

MINUTES OF THE RETIREMENT BOARD
Thursday, September 19, 2019

A meeting of the Retirement Board was held on Thursday, September 19, 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, Harold Haugh, Larry Rocca

Excused:

George Brumbaugh

Also Present:

Stephen Smigiel, Andrew McKinnon, Joe Biondo, 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 advised that he would be moving a few items on the agenda around to be respectful of time constraints for certain individuals. The Board had no objections.

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

3. Approval of Minutes from August 22, 2019

A motion was made by Vice-Chair Santo, supported by Trustee Murphy to approve the minutes from August 22, 2019 as presented. The motion carried.

4. Approval of Invoices

A motion was made by Trustee Cutler, supported by Trustee Haugh to approve the invoices as presented. The motion carried.

5. Public Participation

None

6. Retirement Administrator Report

Mr. McKinnon reported that all of the signature verifications have now been returned. There was one individual who had their pension suspended, but they have returned the required document and their pension is in the process of being reinstated.

Mr. McKinnon also advised that he has spoken with the Medical Director (MMRO) regarding the request that had been made at the last meeting to waive the physical re-examination requirement for Mr. Jason Rowe. MMRO has no issue with reviewing medical documentation in lieu of a physical exam of Mr. Rowe as his condition is unlikely to improve enough for him to return to work. Since the Board still requires a re-examination to continue Mr. Rowe's disability retirement, they can give authorization to MMRO to just review the medical documentation in Mr. Rowe's case instead of conducting a full physical exam.

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to direct that Mr. Jason Rowe's required re-examinations be conducted via medical records without requiring him to be physically present for an exam. The motion carried.

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

7. Disability Retirements

a. Gordon Carpenter (Re-examination Opinion)

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

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to adopt the following resolution and continue the disability retirement of Gordon Carpenter:

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, Gordon Carpenter was granted a disability retirement on September 16, 2018, 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 Gordon Carpenter 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 20, 2019, which states that Gordon Carpenter 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 Gordon Carpenter 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 Gordon Carpenter 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 Gordon Carpenter and all other appropriate parties.

The motion carried.

b. Lisa Gusmano (Re-examination Opinion)

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examination of Lisa Gusmano. 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 Vice-Chair Santo to adopt the following resolution and continue the disability retirement of Lisa Gusmano:

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, Lisa Gusmano was granted a disability retirement on July 31, 2008, 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 Lisa Gusmano 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 14, 2019, which states that Lisa Gusmano 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 Lisa Gusmano 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 Lisa Gusmano 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 Lisa Gusmano and all other appropriate parties.

The motion carried.

c. 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 his disability retirement should be continued.

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to adopt the following resolution and continue the disability retirement of Steven Marschke:

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, 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 26, 2019, 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, 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, a copy of this resolution shall be provided to Steven Marschke and all other appropriate parties.

The motion carried.

8. Noel Reynolds Appeal – Legal Opinion (Closed Session)

A motion was made by Trustee Murphy to enter into closed session to discuss the Legal Opinion related to Ms. Reynolds' Appeal. The motion was supported by Trustee Cutler. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

The Board returned to open session and Ms. Reynolds was invited to address the Board if she wished. She declined.

A motion was made by Vice-Chair Santo, supported by Trustee Haugh to confirm the Board's prior decision to recoup the money that was outstanding related to the state offset of Ms. Reynolds' pension. The motion carried.

9. Franklin Templeton Annual Update – Jason LaRocco

Mr. Jason LaRocco joined the meeting to provide the annual update for the Franklin Templeton portfolio. He began the discussion with a review of their strategy and the three key characteristics that make up Franklin Templeton's investment approach. They are unconstrained, research intensive, and have a high conviction approach. Returns year-to-date through June show slight underperformance. He noted that there has not been one key driver of performance in the first six months of this year.

Mr. LaRocco briefly discussed what is driving markets today. He also noted that Franklin Templeton has been increasing their currency exposure and their liquidity. They have been building up cash and currently have about a 30% cash position which is high for the strategy. He also discussed opportunities they see in the future in emerging markets.

