

MINUTES OF THE RETIREMENT BOARD
Thursday, August 24, 2017

A meeting of the Retirement Board was held on Thursday, August 24, 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:

Mark Deldin, Gary Cutler, Carol Grant, Matthew Murphy, Larry Rocca, Bryan Santo, Bob Smith

Excused:

George Brumbaugh

Also Present:

Stephanie Dobson, Joe Biondo, Larry Lee, Tom Michaud, Amy Cole, Erik Burger, Brian Brice

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 Grant to approve the agenda as presented. The motion carried.

3. Approval of Minutes – August 10, 2017

A motion was made by Trustee Rocca, supported by Vice-Chair Cutler to approve the minutes of August 10, 2017 as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson provided the Board with the activity report through the end of July. The additional information Chair Deldin had requested was added to the report for the General

County/Sheriff and Martha T. Berry. She is expecting to be able to add the Department of Roads information by October at the latest.

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

Ms. Dobson also reported that Martha T. Berry is moving to a new payroll system effective October 13th. She has not yet been involved in how the data will be extracted from that new payroll system for purposes of loading into the Conduent system. She will not be comfortable loading any data until she can do some comprehensive data review. Ms. Dobson simply wanted to give the Board some advanced notice that this change may potentially delay the preparation of the 2017 Actuarial Valuation.

Trustee Grant inquired why Martha T. Berry is on a different payroll system. Ms. Dobson responded that Martha T. Berry is basically a separate employer now, but is still part of the pension system. Their defined contribution (DC) plan is managed solely by Martha T. Berry and they even have a different provider than the County. Ms. Dobson stressed that this is why it is important for her to review their data before it gets loaded into the actuary system.

A motion was made by Trustee Grant, supported by Trustee Murphy to receive and file the additional report from Ms. Dobson regarding the upcoming change to Martha T. Berry's payroll system. The motion carried.

7. Actuarial Analysis – Benefit Changes for Sheriff's Department (receive and file)

Vice-Chair Cutler reminded the Board that this item was presented by Ms. Karen Bathanti of the Human Resources and Labor Relations Department at the last meeting, but the report provided today had not been included. It has been provided to the Board for them to receive and file.

A motion was made by Vice-Chair Cutler, supported by Trustee Santo to receive and file the Actuarial Analysis – Benefit Changes for Sheriff's Department report. The motion carried.

8. Bloomfield Capital update

Mr. Mike Lucci, Mr. Nick Coburn and Mr. Jason Jarjosa joined the meeting to provide the Board with an update on their investment in Bloomfield Capital Fund II. Mr. Coburn reviewed Bloomfield's investment philosophy and their strategies for building their real estate portfolio. Mr. Jarjosa covered performance in Fund II as of June 30, 2017. He also provided an example of an investment profile. Mr. Jarjosa also reminded the Board that Fund III will be closing in November and that they are not currently invested in Fund III.

A motion was made by Trustee Murphy, supported by Trustee Santo to receive and file the Bloomfield Capital update. The motion carried.

9. Reciprocal Retirement Act Discussion

Mr. Michaud explained the documents that had been provided to the Board. There is a legal opinion dealing with a specific question, a proposed policy, and a copy of the Reciprocal Retirement Act itself. Macomb County adopted the Reciprocal Retirement Act in 1964 and this is reflected in the Retirement Ordinance. The goal would be to adopt a policy resolution that members could be referred to when a question comes up about reciprocity.

Mr. Michaud ran through some examples of when and where the Reciprocal Retirement Act comes into play. The Reciprocal Retirement Act was intended to recognize "other governmental service" for purposes of getting a pension that would not otherwise have been received when an individual does not meet vesting requirements. Benefits paid out under the Reciprocal Retirement Act are based only on the time served at the employer.

Not every single municipality in Michigan has adopted the Reciprocal Retirement Act. There is a question if an individual works for a municipality that did not adopt the Reciprocal Retirement Act, is employed there for 20 years and then comes to Macomb and works another five years does it matter that the original employer did not adopt the Act? Do both municipalities have to have adopted the Reciprocal Retirement Act in order for it to be applied? In reviewing the Reciprocal Retirement Act, Mr. Michaud determined that the two systems do not have to be reciprocal units, they just have to both be governmental units. Since Macomb adopted the act and it is applicable here, the system can recognize service from any other governmental unit in the state. Both plans participated in do not have to be the same either (defined benefit/defined contribution). The benefit is only based on the time served in the reciprocating municipality.

Chair Deldin recalled this question being posed at some time before and the answer the Board had provided at that time (that both municipalities had to have adopted the Reciprocal Retirement Act) now turns out to be erroneous. He asked Ms. Dobson to reach out to the employee in question and let him know that his time with a prior municipality does in fact count. She confirmed that will follow-up with him and make him aware of this new information. Vice-Chair Cutler asked for clarification on whether teachers are included in this. Mr. Michaud confirmed that teachers are included, but that there are some exceptions with particular universities. Trustee Murphy inquired about whether the document that Mr. Michaud prepared could be distributed to members looking for more information. Mr. Michaud indicated he had no problem with that.

Mr. Michaud directed the Board's attention to pages 21-29 of their packet which include the policy he is recommending be adopted. Ms. Dobson stated that she is comfortable with the policy as presented by Mr. Michaud.

