

MINUTES OF THE RETIREMENT BOARD
Thursday, June 3, 2021

A meeting of the Retirement Board was held electronically on Thursday, June 3, 2021 at 8:30 a.m. in accordance with the local state of emergency declared by the City of Mount Clemens 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 (Mount Clemens, Michigan), Bryan Santo (Mount Clemens, Michigan), Harold Haugh (Roseville, Michigan), Gary Cutler (Warren, Michigan), Michael Grix (Mount Clemens, Michigan), Matthew Murphy (Mount Clemens, Michigan), George Brumbaugh (Clinton Township, Michigan)

Excused:

Larry Rocca

Also Present:

Stephanie Dobson, Stephen Smigiel, John Schapka, Joe Biondo, Christina Miller, Andrew McKinnon, Tom Michaud, Mike Holycross

1. Call to Order and Roll Call

There being a quorum of the Board present, the meeting was called to order at 8:30 a.m. by Chair Deldin.

Ms. Schave conducted the roll call with each member of the Board stating their physical location for today's remote meeting.

2. Adoption of Agenda

A motion was made by Vice-Chair Santo, supported by Trustee Haugh to adopt the agenda as presented. The motion carried.

3. Approval of Minutes from May 6, 2021

A motion was made by Trustee Grix, supported by Trustee Haugh to approve the minutes from May 6, 2021 as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

None

6. Retirement Administrator Report

Ms. Dobson that the numbers on the Activity Report remain steady. They have also received responses for about 80% of the Annual Signature Verifications that were sent out. Her office has also been able to

recoup some of the money that had been paid out to individuals that have since been reported as deceased. A second mailing will go out soon to those who have not yet responded.

Ms. Dobson briefly discussed historical rates at they relate to the PBGC and then turned the discussion over to Mr. Michaud to discuss the policy he has drafted for the Board.

a. PBGC Rate Draft Policy

Mr. Michaud reminded the Board that the PBGC Rate is an interest rate that has historically been used for calculations related to annuity withdrawal. That rate is no longer being published, but a formula that can be used to closely replicate the PBGC Rate has been made available. Mr. Michaud has drafted a policy that allows the Board's actuary to provide a calculation using this formula that will mirror this rate. He also provided a memo that can be used to communicate this new policy and the change in how the calculation will be made to all necessary parties (including the collective bargaining units). Mr. Michaud recommends that the Board adopt this policy.

A motion was made by Trustee Cutler, supported by Trustee Grix to adopt the policy as recommended by Mr. Michaud. The motion carried.

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

7. Disability Retirements

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examinations of Victor Krese, Steven Marschke, Siobhan O'Brien and Christine Rutledge-Dudek. The Medical Director has concluded, based on the re-exams, that Mr. Krese's, Mr. Marschke's, Ms. O'Brien's and Ms. Rutledge-Dudek's disability retirements should be continued.

A motion was made by Trustee Cutler, supported by Trustee Grix that based on the Medical Director's opinion, the continuation of the disability retirements of Victor Krese, Steven Marschke, Siobhan O'Brien and Christine Rutledge-Dudek should be approved and the following resolutions should be adopted:

a. Victor Krese (Re-examination Opinion)

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, Mr. Krese was granted a disability retirement on March 6, 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, that the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Mr. Krese 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 May 4, 2021, which states that Mr. Krese 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 Mr. Krese 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 Mr. Krese 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 Mr. Krese and all other appropriate parties.

b. Steven Marschke (Re-examination Opinion)

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, Mr. 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 Mr. 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 May 5, 2021, which states that Mr. 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 Mr. 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 Mr. 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 Mr. Marschke and all other appropriate parties.

c. Siobhan O'Brien (Re-examination Opinion)

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, Ms. O'Brien was granted a disability retirement on May 23, 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 Ms. O'Brien 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 May 10, 2021, which states that Ms. O'Brien 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 Ms. O'Brien 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 Ms. O'Brien 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 Ms. O'Brien and all other appropriate parties.

