

MINUTES OF THE RETIREMENT BOARD
Thursday, August 1, 2019

A meeting of the Retirement Board was held on Thursday, August 1, 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, Gary Cutler, Matthew Murphy, George Brumbaugh

Excused:

Harold Haugh, Larry Rocca

Also Present:

Stephen Smigiel, Cindy Mitchell, Christina Miller, Aaron Castle, 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

Chair Deldin requested to add "Approval of Invoices" after the "Approval of Minutes." He also noted that item #9 would be deleted as the representatives from Blackstone had encountered travel difficulties and were unable to make the trip. Their presentation will be rescheduled.

A motion was made by Trustee Cutler, supported by Trustee Murphy to adopt the revised agenda. The motion carried.

3. Approval of Minutes from July 11, 2019

A motion was made by Vice-Chair Santo, supported by Trustee Murphy to approve the minutes from July 11, 2019 as presented. The motion carried.

3a. Approval of Invoices

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

4. Public Participation

None

5. Retirement Administrator Report

Ms. Cindy Mitchell was in attendance representing the Office of Retirement Services in Mr. McKinnon and Ms. Dobson's absence. She noted that the latest Activity Report had been provided in the Board's

packets. Ms. Mitchell also provided an update on the progress of the Annual Signature Verifications. There are four that have still not been returned and those individual's pensions will be stopped as of September 1st unless a response is received. Retirement Services will continue to reach out to those individuals across the next few weeks. Retiree Representative Brumbaugh requested Ms. Mitchell provide him with the names of those individuals so he could check to see if they are members of the Retirees' Association. If they are, he may have some luck contacting them.

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

6. Disability Retirements

a. Carrie Hogan (Re-examination Opinion)

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examination of Carrie Hogan. 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 Trustee Murphy to adopt the following resolution and continue the disability retirement of Carrie Hogan:

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, Carrie Hogan was granted a disability retirement on June 23, 2014, 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 Carrie Hogan 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 July 8, 2019, which states that Carrie Hogan 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 the disability, and

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

RESOLVED, that the Retirement Board hereby approves the continual disability retirement of Carrie Hogan and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, a copy of this resolution shall be provided to Carrie Hogan and all other appropriate parties.

The motion carried.

b. Siobhan O'Brien (Re-examination Opinion)

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examination of Siobhan O'Brien. 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 Trustee Murphy to adopt the following resolution and continue the disability retirement of Siobhan O'Brien:

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, Siobhan O'Brien was granted a disability retirement on May 23, 2016, 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 Siobhan O'Brien 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 July 17, 2019, which states that Siobhan O'Brien 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 Siobhan O'Brien has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, the Retirement Board hereby approves the continual disability retirement of Siobhan O'Brien and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, a copy of this resolution shall be provided to Siobhan O'Brien and all other appropriate parties.

The motion carried.

7. Noel Reynolds Appeal

Mr. James Zeman was present at the meeting along with Ms. Reynolds. He is representing her as legal counsel. Mr. Zeman restated the issue related to the offset that has been applied to Ms. Reynolds' pension. The crux of his argument revolves around the fact that he does not believe Ms. Reynolds should be bound by the grievance settlement because she did not agree to it. He stated that she received no benefit from the settlement and since she did not sign it, she should not be bound by it.

Mr. Zeman discussed what he referred to as "failure of consideration". He believes that a court would not enforce the grievance settlement against Ms. Reynolds because she received nothing of value from the agreement negotiated by her union. Mr. Zeman also noted that he considers Ms. Reynolds to be "similarly situated" to another retired employee (Mr. Dane DeRush). Mr. DeRush's circumstances were similar and Mr. Zeman said that his County pension is not being offset by the amount of his State pension.

Mr. Zeman also reviewed several of the other exhibits in the packet of information he provided prior to the meeting for the Board's review. He noted a letter dated June 8, 2004 to Ms. Reynolds from the Human Resources Coordinator at the time (Ms. Wendy Fisher) that provides the information related to Ms. Reynolds' retirement, but makes no mention of any state offset. He opined that Ms. Fisher must certainly have had access to all of the information related to Ms. Reynolds' employment at the time that letter was written. He stated that in no way did Ms. Reynolds attempt to mislead the Board. She simply had no reason to believe there was any obligation on her part because Ms. Fisher never made mention of anything and as such, Ms. Reynolds believed that the grievance settlement no longer applied.

Mr. Zeman further questioned whether the Board actually has the authority to offset Ms. Reynolds pension. He referenced the Retirement Ordinance as well as the letter that had been sent to Ms. Rayleen O'Connor in which the Board gave her two options on how she wished to repay the overpayment she received. Ms. Reynolds was not given any options. She was simply told that her pension was going to be offset by a certain dollar amount per month.

Chair Deldin opened the floor for questions. The Board and Mr. Castle did not have any questions. Mr. Zeman asked when he and Ms. Reynolds could expect a decision from the Board concerning her appeal. Chair Deldin indicated that two Board members are absent today and there is a vacancy on the Board, so he asked the Board members present if they would like to take 30 days to work with legal counsel and generate an opinion or if they are comfortable making a decision today. Trustee Murphy asked to defer to counsel. Mr. Castle stated that he believed the Board likely had enough information to make a decision today, but the more complex specific arguments presented today could be addressed further by his office.

