

MINUTES OF THE RETIREMENT BOARD
Thursday, September 10, 2020

A meeting of the Retirement Board was held on Thursday, September 10, 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, Bryan Santo, Gary Cutler, Michael Grix, Matthew Murphy, Harold Haugh, Larry Rocca, George Brumbaugh

Excused:

Also Present:

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

2. Adoption of Revised Agenda

Chair Deldin requested to move item #10 related to Rizvi Traverse Management to immediately after the HGK presentation. There were no objections.

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

3. Approval of Minutes from August 20, 2020

A motion was made by Trustee Rocca, supported by Trustee Grix approve the minutes from August 20, 2020 as presented. The motion carried.

4. Public Participation

None

5. Retirement Administrator Report

Ms. Dobson provided the most recent Activity Report and noted that the numbers remain consistent with what her office typically sees in the summer. She also provided an update on the direct deposit issue that was discussed at the last meeting. There are less than 20 retirees that currently do not have direct deposit set-up. She and Mr. McKinnon are drafting a memo that they will be sending out to those individuals to try to persuade them to move toward direct deposit (especially during the pandemic).

The rest of Ms. Dobson's update concerned the issues her office is still having with the move to the new Buck platform. She indicated that there are approximately 16-18 issues that remain outstanding and they

have also had some new issues pop up during testing. As an example, Ms. Dobson stated that they recently discovered that for individuals who entered the DROP program in 2017, calculations were being doubled and if this hadn't been caught by her staff, those people would have received double the money they were actually entitled to. She also advised that a representative from Genesee County may also be joining the call today because they are having many of the same issues with Buck.

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

6. Disability Retirement

a. Steven Marschke (Re-examination Opinion)

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

A motion was made by Trustee Cutler, supported by Trustee Haugh that based on the Medical Director's opinion, the continuation of the disability retirement of Steven Marschke 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, Steven Marschke was granted a disability retirement on May 11, 2017, 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, that the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Steven Marschke 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 August 31, 2020, which states that Steven Marschke 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 Steven Marschke 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 Steven Marschke 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 Steven Marschke and all other appropriate parties.

The motion carried.

b. Christine Rutledge-Dudek (Re-examination Opinion)

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

A motion was made by Trustee Cutler, supported by Trustee Haugh that based on the Medical Director's opinion, the continuation of the disability retirement of Christine Rutledge-Dudek 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, Christine Rutledge-Dudek was granted a disability retirement on May 10, 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, that the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Christine Rutledge-Dudek 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 August 27, 2020, which states that Christine Rutledge-Dudek 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 Christine Rutledge-Dudek 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 Christine Rutledge-Dudek 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 Christine Rutledge-Dudek and all other appropriate parties.

The motion carried.

7. HGK Asset Management Annual Investment Update

Mr. Matthew Kosara and Mr. Nick Mayor joined the meeting remotely to provide the Board with an update on their investment with HGK Asset Management. Mr. Kosara began with a brief update related to the firm and indicated that only one change had occurred recently which was the addition of another analyst to the investment team. Mr. Kosara reviewed net performance across the last year and noted that it has been strong.

Mr. Mayor continued the conversation and discussed some of the different ways things have had to be handled this year and the evolution of some new processes. They have had many remote meetings given the limited ability to travel and their staff began moving back to their physical offices in mid-August. He noted that the hospitality and travel sectors have been hit hardest during 2020. He examined several specific stocks and evaluated their recent performance. Mr. Mayor observed that their outlook remains relatively cautious moving forward and stated that they are closely assessing new opportunities.

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

8. Rizvi Traverse Management – request for amendment to Limited Partnership Agreement

Mr. Holycross advised the Board members that this is simply a request for an extension of each ROEF fund's term. There is one investment remaining in the fund and they are set to expire January 2, 2021. Rizvi would like a one year extension to allow extra time to provide a better liquidation opportunity for that last investment. Mr. Holycross recommends the Board approve this request and Mr. Michaud confirmed there were no legal issues of note.

A motion was made by Trustee Haugh, supported by Trustee Cutler to approve the request for amendment to the Limited Partnership Agreement as submitted by Rizvi Traverse Management. The motion carried.

9. Buck Global 2019 Actuarial Valuation

Mr. Troy Jaros joined the meeting remotely to present the Board with the 2019 Actuarial Valuation. He gave an overview of the actuarial process and the overall results. He also discussed the covered population (which is decreasing due to the plan being closed), plan assets, and County contributions. Mr. Jaros also offered to answer any questions related to the valuation report.

A motion was made by Vice-Chair Santo, supported by Trustee Grix to receive and file the 2019 Actuarial Valuation presentation. The motion carried.

Mr. Eric Morganstein, Mr. Chris Studwell and Mr. Rick Hunsicker from the Buck programming team also joined the meeting to discuss the issues Ms. Dobson has outlined for the Board with the move to the new platform. Mr. Morganstein apologized for poor communication throughout the process of shifting from the old Conduent platform to the new Buck platform. He said their main priority through this process was to avoid any type of outage that prohibited Ms. Dobson and her team from performing the necessary calculations required by her office. Mr. Morganstein indicated that Buck is working diligently on correcting the issues Ms. Dobson and her staff are having. He referenced something he called "convenience features" and "cosmetic issues" that are being worked through. He also referenced the contract that they "inherited" and stated that they have been working on completing what has been

required even though it appears to be outside of the contract (processing data bi-weekly versus monthly). He referred to negotiations that had just been conducted and that they worked on adapting the system to meet any possible plan changes from the outcome of those negotiations. Mr. Morganstein said their main goal was to ensure that Ms. Dobson and her staff were not impeded from completing their responsibilities.

