

MINUTES OF THE RETIREMENT BOARD
Thursday, April 11, 2019

A meeting of the Retirement Board was held on Thursday, April 11, 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, Harold Haugh, Larry Rocca, Gary Cutler, Matthew Murphy, George Brumbaugh

Excused:

Carol Grant

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 8:31 a.m. by Chair Deldin.

2. Adoption of Agenda

A motion was made by Trustee Rocca, supported by Trustee Haugh to adopt the agenda. The motion carried.

3. Approval of Minutes from March 28, 2019

A motion was made by Trustee Haugh, supported by Trustee Rocca to approve the minutes from March 28, 2019 as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson advised that the Annual Signature Verification letter has been passed to the Human Resources and Labor Relations (HRLR) Director for final approval and should be ready to go out within the next week or so. Her office is aiming to have all documents returned by August/September. She also reported that she has received a second draft of the contract from MMRO for review and it

appears that they are going to be amenable to locking in the fee for their services for the three year period she was working on. She will keep the Board posted on continued progress with that contract.

Ms. Dobson also notified the Board of an issue that was discovered regarding Martha T. Berry (MTB). When MTB moved to their own payroll system (upon their separation from the County), they began taking employee pension contributions on a pre-tax basis instead of post-tax (as the County does). After a conversation with Mr. Michaud, Ms. Dobson learned that it is permissible for MTB to do this, but MTB needs to reach agreements with their unions and have a letter of understanding put in place that reflects that this is how they take the contributions. Once that happens, programming will need to be done by Buck to make sure the data is managed properly.

In the meantime, Ms. Dobson and her staff will be conducting a very thorough audit of all MTB retirees since 2015 and current members to push the data currently existing in the system in the "post-tax" field to the "pre-tax" field. She has directed staff to not load any more of MTB's pay data until the clean-up is complete. Ms. Dobson is presuming there will be a programming fee assessed by Buck and she has advised the Human Resources Director at MTB that they will be responsible for that cost.

Trustee Murphy inquired whether or not MTB will be switching to post-tax until they have agreements in place with the unions. Ms. Dobson stated that it is her understanding that MTB will not be changing anything at this point.

Trustee Haugh indicated that at the Board of Commissioners meeting yesterday, Mr. Kevin Evans (director at MTB) indicated that MTB was having an issue making their bond payment moving forward. Mr. Evans joined the meeting to discuss that the concerns he has with meeting MTB's OPEB liability while he replenishes cash after repairs that have been done to the building. At this point he is looking for suggestions on how he can manage legacy costs and perhaps possibly defer the OPEB payment.

Chair Deldin suggested that Mr. Evans meet with Mr. Smigiel to analyze the issue. Mr. Smigiel noted that this would likely have general fund impact and perhaps be something that would affect the Retiree Health Care Board more than this one. He will set-up a meeting with Mr. Evans.

A motion was made by Trustee Murphy, supported by Vice-Chair Santo to receive and file the Retirement Administrator Report. The motion carried.

7. Disability Retirements

a. Dean Rasch (Re-examination Opinion)

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

A motion was made by Trustee Murphy, supported by Trustee Cutler to adopt the following resolution and continue the disability retirement of Dean Rasch:

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, Dean Rasch was granted a disability retirement on March 22, 2012, 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 Dean Rasch to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on February 27, 2019, Dr. Deborah Heaney, M.D. conducted an independent examination and reviewed all records provided and concludes Dean Rasch is totally and permanently incapable of resuming employment with the County , and further indicates that Dean Rasch should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated March 22, 2019, which states that Dean Rasch 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 Dean Rasch 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 Dean Rasch 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 Dean Rasch and all other appropriate parties.

The motion carried.

8. Reinhart Partners annual update – Brent Jesko

Mr. Brent Jesko joined the meeting to provide the Board with the annual update for Reinhart Partners. Mr. Jesko reviewed the performance history of the Board's investment through the period ending March 31, 2019. Year-to-date the portfolio is up approximately 14%. Overall, they have been able to capture about 91% of the upside in this bull market. At the end of 2018, the portfolio was valued at \$36.6 million and at the end of the first quarter this year it is up to \$41.8 million.