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

10. EnTrustPermal Annual Update – Gregg Hymowitz, Warren Tolman, Peter Iannicelli

Mr. Gregg Hymowitz joined the meeting to provide the annual update for the EnTrustPermal portfolio. He was accompanied by Mr. Warren Tolman and Mr. Peter Iannicelli. Mr. Hymowitz started with a discussion of the performance of the co-investments the Board has made with EnTrustPermal. Fund III is in liquidation and returning capital and Fund IV is still in investment mode. He then reviewed the list of the Board's realized investments and the unrealized opportunities they are invested in.

Per tradition, Mr. Hymowitz also discussed two books he has recently read and would recommend to others.

A motion was made by Vice-Chair Santo, supported by Trustee Haugh to receive and file the EnTrustPermal Annual Update. The motion carried.

11. 2018 Actuarial Valuation – Troy Jaros, Buck

Mr. Troy Jaros joined the meeting to present the 2018 Actuarial Valuation. He began with an overview and reminded the Board that several assumptions had been changed as a result of the Experience Study. He noted that 2018 was not a good market return year. The return on market value of assets

of -5.88% and return on actuarial value of assets of 5.08% resulted in an increase in unfunded liability of \$21.8 million and liability gains decreased the unfunded liability by \$7.5 million. The funded percentage decreased from 97.80% in the prior year to 96.65%. Mr. Jaros also discussed some historical information related to the covered population, plan assets, funded status, and county contributions.

A motion was made by Trustee Haugh, supported by Trustee Cutler to receive and file the 2018 Actuarial Valuation as presented. The motion carried.

12. 2nd Quarter Performance Report – Mike Holycross, AndCo Consulting

Mr. Holycross directed the Board’s attention to the three presentation books he had provided (two for the 2nd quarter and a monthly flash report for July). The quarterly performance books included a market commentary and he discussed the “performance at a glance” which showed the total fund was up 2.9% for the quarter and up 12.5% for the year thus far. He stated that the portfolio has done very, very well. Mr. Holycross also advised the Board that there will be some rebalances coming before the end of the year (for needed capital calls, the new Private Equity investments and to potentially reduce the amount of equity in the overweight Large Cap Equity allocation).

Mr. Holycross also reviewed comparative performance trailing returns by manager. He reminded the Board that the fee disclosures and liquidity analysis are included in these books as usual.

A motion was made by Trustee Rocca, supported by Trustee Cutler to receive and file the 2nd Quarter Performance Report. The motion carried.

13. McMorgan Infrastructure Fund Capital Deployment Update and Limited Partnership Agreement Amendment Request

Mr. Holycross discussed the proposed amendment from McMorgan. Mr. Michaud indicated that he had reviewed it from a legal perspective and they have no issues with what has been proposed. McMorgan has proposed opening the investment period to conduct individual due diligence related to participating in five additional infrastructure investments with OMERS. McMorgan requires the Board’s permission to amend the documents and open the investment window. AndCo is recommending that their clients approve the amendment.

A motion was made by Trustee Cutler, supported by Trustee Haugh to approve the proposed amendment from McMorgan. The motion carried.

14. Nomination of MAPERS Fall Conference Delegates

A motion was made by Trustee Cutler, supported by Trustee Murphy to name Chair Mark Deldin and Vice-Chair Bryan Santo as the two delegates for the MAPERS 2019 Fall Conference. The motion carried.

15. Unfinished Business

None

16. New Business

a. Certification of 2019 Special Employee Representative Election

Chair Deldin summarized the letter from Plante Moran certifying the 2019 Special Employee Representative Election. A total of 419 eligible ballots were received with 203 votes going to Michael Grix, 137 votes going to Larry Lee and 78 votes going to Jennifer Meech. There was one write-in vote. Michael Grix is the new employee representative serving a partial term ending December 31, 2021.

A motion was made by Trustee Murphy, supported by Vice-Chair Santo to receive and file the letter certifying the 2019 Special Employee Representative Election. The motion carried.

17. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Murphy to adjourn the meeting at 10:16 a.m. The motion carried.