MINUTES OF
JACKSON COUNTY EMPLOYEES' RETIREMENT SYTEM
Thursday October 23, 2014
6th Floor Room 604

The October 23, 2014 Regular Meeting of the Jackson County Employee's Retirement System Board of Trustees was called to order at 8:30 a.m. by Vice Chairperson Wandell. The following Trustees were present: Best, Elwell, Huttenlocker, and Wandell. Absent: Burton, Maurer and Shotwell Also in attendance: Matt Augustine – Morgan Stanley; Crystal Gallagher – Pension Coordinator Assistant; Debby Gorz - Pension Coordinator, James Latham – Finance Officer; Steven Lutenski – Morgan Stanley and Frank Judd - VanOverbeke Michaud and Timmony.

Approval of Agenda:

MOTION: Moved by Best, supported by Elwell to approve the Agenda with the addition of agenda item 5.B. Closed Meeting Minutes. Motion carried.

PUBLIC COMMENT: None

Nancy Banker and Jack White of C.S. McKee presented a portfolio update to the Board.

MOTION: Moved by Best, supported by Huttenlocker to receive the Investment Portfolio update report from C.S. McKee as presented. Motion carried.

Jeffrey Detwiler and Ben Monkiewicz of Garcia Hamilton & Associates presented a portfolio update to the Board.

MOTION: Moved by Best, supported by Huttenlocker to receive the Investment Portfolio update report from Garcia Hamilton & Associates as presented. Motion carried.

Dan Berd from Comerica Bank discussed the process of using a cash account to pay the expenses of the Retirement System. After much discussion, it was determined to continue paying expenses through the Garcia Hamilton account and not make any additional changes at this time.

Approval of Minutes:

MOTION: Moved by Elwell, supported by Huttenlocker to receive the Minutes of September 25, 2014 meeting as presented. Motion carried.

MOTION: Moved by Elwell, supported by Best to receive the Closed Minutes of September 25, 2014 meeting with changes. Motion carried.

Monthly Financial Statement:

MOTION: Moved by Best, supported by Huttenlocker to receive the Monthly Financial Statements for September 2014 as presented by James Latham. Motion carried.

Consent Agenda:

MOTION: Moved by Best, supported by Huttenlocker to concur with the Consent Agenda, pulling agenda item H.1. email from Anna Dancy (10/6/14):

A. Comerica Bank Custodial Statements of Account for September (▶)
B. Purchase of Service
C. Refunds of Contributions
D. Distribution of DROP Balances
E. Approve Application for Retirement
  - *David Bradley, General, Nonunion, Effective 11/1/2014*
  - *Brian Sturgill, General, Union, Effective 1/1/2015*
  - *Andrea Zakerski, Deferred MCF, Union, Effective 1/1/2015*
F. Approve Application(s) for entrance into the Deferred Retirement Option Plan (DROP):
  - *None*
G. Statements Paid
H. Correspondence:
  1. *Email from Anna Dancy, MCF HR Director (10/6/2014)*
  2. *Broker Commission Summary Report (9/30/2014)*
  3. *Robbins Geller Monitoring Report (9/26/2014)*
  4. *Robbins Geller Int'l Monitoring Report (9/26/2014)*
  5. *Robbins Geller Settlement Report (9/26/2014)*
  6. *SSGA Performance and Analysis (9/30/2014)*
I. Pension Coordinator Monthly Report

Roll call vote. Motion carried unanimously, 4 – yes.

The Retirement Board discussed the email received from Anna Dancy, Human Resource Director from Medical Care Facility regarding the 13th check request. The Board states it is not in the best financial interest of the Retirement System to issue a 13th check. Jack Timmony, Retirement Legal Counsel will review files regarding direction of issuance of the 13th check.

MOTION: Moved by Elwell, supported by Huttenlocker to have Legal Counsel draft a letter denying the 13th check request. Motion carried.

MOTION: Moved by Elwell, supported by Best to accept the Actuarial Funding Policy as presented by the Policy Committee.

JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM
P O L I C Y   R E S O L U T I O N

Re: Actuarial Funding Policy — Adopted: October 23, 2014

WHEREAS, the Jackson County Employees' Retirement System ("Retirement System") is established and administered pursuant to the provisions of (a) Public Act 156, of 1851, Section 12a added by Public Act 249 of 1943, as amended, (MCL 46.12a); (b) the Jackson County Employees' Retirement System Bylaws, as amended; (c) applicable collective bargaining agreements; and (d) applicable state and federal laws including, but not limited to Public Act 314 of 1965, as amended ("Act 314") [MCL 38.1132 *et seq*.], and

WHEREAS, the Board of Trustees of the Retirement System ("Retirement Board") is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Retirement Board, in consultation with its Actuary, has an obligation to establish the economic and demographic assumptions to be utilized in performing the required actuarial valuation of the Retirement System and in determining the required annual employer contribution to the Retirement System, and

WHEREAS, the Retirement Board is aware of accounting and reporting standards approved by the Governmental Accounting Standards Board (GASB) for public pension plans, and

WHEREAS, the Retirement Board wishes to establish a formal Actuarial Funding Policy addressing the funding objectives and actuarial assumptions to be utilized in determining the funding status of the Retirement System, therefore be it

RESOLVED, that the Retirement Board hereby adopts the following Actuarial Funding Policy:

I. GENERAL

A. Purpose

(1) In light of GASB financial accounting and reporting standards for public pension plans, the Retirement Board desires to establish a formal Actuarial Funding Policy to ensure the systematic funding of future pension obligations of the Retirement System.

