

MINUTES OF THE RETIREMENT COMMISSION
**** REVISED ****
Thursday, April 6, 2017

A meeting of the Retirement Commission was held on Thursday, April 6, 2017 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:

Gary Cutler, Bob Smith, Carol Grant, Matthew Murphy, Larry Rocca, Bryan Santo, George Brumbaugh

Excused:

Mark Deldin

Also Present:

Stephanie Dobson, Stephen Smigiel, John Schapka, John Kravitz, Joe Biondo, Tom Michaud, Mike Holycross, Erik Burger

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:32 a.m. by Vice-Chair Cutler.

2. Adoption of Agenda

A motion was made by Trustee Murphy, supported by Trustee Grant to move items #11 and #12 up to accommodate another commitment Mr. Holycross has and move items #7 and #8 to later in the agenda. The motion carried.

3. Approval of Minutes – March 23, 2017

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

4. Approval of Invoices

Vice-Chair Cutler requested to add approval of two additional 2016 invoices for Conduent. The total additional amount for approval is \$14,649.99. The other invoices already on the agenda for approval are also for Conduent and the total amount for those is \$10,066.66 bringing the total amount for approval to \$24,716.65. The Board had no objections.

A motion was made by Trustee Smith, supported by Trustee Rocca to approve the invoices as presented with the addition of the \$14,649.99 on the two additional invoices from Conduent. The motion carried.

5. Public Participation

None

6. Rebalance Recommendation – Graystone Consulting

Mr. Holycross provided details regarding two rebalance recommendations being made by Graystone. The first involves moving \$12.5 million from Loomis Sayles Core Plus and \$12.5 million from WAM BC Aggregate to a \$25 million investment in either ClearArc Strategic Income Plus or JP Morgan Strategic Income. The Board requested each of these organizations come in for interviews on April 27th. A decision on this rebalance recommendation will be made after those interviews have been conducted.

Mr. Holycross reviewed the next rebalance recommendation which involves re-distributing some profits and moving funds into emerging markets. Graystone is proposing moving \$8 million from CRM Small value, \$8 million from Clarkston Small/Mid and \$8 million from Reinhart PMV to \$16 million in Edgewood Large Growth and \$8 million in Loomis Large Value. Additionally, they are proposing to move \$15 million from WAM S&P600 Small Cap to a new index fund (Vanguard EM ETF) and \$15 million from WAM S&P400 Mid Cap to the WAM S&P500 Large Cap.

A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to follow the recommendation for rebalance #2 as provided on page seven of the information provided by Graystone. The motion carried.

7. Invesco Mortgage Recovery Master Fund, L.P. – Suspension Waiver

Mr. Holycross explained the Suspension Waiver with respect to the Invesco Mortgage Recovery Master Fund, L.P. WL Ross & Co LLC was the underlying advisory firm for this investment. Mr. Wilbur Ross has been confirmed as Secretary of the United States Department of Commerce and is no longer a partner in WL Ross & Co. LLC. Mr. Burger has spoken with Mr. Michaud as well as the Invesco people and Graystone does not see any issues with this waiver. This fund is nearly in complete harvest mode and there are no more investments being made.

A motion was made by Vice-Chair Cutler, supported by Trustee Grant to direct the Board secretary to sign the Suspension Waiver and return it by April 11, 2017. The motion carried.

8. Retirement Administrator Report

a. Non-Compliance with re-examination, suspension of pension – T. Hartman

Ms. Dobson reported that there is an individual due for re-examination that has been non-compliant with providing the necessary medical information to move forward with his re-examination. A second notice has been sent out to this individual via certified mail and a

response is due by the end of the day Friday, April 7, 2017. The letter advised him that his pension may be suspended if he does not comply with the re-examination requirements. So far her office has not heard from this individual and she is looking for a motion from the Board to proceed with the suspension in the event the individual does not respond by the deadline given to him.

Trustee Murphy inquired about the information on file for retirees and whether or not there would be an emergency contact listed or some other resource that could be used to reach out to this individual. Ms. Dobson stated that all information goes out to the address on file for the individual. Trustee Grant asked about contacting the individual by telephone. Ms. Dobson stated that her office has not typically done that in the past, but she indicated she could try to reach out to this individual that way. Trustee Murphy requested Ms. Dobson make just one phone call to try to contact this individual. Ms. Dobson said she could make that call today.

A motion was made by Trustee Rocca, supported by Vice-Chair Cutler to have the Retirement Office attempt to reach the individual through one phone call to the number on file. The motion carried.

A motion was made by Vice-Chair Cutler, supported by Trustee Santo to suspend Mr. Hartman's pension until he has complied with the requirements for re-examination. The motion carried.

9. Cramer Rosenthal McGlynn update

Mr. Jimmy Brown and Mr. Brian Harvey joined the meeting to provide an update on the Board's investment with Cramer Rosenthal McGlynn (CRM). Mr. Brown provided a brief history of their firm which has approximately \$7 billion in assets under management. The only change made recently was a new hire on the investment team. Mr. Harvey covered CRM's investment philosophy, reviewed performance, discussed their top 10 holdings and outlined their outlook related to strategy.

A motion was made by Trustee Murphy, supported by Trustee Smith to receive and file the Cramer Rosenthal McGlynn update. The motion carried.

10. Reinhart Partners update

Mr. Brent Jesko and Mr. Rick Plawecki joined the meeting to provide an update on the Board's investment with Reinhart Partners. Mr. Plawecki introduced their firm to the new Board members and provided a brief history of their relationship with the Retirement System. Mr. Jesko covered performance history, account values, attribution by sector, the portfolio's characteristics and the overall outlook for the fund.

A motion was made by Trustee Murphy, supported by Trustee Rocca to receive and file the Reinhart Partners update. The motion carried.

11. 2015 Actuarial Valuation

Mr. Larry Langer joined the meeting to provide the Board with an overview of the 2015 Actuarial Valuation. He reviewed the purpose of the valuation and the process followed for completing the report. Mr. Langer also discussed his key observations from the 2015 Valuation including the significant data cleanup performed by Ms. Dobson and her staff. He provided commentary on the impact of the input of membership data, asset data, benefit provisions, actuarial assumptions, and funding policy/methodology on the output of actuarial value of assets, actuarial accrued liability, actuarial (gain)/loss, funded ratio, employer contribution and projection.

Going forward, Mr. Langer will review the Funding Policy with the Board and will be back in the early summer to present the results of the 2016 Actuarial Valuation.

A motion was made by Trustee Santo, supported by Trustee Rocca to receive and file the 2015 Actuarial Valuation as presented. The motion carried.

12. Administrative Review of the Retirement System

A motion was made by Vice-Chair Cutler, supported by Trustee Grant to enter into closed session to discuss the Administrative Review of the Retirement System. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

Vice-Chair Cutler ended closed session. Ms. Dobson will provide the Board with some recommendations based on her experience as Administrator so far, and the more common scenarios that she has been presented with. The Board will review the information she presents and determine whether to adopt her recommendations or make changes.

13. Unfinished Business

Vice-Chair Cutler requested an update on the Investment Consultant RFP. Mr. Smigiel indicated that he is in the process of reviewing the template that was used previously and he expects to have the RFP posted no later than Monday, April 10, 2017.

14. New Business

Trustee Brumbaugh inquired about an email he had received regarding the May 4th Board meeting. Ms. Schave confirmed that the location of that meeting has been changed to the Board of Commissioners' Board Room that day due to a conflict in the Committee Room. A calendar update was sent out to all of the Board members notifying them of this change.

15. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Smith to adjourn the meeting at 11:20 a.m. The motion carried.