

**MINUTES OF THE RETIREMENT BOARD**  
**Thursday, April 27, 2017**

A meeting of the Retirement Board was held on Thursday, April 27, 2017 at 8:30 a.m., in the Administration Building, 9<sup>th</sup> Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Mark Deldin, Gary Cutler, Matthew Murphy, Larry Rocca, Bryan Santo, George Brumbaugh, Bob Smith

Excused:

Carol Grant

Also Present:

Stephanie Dobson, 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 8:30 a.m. by Chair Deldin.

**2. Adoption of Agenda**

*A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to approve the agenda as presented. The motion carried.*

**3. Approval of Minutes – April 6, 2017**

Vice-Chair Cutler asked for one correction to be made under item #6. He asked the minutes reflect that the rebalance that was recommended and approved also indicate that \$15 million was also moved from the WAM S&P 400 Mid Cap to the WAM S&P 500 Large Cap.

*A motion was made by Trustee Santo, supported by Trustee Rocca to approve the minutes as presented with the correction as requested by Vice-Chair Cutler. The motion carried.*

**4. Approval of Invoices**

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

## **5. Public Participation**

Ms. Dobson introduced her son, Nicholas to the Board. He is accompanying her today through the County's participation in the "2017 Take our Daughters and Sons to Work Program". He is a 7<sup>th</sup> grader at Iroquois Middle School where he earns straight A's. Chair Deldin welcomed him to the meeting.

## **6. Retirement Administrator Report**

Ms. Dobson provided the activity numbers for February and she noted that this is the time of year when activity tends to drop off and stay lower until the end of the year when more people begin anticipating entering the DROP or retiring.

Trustee Murphy expressed his appreciation to Ms. Dobson and her office for going out of their way to assist a member of the Sheriff's Department in obtaining some additional information related to his healthcare options at retirement.

Ms. Dobson advised that a new staff member (Mia) has joined her team and she is excited to have her on board.

She also advised that a first review of the "Disability Retirement Policy" has been completed by the Administrative Policy Subcommittee. They are hoping to have a draft available for the Board to review at the May 18<sup>th</sup> meeting, so that they can provide updated information to MMRO by the end of the month. At that point, she is anticipating receiving revised numbers from MMRO to re-negotiate the fee increases that were proposed earlier in the year.

Ms. Dobson then distributed a copy of a memo she prepared regarding the 2015 Valuation. She has noted several factors that were not taken into consideration and caused variances in the report. She has been in contact with Mr. Larry Langer regarding these items and he has advised that he will "bake" these items into the 2016 Valuation.

Ms. Dobson reminded the Board that at the last meeting they had been talking about some possible revisions to the Ordinance. At this point, she would like to wait until the arbitration decision has been made in May. She hopes to have a recommendation for the Board to review at a June meeting.

Trustee Deldin inquired about the process for annually auditing the pension recipients and verifying that they are still alive and eligible to continue receiving a pension. He was interested in finding out how many people had still not responded to the attempts to contact them. Ms. Dobson reported that there are still some outstanding. For the April 1<sup>st</sup> pension cycle, there had actually been 23 individuals who had their pension payment suspended for non-response. Of those 23, seven complied and a mid-month pension run was done for those individuals, two additional people complied after that point and will be receiving a double payment in the month of May. The others remain outstanding.

Vice-Chair Cutler requested an update on the status of Mr. Hartman's pension. Ms. Dobson reported that his office called Mr. Hartman three times and he finally returned their calls this week. He indicated that extenuating circumstances have led to him not receiving his mail. Her office advised him that he would not be receiving a May pension check and to date her office has still not received the medical information required to proceed with his disability re-examination.

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

## **7. Strategic Income Interviews**

### **a. ClearArc Capital**

Mr. Todd McCullough and Mr. Peter Kwiatkowski from ClearArc Capital joined the meeting to present their firm for consideration as a Strategic Income manager. Mr. McCullough introduced their income-focused firm and their team. Mr. Kwiatkowski reviewed their composite return history and their investment process/strategy. He also examined capital structure analysis and their risk management philosophy.

*A motion was made by Trustee Rocca, supported by Trustee Smith to receive and file the ClearArc Capital presentation. The motion carried.*

### **b. JP Morgan**

Mr. Dan Goldberg and Mr. Brian Miller from JP Morgan joined the meeting to present their firm for consideration as a Strategic Income manager. Mr. Goldberg provided an overview of their firm and the intent of their fund. He also provided a market update, reviewed positioning and market outlook, and discussed performance.

*A motion was made by Trustee Murphy, supported by Trustee Rocca to receive and file the JP Morgan presentation. The motion carried.*

*A motion was made by Vice-Chair Cutler, supported by Trustee Murphy to invest \$12.5 million with ClearArc Capital (from the Loomis Sayles portfolio) and \$12.5 million with JP Morgan (from the World Asset Aggregate Bond Index fund) pending a review of all legal documents. The motion carried.*

## **8. Unfinished Business**

Chair Deldin inquired about the posting of the RFP for Investment Consultant. Ms. Schave reported that the RFP is out on the MITN website and bids are due May 11, 2017.

## **9. New Business**

Ms. Dobson proposed taking the updated Ordinance back to the Board of Commissioners and presenting it as a “change” rather than a “restatement”. At issue is the deferred component of the Ordinance and the use of a hybrid (or split) calculation. The use of that calculation is now a part of the Ordinance and was approved by the Board of Commissioners. Her concern is that the use of that type of calculation differs from past practice and also does not follow some of the decisions the Board made at the end of the year regarding specific individuals and their single calculations.

Mr. Michaud stressed that the calculation of benefits within the Ordinance be clearly defined and consistent with the practice of the Retirement Office. There is a decision due sometime in May from an arbitrator related to circumstances similar to this topic. Ms. Dobson currently has three people waiting for calculations that would be potentially impacted by the determination the Board ultimately makes regarding proceeding with hybrid calculations.

Trustee Deldin suggested waiting for the arbitrator’s decision and for the people who are waiting for calculations, he thinks it would be best to provide them with a disclaimer that clearly indicates that the information provided is only an estimate and that the numbers provided may be affected by amendments to the Retirement Ordinance. Ms. Dobson requested that she be allowed to provide the estimates as hybrid calculations to provide the employees with what may turn out to be a potentially lower calculation, so that if a change is ultimately made, the numbers might possibly increase instead of decrease. The Board agreed this would be the best approach.

*A motion was made by Trustee Rocca, supported by Trustee Murphy to postpone further discussion until the arbitrator’s ruling has been made. The motion carried with Vice-Chair Cutler opposed.*

## **10. Adjournment**

*There being no further business before the Board, a motion was made by Trustee Smith, supported by Trustee Santo to adjourn the meeting at 10:13 a.m. The motion carried.*