

MINUTES OF THE RETIREMENT BOARD
Thursday, November 1, 2018

A meeting of the Retirement Board was held on Thursday, November 1, 2018 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, Bob Smith, Matthew Murphy, Gary Cutler, George Brumbaugh

Excused:

Larry Rocca, Carol Grant

Also Present:

John Schapka, Stephen Smigiel, Stephanie Dobson, 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 Agenda

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

3. Approval of Invoices

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

4. Public Participation

None

5. Retirement Administrator Report

Ms. Dobson stated that the Activity Report through the month of September was included in the Board's packets. Appointments are increasing as they head toward the end of the year. She also advised that since the self-service site is now available, a notice will be mailed out to all DROP participants advising them that statements will no longer be mailed out. They can be retrieved online now, but if someone does not have access to the internet they can call her office for assistance.

a. Joe Cada – additional correspondence and discussion

Mr. Michaud noted that the Board had received some additional information related to Mr. Cada. Mr. Cada and his representative Mr. Donofrio are also present today. As a reminder, he noted that this relates to a question regarding the Reciprocal Retirement Act and its applicability to other

governmental service that Mr. Cada had rendered and its impact (if any) on the pension benefit provided by this retirement system. His recommendation would be for the Board to receive the information and direct it to legal counsel to render an opinion, so they can provide a response and an overview of how the Reciprocal Retirement Act is administered within the retirement system. He offered to answer any questions that the Board may have related to this.

Chair Deldin offered the floor to Mr. Donofrio and Mr. Cada in the event they wanted to make any additional comments. Mr. Donofrio reminded the Board that at the August 9th meeting, they were present to discuss issues related to Mr. Cada's situation and the Reciprocal Retirement Act. They are looking for time that Mr. Cada earned during previous employment with Macomb Community College (MCC) to be combined with his service time at the County to allow him to qualify for the pension as provided by this system. Documentation has been obtained from the Office of Retirement Services (ORS) and this shows that Mr. Cada was credited with 3.3176 years of service for his time at MCC. Mr. Donofrio stated this is more than the 30 months needed for the Reciprocal Act to apply. They are again asking that this time be combined with the time he served with the Macomb County Sheriff's Department so he can reach the 25 year threshold and begin collecting his pension.

Mr. Donofrio also discussed the earlier question about whether or not Mr. Cada had requested his prior service time be counted before being terminated from employment with the County. They have submitted documentation showing that he did ask for the opportunity to purchase his prior time in order to put him above the threshold to qualify for a pension from the County before he was terminated. Mr. Donofrio stated that he has read the Reciprocal Retirement Act and he cannot find the specific portion that would indicate it was necessary for a request to be made before an individual was let go from their employment. At any rate, he has provided information that shows Mr. Cada did make this request prior to his termination.

A motion was made by Trustee Smith, supported by Trustee Murphy to receive the additional documentation related to Mr. Cada and forward it to legal counsel for further review. The motion carried.

b. Voluntary monthly pension reduction

Ms. Dobson reported that she had been approached by the POA of a retirement beneficiary recipient. They asked if it would be possible to voluntarily reduce the monthly pension benefit received by \$200 per month in order to meet financial requirements to go into an assisted living facility. She indicated she had approached Mr. Schapka, Mr. Michaud and Mr. Smigiel to ask for their opinions on this. She is now bringing it to the Board for additional discussion.

Mr. Smigiel stated that he felt it was a highly unusual request and that it would mean the Board is making someone eligible for a benefit that they would not otherwise be entitled to. He thinks this is a strange request and it would result in some other entity paying for something this person is not eligible for. Trustee Smith said that he agrees with Mr. Smigiel and in his law practice he was on the opposite side of this with clients who needed to reduce their income below a certain threshold to qualify for Medicaid. It sounds like a nice idea, but he thinks it's possible the Board would be liable if Medicaid discovered this had occurred.

Mr. Schapka stated that this would result in the Board being complicit in a fraud. Trustee Murphy feels that this individual should perhaps consult the services of an attorney to research if there are some more legal ways to accomplish what they are trying to do.

Chair Deldin added that on its surface the request is wrong. The earnings are what they are and he sees no need to put the pension system in harm's way. He is not in favor of granting this type of request. The Board agreed and advised Ms. Dobson that her response should simply be that this type of request cannot be granted.

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

6. Corbin Capital Partners investment update – Craig Bergstrom, Jessica Hornung

Ms. Jessica Hornung and Mr. Craig Bergstrom joined the meeting to provide an update for the Corbin Capital Partners investment. Ms. Hornung began the discussion with a review of Corbin's background and the current status of the firm. She stated there have been no changes at the senior level and they have approximately \$6.9 billion in assets under management. She also reviewed their diverse client base.

Mr. Bergstrom continued the conversation and reminded the Board that they are invested in Corbin's Pinehurst portfolio. Pinehurst is their hedge fund portfolio and he discussed the characteristics of this fund. He also reviewed year-to-date results as of August 31, 2018.

Trustee Murphy asked Mr. Bergstrom to elaborate on a few of the specific names within the portfolio and their returns. Trustee Cutler asked Mr. Bergstrom what kind of returns he would anticipate in a down market next year. Mr. Holycross also asked for Mr. Bergstrom's perspective on the markets since they are the first manager they have had in since October ended.

A motion was made by Trustee Murphy, supported by Trustee Cutler to receive and file the Corbin Capital Partners investment update. The motion carried.

7. Penn Square / Townsend investment updates – Jeff Barone

Mr. Jeff Barone joined the meeting to provide an update on the Penn Square and Townsend investments. He distributed the presentation materials to the Board and began the discussion by providing an update on the investment team and a refresher on their strategy.

Mr. Barone then provided a quick update on the Penn Square fund which is winding down and is in the final stages of liquidation. About 96% of capital has been distributed back and they expect to hit 100% either late this year or very early next year. There will be another 18-20% of profit coming back over the next two years.

Mr. Barone then moved on to discuss the Townsend (TREA II) investment and provided the Board with a portfolio summary and a snapshot of performance. The fund continues to progress very well and the portfolio has been fully invested for a little over a year. Twenty-one percent of capital has actually already been returned. Mr. Barone also reviewed some of the portfolio's holdings (21 investments selected from over 1,500 transactions that they have sourced and screened over the fund's two-and-a-half year investment period).

A motion was made by Vice-Chair Santo, supported by Trustee Murphy to receive and file the Penn Square / Townsend investment update. The motion carried.

8. Unfinished Business

None

9. New Business

Trustee Cutler asked Mr. Holycross for an overview on ClearArc. Mr. Holycross said they haven't given him any indication on the percentage that was liquidated in October, so he will find out from them. Trustee Cutler asked if they are fully liquidating and shutting down. Mr. Holycross responded affirmatively and reminded the Board that they talked about this at a previous meeting. ClearArc is shuttering the business for various reasons.

10. Adjournment

There being no further business before the Board, a motion was made by Trustee Murphy, supported by Trustee Smith to adjourn the meeting at 9:45 a.m. The motion carried.