Mr. Morganstein also indicated that it was his understanding that they were to “pause” putting the employee self-service site back up. He and his team are working with Ms. Dobson and her staff to resolve the outstanding issues related to that site as quickly as they can. Chair Deldin asked for a timeline on this. Mr. Morganstein responded that they would like to get this resolved as soon as possible and expect to have the site up and running by the end of September (give or take).

Chair Deldin asked Ms. Dobson for her feedback at this point. She stated that she is very concerned because it seems that when one thing gets “fixed” it tends to “break” something else and creates a new issue that did not exist before. She also commented that she is unsure why there would have been anything in a contract that stipulated monthly data processing when payroll is run every two weeks. She hopes that the self-service site is up and running by the end of September, but is not confident it will be.

Trustee Haugh commented that an end of September or as soon as possible timeframe for the self-service site is unacceptable because these issues have been on-going for months. He stated the Board should consider withholding payment until this is accomplished. Chair Deldin stated that he agrees and he recalls that the prospect of a self-service benefit estimator was what sold the Board on changing actuaries several years ago. Not having that available is very disappointing because it was one of the reasons he supported bringing Buck on board. He also confirmed that at the last meeting the Board voted unanimously to withhold payment of the most recent invoice.

Mr. Morganstein confirmed that he is hearing the Board and they will work with a sense of urgency to get the outstanding items corrected and/or completed as expeditiously as possible. Chair Deldin indicated that this matter will be reviewed again for progress with another update expected from Ms. Dobson at their next meeting.

10. Investment Consultant Report

a. 2nd Quarter Performance Update

Mr. Holycross briefly touched on the quarterly returns of various market indices as of June 30th. He discussed asset allocations and a new page of the report that reviews compliance with Public Act 314 and the Board’s investment policy. He also examined comparative performance of individual managers.

b. Monthly Flash Report – July

Mr. Holycross reviewed updated numbers and stated that the total fund return for the month of July (net of fees) was up 3.7%. July was a good month in the capital markets and the portfolio benefited from that.

c. Asset Allocation Report

Mr. Holycross noted that as of August 31st the fund is now up over a billion dollars again. He also referenced the total allocations in Loomis, Franklin Templeton and JP Morgan which will be used for a proposed investment in U.S. Core Fixed Income. He stated that this will be a very easy transition.

A motion was made by Trustee Cutler, supported by Trustee Haugh to receive and file the 2nd Quarter Performance Update, the Monthly Flash Report for July and the current Asset Allocation Report. The motion carried.

d. U.S. Core Fixed Income Manager Analysis

Mr. Holycross reviewed the search information provided by AndCo for a potential investment in U.S. Core Fixed Income. He began with an examination of the three candidates (Baird, Dodge & Cox, and Western) which included the type of vehicle, the management fee and the investment minimums for each. These are all daily priced mutual funds. The majority of the Board's assets in fixed income are currently in three portfolios – Loomis Sayles (their fee is 31 basis points in a co-mingled vehicle), JP Morgan's (their fee is 63 basis points) and Franklin Templeton (their fee is 45 basis points). All proposed candidates present a cost savings compared to the current structure of the portfolio.

Mr. Holycross covered some additional details about each proposed firm and their investment teams. He also looked at trailing performance and calendar year returns for each of the three as of June 30, 2020. AndCo's recommendation is for the Board to select Baird to replace the Loomis, JP Morgan and Franklin Templeton portfolios.

A motion was made by Trustee Haugh, supported by Trustee Rocca to follow Mr. Holycross' recommendation and select Baird to replace Loomis, JP Morgan and Franklin Templeton. The motion carried.

11. 2020 Employee Representative Election Discussion Policy and Review

Mr. Michaud advised that the Board will need to discuss the election of employee representative trustees and his firm supplied a memo with some information related to holding an election given current circumstances (remote meetings, etc.). From a practical standpoint there are some questions that need to be considered (specifically requirements for collecting signatures and mailing of ballots).

Mr. Michaud provided some information related to the last election that was held including the number of ballots mailed, how many were actually returned and the costs for mailing and certification of those ballots. He also provided some information about how other counties have moved away from mail-in voting to online voting and the options that may be available in that regard. Some of these options may be more cost effective and less labor intensive than the current practice. The main goal is to encourage more participation among members while ensuring the safety of those involved given the pandemic. With an impending election approaching, it is important for the Board to establish all rules and policies far enough ahead of time to make sure the process is equitable and participant driven.

Chair Deldin inquired if there are other systems who are utilizing online voting. Mr. Michaud responded that Washtenaw County has been using an electronic platform for various elections for a period of time and it has been working for them. Chair Deldin asked Ms. Schave to reach out to Washtenaw to see if they can share some additional information related to how they are handling employee representative elections. Ms. Schave will report back to the Board at their next meeting time with the additional information she gathers.

A motion was made by Trustee Rocca, supported by Trustee Haugh to postpone further discussion on this topic until the September 24th meeting. The motion carried.

11. Unfinished Business

None

12. New Business

Trustee Haugh advised that he had the opportunity to speak with one of the Retirement System's fund managers recently and they complimented the thorough and comprehensive work done by Mr. Holycross and his team at AndCo.

13. Adjournment

There being no further business before the Board, a motion was made by Trustee Haugh, supported by Vice-Chair Santo to adjourn the meeting at 10:22 a.m. The motion carried.