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

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, Ms. 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 Ms. 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 May 5, 2021, which states that Ms. 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 Ms. 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 Ms. 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 Ms. Rutledge-Dudek and all other appropriate parties.

The motion carried.

8. NWQ Annual Update Presentation – Jim Stephenson, Michael Mullane, Lisa George

Ms. Lisa George, Mr. Michael Mullane and Mr. Jim Stephenson joined the meeting remotely to provide the Board with the annual update on the NWQ portfolio. Ms. George provided brief introductions of the team. Mr. Mullane shared news of the rebranding that will take place across the next several months to Nuveen. He also reviewed NWQ's investment philosophy and strategy along with performance as of March 31, 2021. Mr. Stephenson examined sector allocation, regional allocation as well as other characteristics of the portfolio. He also discussed growth oriented sectors.

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

9. AndCo Consulting 1st Quarter 2021 Performance Report – Mike Holycross

Mr. Holycross reviewed market performance as of March 31, 2021. He discussed the treasury yield curve and the fund's compliance with Public Act 314. He mentioned a possible revision to the Retirement System's Investment Policy Statement (IPS) to increase the hedge fund target (and noted that he is planning on a full overhaul of the IPS soon). Trustee Cutler agreed that the temporary change Mr. Holycross is recommending is necessary and believes that restating/amending the entire IPS is necessary as well. He plans to make a motion to address these items later in the meeting under "New Business."

Mr. Holycross also reviewed the April Flash Report and examined individual manager performance. Trustee Cutler asked Mr. Holycross to look into the Board's Wilton investment and find out how the Board can move that manager along and liquidate this old investment. He also mentioned that credit for the Retirement System's overall healthy performance is due to their consultant and thanked Mr. Holycross for his efforts and guidance. Mr. Holycross expressed that much of the fund's success is due to the decision

making of the Board. He also indicated that he made a note to have AndCo's research team reach out to Wilton to find out why they have not liquidated the remaining assets.

Mr. Holycross then discussed the market value update as of June 1, 2021 and noted that there is no rebalance being requested today.

A motion was made by Trustee Grix, supported by Trustee Haugh to receive and file the AndCo Consulting 1st Quarter 2021 Performance Report. The motion carried.

10. Unfinished Business

a. Discussion on returning to in-person meetings

Chair Deldin advised the Board that the City of Mount Clemens has rescinded their local emergency order effective June 7, 2021. Trustee Haugh indicated that the Board of Commissioners (BOC) has not yet discussed returning to in-person meetings, but he expects that it will likely happen next week. Chair Deldin noted that there are no fund manager presentations scheduled for the June 17th meeting date and indicated that it might be possible to cancel that meeting if there is no pressing business to be addressed. That would put the Board's first in-person meeting on July 1st. Chair Deldin asked Ms. Schave to reach out to the staff in the BOC office and work with them on assessing technology needs for holding "hybrid" in-person and virtual meetings. She indicated she would reach out to them today.

11. New Business

a. Former Commissioner Inquiry

Chair Deldin indicated this item involves a Commissioner (who is no longer on the Board) that has inquired about his pension eligibility. He asked Mr. McKinnon to provide additional details to the Board. Mr. McKinnon advised that this former Commissioner (who is vested) is under 60-years-old and believes that he is entitled to the 70-point plan. There are two ordinances for the Board of Commissioners that appear to exclude Commissioners from that 70-point plan. Mr. McKinnon has conferred with both Mr. Schapka and Mr. Michaud regarding this and both concur that Commissioners are excluded from the 70-point plan by their own ordinance. Mr. Michaud confirmed that he agreed with the conclusion communicated by Mr. McKinnon. Mr. McKinnon indicated that this individual will remain in deferred status until he turns 60.