Mr. Castle also stated that the Overpayment Policy is what gives the Board a bit more discretion in terms of how overpayments are collected, but the Board does have a fiduciary obligation to collect overpayments whenever they are made aware of them. Mr. Zeman indicated that he believed the Overpayment Policy Mr. Castle is referring to was adopted quite sometime after the decision to offset Ms. Reynolds's pension was made and he believes that changes the terms of her contract.

The Board agreed to grant Mr. Castle no more than 30 days to draft a legal opinion to respond to the more specific points of the argument presented by Mr. Zeman today. This will also allow those not present today to also be involved in the decision making.

A motion was made by Trustee Murphy, supported by Vice-Chair Santo to receive and file the information provided today by Mr. Zeman on behalf of Ms. Reynolds. The motion carried.

8. HGK Asset Management Annual Update – Nick Mayor, Joseph Caretti, Matt Kosara

Mr. Nick Mayor, Mr. Joseph Caretti and Mr. Kosara joined the meeting to provide the annual update for the HGK Asset Management portfolio. Mr. Caretti introduced the team and Mr. Kosara provided a quick update on the firm including a few staff changes (including promotions, additions and one departure). Mr. Kosara also briefly discussed performance history and noted the effect of the volatility in the market due to the current trade wars and tariffs.

Mr. Mayor noted that as of this morning, the portfolios they manage on behalf of the Board are back in positive territory. He advised they have not made any changes to their investment process and they continue to be focused on micro-economic structural change factors at industry level that are underappreciated and undervalued. Mr. Mayor also discussed the top five names within the portfolio and reviewed their individual performance. He also reviewed the one common factor among the three poorest performing names within the portfolio (all automotive companies).

Mr. Mayor went on to talk about many of the other names in the portfolio, summarizing the characteristics of each as well as their performance. He also examined the possible issues with Brexit and exposure within the portfolio. Trustee Cutler inquired what their limit is for exposure to emerging markets. Mr. Mayor responded that it is 30% emerging markets plus small cap. Trustee Cutler also inquired what percentage of funds they typically hold in cash. Mr. Mayor responded that contractually the limit is 10%, but they are currently holding 5% which is slightly higher than normal.

A motion was made by Vice-Chair Santo, supported by Trustee Murphy to receive and file the HGK Asset Management Annual Update. The motion carried.

9. Blackstone Annual Update – Daniel Katz, Kassy Shiotani

Presentation will be rescheduled for a future meeting.

10. Correspondence from NWQ

Mr. Holycross reviewed the letter that had been sent to the Board regarding a change within NWQ's portfolio manager team. This change will have no impact to the Board's portfolio, but he noted that NWQ has underperformed nearly every quarter since the Board invested with them. He and his team have addressed this with NWQ and they are monitoring this closely. He has another call scheduled with them soon and will come to the Board with any future concerns.

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to receive and file the correspondence from NWQ. The motion carried.

11. Correspondence from Cramer, Rosenthal, McGlynn (CRM)

Mr. Holycross reviewed the letter provided by CRM and explained that they are moving back to 100% employee ownership. The Board needs to consent to this change. He noted that there is no debt at

the company level which makes this a very favorable transaction and he recommends the Board approve. Mr. Castle added that he has no concerns from a legal perspective.

A motion was made by Trustee Cutler, supported by Trustee Murphy to approve the consent letter submitted by CRM. The motion carried.

12. Authorize Plante Moran to certify the 2019 Employee Representative Special Election

A motion was made by Trustee Cutler and supported by Vice-Chair Santo to authorize Plante Moran to certify the 2019 Employee Representative Special Election. The motion carried.

Trustee Murphy inquired how many individuals will be on the ballot for the upcoming Special Election to fill former Trustee Grant's seat on the Board. Ms. Schave advised that there were three individuals who returned petitions with enough valid signatures. The election is scheduled for September 10th.

13. Unfinished Business

Mr. Holycross advised the Board that he and his team had put together a memo regarding the Blackstone investment that was discussed at the last meeting. Their opinion has not changed and he offered a hard copy of the memo to anyone who might be interested in some further information.

Mr. Holycross also suggested that the Board members hold on to the books that were provided for the Blackstone presentation that was originally scheduled for today. He is working on re-scheduling that presentation and is looking at September 5th, but has not heard back from Blackstone yet.

14. New Business

Chair Deldin took a moment to express his thanks to Ms. Mitchell for attending today's meeting and for all of her hard work during Ms. Dobson's extended absence. The Board appreciates what Ms. Mitchell and Ms. Stover have done to make sure things have continued to run smoothly in the Retirement office.

15. Adjournment

There being no further business before the Board, a motion was made by Trustee Murphy, supported by Trustee Cutler to adjourn the meeting at 10:09 a.m. The motion carried.