

MINUTES OF THE RETIREMENT BOARD
Thursday, August 20, 2020

A meeting of the Retirement Board was held on Thursday, August 20, 2020 at 8:30 a.m., electronically in accordance with the Open Meetings Act and Executive Order 2020-4 issued by Governor Whitmer in an effort to protect the health and safety of the public. The following members were present remotely via Cisco Webex Events:

Present:

Mark Deldin, Gary Cutler, Michael Grix, Harold Haugh, Larry Rocca, George Brumbaugh

Excused:

Bryan Santo, Matthew Murphy

Also Present:

Stephen Smigiel, Stephanie Dobson, John Schapka, Tom Michaud, Mike Holycross

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:33 a.m. by Chair Deldin.

2. Adoption of Revised Agenda

Trustee Cutler requested to move item #4 (Approval of Invoices) down further in the agenda after the presentations. There were no objections.

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

3. Approval of Minutes from July 30, 2020

A motion was made by Trustee Rocca, supported by Trustee Haugh approve the minutes from July 30, 2020 as presented. The motion carried.

4. Public Participation

None

5. Retirement Administrator Report

Ms. Dobson reported that the Annual Signature Verification is going well. There are about 100 that remain incomplete (no signature, no witness, etc.) and a notice is being mailed out to those individuals today. There are approximately 230 that they have received no response from and a second notice is also being mailed out to those individuals this week. She feels the third party service that handled this project did well despite a few initial hiccups and she expects to have this complete by the end of the calendar year.

Ms. Dobson also reported that there have been a handful of issues with retirees not receiving pension related checks in the mail. She believes that this is due to the service levels of the Postal Service currently and she and Mr. Smigiel are working out a possible solution to this issue. There would still be a few instances where actual checks would need to be mailed out, but direct deposit could help alleviate the issue of missing check. Chair Deldin wondered if it would not be possible to encourage all retirees to move towards direct deposit at this time. Ms. Dobson believes there are only a few who are still receiving paper checks and the most recent issue was related to new retirees receiving their initial checks through the mail. There would still be a few instances where actual checks would need to be mailed out, but direct deposit could certainly help alleviate the issue of missing or delayed check.

Ms. Dobson again expressed frustration with the programming team at Buck. Her office was forced to go live with the new actuary platform on June 30th because the old platform was pulled. She added that it is now nearly the end of August and there are about 18 outstanding issues that have not been addressed. This includes the self-service site which is still unavailable and her office has not even been provided with a test environment for that at this point. The transition from the Conduent system to the Buck system has not been a smooth one.

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

6. Disability Retirement – Kelly Malicki (Initial Opinion)

The Board was in receipt of the Medical Director’s confidential medical reports regarding the examination of Kelly Malicki. The Medical Director has concluded, based on the exam, that Ms. Malicki’s disability retirement should be approved.

A motion was made by Trustee Cutler, supported by Trustee Haugh that based on the Medical Director’s opinion, the disability retirement of Kelly Malicki should be approved and the following resolution should be adopted:

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, the Retirement Board is in receipt of an application for disability retirement from Kelly Malicki dated May 2, 2020 and

WHEREAS, in accordance with Section 28 of the Retirement Ordinance provides that upon the application of a member, or their department head, a member who (1) is in the employ of the County, (2) is vested, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Retirement Board: provided, that after a medical examination of the member made by or under the direction of the medical director, the medical director certifies to the Board (1) that the member is totally incapacitated for duty in the employ of the County, (2) that such incapacity will probably be permanent, and (3) that the member should be retired, and

WHEREAS, the Retirement Board has previously acknowledged receipt of said application and directed the processing of said application in accordance with the Retirement System provisions, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated August 5, 2020, which states that Kelly Malicki is totally and permanently incapacitated for duty in the employ of the County, that such incapacity will be probably be permanent, and further indicates that Kelly Malicki should be retired, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Kelly Malick has met the eligibility requirements for disability retirement from the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby approves the disability retirement of Kelly Malicki 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 Kelly Malicki and all other appropriate parties.

The motion carried.

7. EnTrust Global Annual Investment Update

Mr. Gregg Hymowitz, Mr. Warren Tolman and Mr. Paul Rosenberg joined the meeting remotely to provide the Board with an update on their investment with EnTrust Global. Mr. Hymowitz began the presentation by reviewing a summary of the co-investments and their history. He examined the types of opportunities that are being presented by the pandemic and how the crisis has affected various companies. Mr. Hymowitz also assessed performance of realized and unrealized investments and analyzed several contributors and detractors.

The majority of the investments that have been made recently have been in the credit side and they are cautiously avoiding "eye in the storm" names. Mr. Hymowitz also advised that EnTrust has also launched a new recovery fund and Mr. Holycross has the details he can share with the Board if they are interested in hearing more.

