person who handled retirement in Human Resources and Labor Relations at the time) provided her with several estimates of what her pension benefit would be and when Ms. Reynolds questioned the amount of income shown for her in 1999 as being far too low, Ms. Fisher simply responded that it would be re-figured. It appears that Ms. Fisher shifted to the next year and calculated her FAC starting with the year 2000. To Ms. Reynolds, this means that Ms. Fisher recognized that the grievance settlement did not apply to her.

Ms. Reynolds also directed the Board's attention to Section 4 of the grievance settlement which states, "The parties hereby acknowledge that this Agreement provides greater retirement benefits to the Grievants than they would have received had they received separate pensions from the State of Michigan and the County of Macomb." She stated that is not the case for her. Her FAC was not supplemented and Ms. Fisher never mentioned or discussed this settlement. Ms. Reynolds said she knows that Ms. Fisher was aware of the settlement because Ms. Dobson confirmed that a copy of the settlement was in Ms. Reynolds retirement file with some notes from Ms. Fisher. She believes the agreement was forgotten about until all of a sudden her name popped up on Ms. Dobson's radar.

Ms. Reynolds maintains that the circumstances changed five years after that grievance settlement was written and points out that it is now over 25 years old. She does not understand how it can be held to her when it did not apply to her at the time she retired in 2004 and fifteen more years have passed since that time. She received no benefit from it then and would not benefit from it now. She still feels that her situation is different from everybody else that was involved in this grievance. She stated that she benefits from this, but it was not her decision. The County made all of the decisions about how she was paid and they made her sign the deferred pension forms in 1999. She said that the County also knew they could not touch the State pension because it was offered to them when negotiations were taking place for the settlement agreement. They offered to give up their State pensions in order to receive just one pension from the County and they were told that the State pension can only be given directly to the individuals. The County set this up and now this is the fallout.

Chair Deldin opened the floor up to the Trustees for any comments or questions. Trustee Murphy asked for clarification on whether Ms. Reynolds was receiving a whole County pension at the time she separated/retired from the County. Ms. Reynolds confirmed that she was and that she had more than the four years she needed for her FAC and her pension was what she should have gotten. Ms. Reynolds also mentioned that when this grievance was settled she started paying in for a full County pension and even had to write a check to the County for the time that the contribution was not taken from her paychecks. She had to make her retirement contributions out of pocket to make up the difference.

Chair Deldin asked Ms. Reynolds to understand that that even though she may not agree with the settlement agreement, the Board is bound by the decisions that were made by the union and her representatives. He advised that legal counsel had provided the Board members with an opinion regarding this issue. Ms. Reynolds expressed her frustration again at a person being allowed to sign off on a settlement agreement while they were getting a better "deal" than those the agreement applied to. Chair Deldin indicated that he was not aware of any issue related to that and he had to view it as speculative in nature. He said the Retirement office has done a good job in going back and reviewing the facts of these types of situations and the Board appreciates that.

Chair Deldin noted that the grievance settlement, while it is over 20 years old, does not expire and all the Board has to go by is what was agreed to.

A motion was made by Chair Deldin, supported by Vice-Chair Santo that Ms. Reynolds is subject to the terms and conditions of the settlement agreement which specifically provides that her County retirement benefits will be reduced by the gross amount of the State pension benefits which she is entitled to receive. The motion carried.

Chair Deldin advised Ms. Reynolds that the Board has determined that she is bound by the settlement agreement and the offset must occur. He noted that there is another issue that the Board will be taking up related to any amounts that she may have been overpaid and what to do with that. The Board is governed by an Overpayment Policy and they will be reviewing that at a later date to determine what, if anything, is due to the County.

Ms. Reynolds asked if she could have a copy of the legal opinion. Mr. Michaud recommended that remain under attorney client privilege, but noted that Ms. Reynolds will receive communication from Ms. Dobson's office that explains the rationale behind the Board's decision. Ms. Reynolds then asked in what way she is benefitting as it is stated in Section 4 of the agreement. She is questioning how she is receiving greater benefits than if she had not been part of this. Mr. Michaud stated that the terms and conditions of the settlement agreement are very specific about how it applies and the Board is applying that settlement agreement to the five individuals who were subject to that document.

9. Loomis Sayles Annual Update – Joseph Beauparlant

Mr. Joseph Beauparlant joined the meeting to provide the Board with the annual update on the Loomis Sayles investments. He stated that things at Loomis are steady and stable and there have been no recent changes to the decision making team. Loomis is a multi-sector bond manager and they look for value within investment grade bonds and other sectors such as high yield bonds, non-U.S. dollar denominated bonds and convertible bonds. They have the flexibility to dial up risk or dial down risk based on where they are in the market cycle.

Mr. Beauparlant reviewed the investment results and noted that the 4th quarter was very difficult. The government shutdown, overall political climate and concerns about trade tariffs all played a role in affecting the market's behavior. Year-to-date, net of fees the return was 0.25% and so far in 2019, they are up 1.60% which shows how much things have rebounded in the last six weeks.

He also reviewed the trailing one year attribution by sector and discussed the characteristics of the portfolio. Mr. Beauparlant stated that he likes the way the portfolio is positioned. They are taking risk very, very seriously. They believe the next area that the market cycle will be moving in will be a downturn, so they are leaving some risk within the portfolio.

A motion was made by Vice-Chair Santo, supported by Trustee Grant to receive and file the Loomis Sayles Annual Update. The motion carried.

10. Unfinished Business

Chair Deldin requested a discussion of the overpayment policy be added to the next meeting agenda with any calculations that might be ready for Ms. Reynolds' situation. Ms. Dobson will pull that information together and provide it to Ms. Schave for the next meeting packet.

11. New Business

Trustee Haugh inquired about why the 2018 ending market values for Loomis appear to be substantially less for both the Retirement System and the Intermediate Trust. Mr. Holycross confirmed that money had been withdrawn from both of the Loomis portfolios.

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Grant to adjourn the meeting at 9:51 a.m. The motion carried.