A motion was made by Trustee Murphy, supported by Vice-Chair Cutler to adopt the policy as presented by Mr. Michaud. The motion carried.

10. Unfinished Business

a. Investment Consultant RFP Discussion

Chair Deldin asked for an update from the RFP review committee. Mr. Michaud requested that the Investment Consultants be excused from the meeting.

Vice-Chair Cutler reported that there were seven consulting firms that submitted a response to the RFP. Two of those (Advance and Integrated) were eliminated due to lack of experience with public funds. SEI's fee was essentially more than double, so they were also eliminated. Russell proposed acting as a "Chief Investment Officer" wherein they would make all investment decisions and the Board would be virtually hands-off in the investment process. The remaining three are Dahab, Graystone and AndCo. Dahab's nearest office is in Pennsylvania and although they are a member of MAPERS, Vice-Chair Cutler tried to seek them out at the last conference and could not find them to speak with them. Ultimately, that leaves Graystone and AndCo. The committee is recommending that both of these firms be brought in for interviews. AndCo's home office is in Orlando, but they have a local office in Southfield and employ two former consultants to the Board, Brian Green and Mike Holycross. They were formerly known as the Bogdahn Group and in the last consultant search it came down to Bogdahn and Graystone as the finalists.

A motion was made by Vice-Chair Cutler, supported by Trustee Rocca to bring in Graystone and AndCo for interviews for Investment Consultant. The motion carried.

Trustee Murphy inquired whether the interview format would be structured or a more informal, time-based presentation followed by a question and answer period. Ms. Schave will research what was done historically. She will also notify both firms that the interviews will be conducted at the next meeting on September 7th. Chair Deldin and Ms. Schave will work on the agenda and determine the best order of the items to be covered.

b. Private Real Estate Investment Decision

Vice-Chair Cutler reminded the Board that there had been two presentations for an investment in private real estate. ValStone Partners and American Core Realty were the two candidates. He had some additional questions for ValStone after the presentations and Graystone obtained some of the answers to those questions for him. Chair Deldin and Vice-Chair Cutler then met with ValStone to further clarify some information.

A motion was made by Vice-Chair Cutler, supported by Trustee Grant to commit \$10 million to the ValStone portfolio pending review of the legal documents. The motion carried.

11. New Business

Trustee Smith wondered whether the Board was considering an investment in Bloomfield Capital Fund III (since it had been mentioned in their presentation several times). Vice-Chair

Cutler responded that at some point last year the Board had voted to give Bloomfield an additional \$10 million in Fund III. As Bloomfield is not on Graystone's platform and has not completed the due diligence that Graystone asked of them, the Board ultimately withdrew that \$10 million commitment. Vice-Chair Cutler stated that personally he was not comfortable with anyone that is not transparent and would not allow a full review of their books.

Trustee Smith asked how the initial investment was made if Bloomfield is not on Graystone's platform. The initial investment had been made in 2014. Ms. Cole responded that if there is an investment that the Board is interested in, it is their prerogative to go forward with that investment regardless of whether Graystone has done the research.

Trustee Murphy echoed Vice-Chair Cutler's concerns. If the Board is considering moving forward with an additional investment with Bloomfield, he would like them to explain why they have refused to go through with the due diligence that Graystone is requesting. Vice-Chair Cutler stated that in conversations with Bloomfield, they revealed that they believe that the outside consultant that Graystone uses for due diligence would require them to shut down their office for a period of time and they felt that the reviewer was ultimately trying to get in Graystone's good graces and expecting to find problems. Bloomfield felt the audit was going to be unfair and a burden on their business. Trustee Smith asked Graystone if this is a new auditing firm or if there is any legitimacy to Bloomfield's concerns. Mr. Brice stated that he is not really in a position to judge whether Bloomfield's claims have merit or not, but he will provide the Board with some follow-up information related to the outside firm conducting the due diligence so they can make their own assessment. He is not aware of too many instances where a firm has refused to complete the due diligence process.

Chair Deldin then proposed a discussion related to the change some years ago from an eight year vesting period to a 15 year vesting period. He said he has been approached by a number of individuals recently who, given their age, will likely never reach the 15 year requirement to earn a pension benefit. They have asked if it would be possible for them to have an opportunity to roll into the defined contribution (DC) plan and remove themselves from the defined benefit (DB) plan. Chair Deldin indicated that he had talked to Mr. Smigiel about this and he said it would probably require an actuary study for that window of employees. Chair Deldin is wondering if there is any interest in doing that and opened the floor up for discussion. Vice-Chair Cutler thinks that this would be a very good idea and he also thinks that offering some type of "buy-out" to the employees that are no longer with the County and are in a deferred retirement status would be ideal. Mr. Michaud stated that these concepts would require a plan amendment, so there would need to be an Ordinance change and a collective bargaining agreement amendment to the plan. These changes would not be something that would fall under this Board's discretion. The Board could serve as an educational resource for these types of changes, but cannot advocate one way or another.

Ms. Cole distributed an invitation to a dinner Graystone is hosting at the upcoming MAPERS Conference. She also reminded the Board about the due diligence seminar coming up. Graystone will be presenting the 2nd Quarter Performance Report at the next Board meeting.

12. Adjournment

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