A motion was made by Trustee Rocca, supported by Trustee Grix to receive and file the EnTrust Global Investment Update. The motion carried.

8. Securities Litigation update

Mr. Schapka reported that a request had been received by his office from one of the firms that monitors securities litigation on behalf of the Board. Labaton Sucharow has concerns about some of the transactions that have been conducted by the family that runs Coca Cola (they control approximately 82% of the Coca Cola). The family also has private ownership of a couple of facilities where bottling is done and they are leasing these private facilities to Coca Cola and have approved their own leases (because they dominate voting power within Coca Cola). Labaton is asking for the Board's approval as a shareholder to launch an investigation to review the records and books of Coca Cola as a pre-cursor to possible litigation. Trustee Haugh inquired whether there is any cost to the County to engage in this investigation and Mr. Schapka confirmed there would be no cost to the Retirement System.

A motion was made by Trustee Cutler, supported by Trustee Haugh to direct Labaton Sucharow to conduct an investigation as outlined in the memo from Mr. Schapka. The motion carried.

9. Investment Consultant Report

a. Non-Core Real Estate Manager Analysis

Mr. Holycross reviewed the search information provided by AndCo for a potential investment in non-core real estate. He began by defining real estate as an asset class and discussed the drivers of real estate returns. He reviewed the real estate investment cycle and talked about risk adjusted return potential. Mr. Holycross also examined what AndCo looks at when evaluating candidates.

Mr. Holycross then moved on to the candidate overviews and discussed each candidate's strategy and their differentiators. He focused on TerraCap and examined their portfolio characteristics, their track record and fees/terms. Mr. Holycross is recommending the Board invest \$18 million with TerraCap.

A motion was made by Trustee Cutler, supported by Trustee Haugh to follow Mr. Holycross' recommendation and invest \$18 million with TerraCap pending review of the legal documents. The motion carried.

A motion was made by Trustee Rocca, supported by Trustee Haugh to receive and file the Non-Core Real Estate Manager Analysis provided by AndCo. The motion carried.

10. Approval of Invoices

A motion was made by Trustee Cutler, supported by Trustee Haugh to separate the first item listed on the "Invoices to be Approved" (the Buck invoice) and approve the other invoices as presented. The motion carried.

Trustee Cutler expressed concern about approving the Buck invoice while there are so many outstanding issues. Based on the report from Ms. Dobson and the fact that they have not yet received the most recent actuarial valuation, he would like to hold off on processing the Buck invoice at this time.

A motion was made by Trustee Cutler, supported by Trustee Rocca to hold the Buck invoice until the actuarial valuation has been presented and the self-service site is up and running properly. The motion carried.

Chair Deldin requested that Buck be notified of the Board's concerns. Ms. Dobson will communicate on behalf of her office and she requested that Mr. Smigiel communicate to the individuals that he deals with at Buck that the invoice is going to be held until the outstanding issues have been resolved. Mr. Michaud suggested requesting Buck's presence at the next meeting to have them address the concerns with the entire Board. Ms. Schave advised that Mr. Jaros is supposed to attend the next meeting to present the valuation to the Board and Ms. Dobson indicated she will reach out to the programming team to make sure they also have someone available to represent their group.

11. Unfinished Business

None

12. New Business

Ms. Dobson inquired if Chair Deldin wanted her to look into creating a policy mandating direct deposit for retirees. Chair Deldin thinks the goal should be to move everyone to direct deposit and feels it warrants further discussion with herself and Mr. McKinnon. Retiree Representative Brumbaugh indicated that he thought direct deposit was already a requirement for retirees and he thinks it is a good idea to encourage as many people as possible to take advantage of direct deposit. He indicated that the Retirees' Association will pass that message on in their next newsletter as well. Mr. Smigiel added that there are really only a handful of retirees still receiving paper checks. He noted that employees who do not have direct deposit are issued a debit card that is reloaded each pay and suggested perhaps that could be offered to retirees as well.

Trustee Cutler raised the issue of the upcoming employee representative election and how to handle the gathering of signatures on petitions during the pandemic. He wanted to put that on the Board's radar as something to consider for their next meeting. Mr. Michaud indicated that he and Ms. Schave have had a couple of conversations regarding this and they are working on putting together some information for the Board to review at their next meeting (including the current Election Policy).

Trustee Cutler also wanted the record to reflect that the Board is considering issuing a RFP for actuarial services given the current performance of Buck. One of the major reasons the Board changed actuaries several years ago was the online self-service tool and given that that tool is not currently functioning (and has not been for some time), they may need to look at pursuing a different service provider.

13. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Cutler to adjourn the meeting at 9:53 a.m. The motion carried.