Mr. Jesko also reviewed attribution for the trailing one year. In that time, the two areas that were the weakest in terms of stock performance were technology and real estate. He also briefly discussed the trailing two year and three year portfolio returns. Mr. Jesko also examined sector breakdown, the characteristics of the portfolio and their top 10 holdings. He also touched on Reinhart's outlook for the future.

Trustee Haugh was excused for the remainder of the meeting due to another commitment.

A motion was made by Vice-Chair Santo, supported by Trustee Murphy to receive and file the Reinhart Partners annual update. The motion carried.

9. Cramer Rosenthal McGlynn (CRM) annual update – Brian Harvey, Harris Swenson

Mr. Brian Harvey and Mr. Harris Swenson joined the meeting to provide the Board with the annual update on their investment with Cramer Rosenthal McGlynn (CRM). Mr. Swenson introduced himself and Mr. Harvey. CRM is the Board's small cap value manager and has been working with them since 2009.

Mr. Harvey reviewed performance through December 31, 2018 and noted that all of their underperformance actually came in the month of May last year. He discussed performance attribution for the trailing one year period by sector. Mr. Swenson also distributed a handout that provided updated performance through March 31, 2019. Mr. Harvey and Mr. Swenson then examined a few of their current thematic change catalysts. Mr. Swenson also talked about peer comparisons and five year risk statistics.

Trustee Cutler asked about their newest fund (a large cap value fund) that is not open. Mr. Harvey responded that they are in the process of merging that fund into their all cap fund later this year. Trustee Cutler also asked about their approximate 5% cash position and if that is a normal amount for them. Mr. Harvey advised that their cash position is usually right around 3-5% and having that level of cash is helpful to have on hand to manage purchases and sales.

A motion was made by Trustee Rocca, supported by Trustee Murphy to receive and file the Cramer Rosenthal McGlynn (CRM) annual update. The motion carried.

10. Unfinished Business

None

11. New Business

Mr. Smigiel advised the Board that he had been in touch with Mr. Troy Jaros at Buck and he is anticipating having a draft of the Experience Study to his office by the end of the month. Mr. Smigiel would like to propose either rescheduling the May 16th meeting to May 9th or possibly calling a special meeting on May 9th to have that Experience Study presented to the Board. The Board will need to determine what changes (if any) they wish to adopt based on the results of that Experience Study. Once those decisions have been made, the actuaries will need to complete some special reports for the Comprehensive Annual Financial Report (CAFR). The auditors have been promised a draft of the CAFR by June 1st, so that is what is driving the timeline on the presentation of the Experience Study.

One concern is that EARNEST Partners is scheduled to come in for their annual update presentation at the May 16th meeting. Ms. Schave will reach out to them to see if they would be able to move their presentation up to May 9th in order to simply reschedule the May 16th meeting. Chair Deldin asked the members present if May 9th would pose a scheduling conflict for any of them. No one had a conflict. Ms. Schave will keep the Board posted on the response from EARNEST Partners.

Chair Deldin then asked Mr. Holycross to address the handout that had been distributed to the Board members prior to the start of the meeting. This is related to the sale of the Institutional Retirement & Trust (IRT) business by Wells Fargo to Principal Financial Group. Mr. Holycross has spoken to Mr. Tony Laubauch (the Board's contact at Wells Fargo) and he has advised that the sales transaction is expected to close September 1st with an 18-month evaluation process as the business is transitioned to the new firm. Mr. Laubauch indicated that his entire team would be remaining in place in their Birmingham, Michigan office. Mr. Holycross stated that another client has had some issues with Wells Fargo and will be transitioning to another Custodial Bank soon. AndCo will evaluate and across the 18-month transition determine whether or not it is in the Board's best interest to make a change. He speculated that Custodial Bank may be up for review next year in the service provider rotation anyway.

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Murphy to adjourn the meeting at 9:35 a.m. The motion carried.