Retiree Representative Brumbaugh recalled when these ordinances were passed and did not believe there was any intent to exclude Commissioners from the 70-point plan, but noted that there may not have been much consideration given to that because of the nature of the make-up of the Board during that time. He also stated that he did not believe this individual has actually applied for retirement yet.

At this point, Mr. Michaud recommended the Board ask for a formal opinion from legal counsel. Mr. McKinnon confirmed that no one has applied for retirement yet, but the discussions had today are the reason that he wanted to bring this to the Board's attention prior to anything further possibly taking place. Mr. Schapka confirmed that he is in agreement with the consensus on this as well and that once this former Commissioner turns 60, he will be eligible to begin collecting his pension.

A motion was made by Trustee Haugh, supported by Vice-Chair Santo to direct legal counsel to conduct further review and issue a formal legal opinion regarding this matter. The motion carried.

Mr. Michaud was excused from the meeting at this point due to another obligation.

b. Retiree Addresses

Mr. McKinnon advised the Board that the Macomb County Retirees Association has requested the names and addresses of all of the County's retirees. Mr. McKinnon asked Mr. Schapka to relay the information he has found regarding this request.

Mr. Schapka reported that he initially believed that this request could be honored, but upon further research he found that the FOIA statute contains a number of exceptions to the general rule that everything the government has is disclosable. There is an exception that concerns private information found at MCL 15.243(1)(a) that protects from disclosure information that would constitute clearly an unwarranted breach of personal privacy. The Courts have fairly recently defined this to mean that names and addresses are (1) of a personal nature and (2) disclosure does not suit the core purpose of the FOIA by revealing the inner workings of the government. His conclusion is that this exception applies and the information requested by the Retirees Association cannot be disclosed.

Trustee Grix inquired how the disclosure of this information would differ from the disclosure of voter registration information. Mr. Schapka responded that the Court actually addressed that very question in the case he referred to. Even though names, addresses and phone numbers are available from a variety of different sources that does not constitute a waiver by the individual for purposes of FOIA. It essentially comes down to who the information is being requested from and if it is a government agency, then it should not be disclosed.

Retiree Representative Brumbaugh inquired whether just the names of the retirees could be disclosed. Mr. Schapka replied that several times a year a list of every County employee and their salary is disclosed and that is allowable because the salary reflects on a function of government. He does not believe that names alone would be considered protected information. It is the addresses and phone numbers that are not disclosable.

c. 2020 Actuarial Valuation

Mr. Smigiel advised the Board that the actuary will be prepared to present the 2020 Actuarial Valuation results at the July 1st meeting.

d. Baird investment

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to 50% of the Baird Fixed Income portfolio to over to their Intermediate Fixed Income. The motion carried.

e. Temporary change to Investment Policy Statement

A motion was made by Trustee Cutler, supported by Trustee Grix to make a temporary change to the Investment Policy Statement and move the hedge fund target to 8% with a maximum of 12% with an offsetting reduction in domestic equity. The motion carried.

f. Re-state and amend Investment Policy Statement

Trustee Cutler requested the Board consider forming a sub-committee to meet with Mr. Holycross to re-state/amend the Investment Policy Statement. After a brief discussion, Trustee Haugh suggested that Trustee Cutler and Mr. Holycross work together to come back with a draft recommendation for the Board to review at a future meeting. Chair Deldin asked that any other Board members who might be interested in working on this reach out to Trustee Cutler and Mr. Holycross.

Trustee Cutler also added a comment about NWQ (who presented at today's meeting) regarding their performance while on "watch" status for the last several quarters. He noted that there has been a significant reduction in the amount of transactions they have been conducting recently. There have been noticeable changes in terms of money going out and money coming into their portfolio. Mr. Holycross advised that they will look at one more quarter and determine whether or not they will remain on "watch" status.

12. Adjournment

There being no further business before the Board, a motion was made by Trustee Grix, supported by Trustee Haugh to adjourn the meeting at 10:12 a.m. The motion carried.