B. Policy Objectives

(1) Maintain adequate levels of assets sufficient to fund all pension benefits expected to be paid to members and beneficiaries when due.

(2) Maintain stability of employer contributions rates, consistent with other funding objectives.

(3) Support the public policy goals of accountability and transparency.

(4) Monitor material risks to assist in any risk management strategies the Retirement Board deems appropriate.

(5) Promote intergenerational equity. Each generation of members and employers should incur the cost of benefits for the employees who provide services to them, rather than deferring costs to future members and employers.

(6) Provide a reasonable margin for adverse experience to offset risk.

(7) Review the Plan's investment return assumption, potentially in conjunction with a periodic asset liability study and in consideration of the Retirement Board's risk profile.

(8) Continue the systematic reduction of the Plan's Unfunded Actuarial Accrued Liabilities (UAAL).

II. LEGAL

A. Annual Actuarial Valuation

(1) Section 20h(4) of Act 314 [MCL 38.1140h(4)], requires the Retirement System to have an actuarial valuation performed annually as follows:

> Except as otherwise provided in this subsection, a system shall have an annual actuarial valuation with assets valued on a market-related basis. The actuarial present value of total projected benefits shall include all pension benefits to be provided by the system to members or beneficiaries pursuant to the terms of the system and any additional statutory or contractual agreements to provide pension benefits through the system that are in force at the actuarial valuation date, including, but not limited to, service credits purchased by members, deferred retirement option plans, early retirement programs, and postretirement adjustment programs. A system that has less than $20,000,000.00 is only required to have an actuarial valuation as required under this subsection done every other year.

B. Annual Employer Contribution

(1) The Retirement Board is required, pursuant to Section 20m of Act 314 [MCL 38.1140m], to annually certify the annual required contribution to be made by the employer as follows:

> The governing board vested with the general administration, management, and operation of a system or other decision-making body that is responsible for implementation and supervision of any system shall confirm in the annual actuarial valuation required under section 20h and the summary annual report required under section 13 that each system under this act provides for the payment of the required employer contribution as provided in this section and shall confirm in the summary annual report that the system has received the required employer contribution for the year covered in the summary annual report. The required employer contribution is the actuarially determined contribution amount. An annual required employer contribution in a system under this act shall consist of a current service cost payment and a payment of at

> least the annual accrued amortized interest on any unfunded actuarial liability and the payment of the annual accrued amortized portion of the unfunded principal liability. For fiscal years that begin before January 1, 2006, the required employer contribution shall not be determined using an amortization period greater than 40 years. Except as otherwise provided in this section, for fiscal years that begin after December 31, 2005, the required employer contribution shall not be determined using an amortization period greater than 30 years. . . . In a plan year, any current service cost payment may be offset by a credit for amortization of accrued assets, if any, in excess of actuarial accrued liability. A required employer contribution for a system administered under this act shall allocate the actuarial present value of future plan benefits between the current service costs to be paid in the future and the actuarial accrued liability. The governing board vested with the general administration, management, and operation of a system or other decision-making body that is responsible for implementation and supervision of a system shall act upon the recommendation of an actuary and the board and the actuary shall take into account the standards of practice of the Actuarial Standards Board in making the determination of the required employer contribution.

III. POLICY

A. Actuarial Cost Method

(1) The individual entry age actuarial cost method of valuation shall be utilized in determining actuarial accrued liability and normal cost with the following characteristics:

(a) the annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement; and

(b) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

(2) Differences in the past between assumed experience and actual experience (actuarial gains and losses) shall be factored into the actuarial accrued liability.

(3) The normal cost shall be determined on an individual basis for each active member.

B. Asset Smoothing Method

(1) The investment gains or losses of each valuation period, resulting from the difference between actual investment return and assumed investment return, shall be recognized annually in level amounts over a period not to exceed five (5) years in calculating the funding value of assets, as determined by the Retirement Board in consultation with its actuary.

C. Amortization Method

(1) An appropriate amortization method as determined by the Board in consultation with its actuary shall be used to systematically pay off the unfunded actuarial accrued liabilities of the Retirement System over an amortization period not to exceed 30 years.

(2) Unfunded liabilities associated with pension benefit changes or assumption changes may be separately funded over a period determined by the Retirement Board in consultation with its actuary.

(3) Unfunded liabilities arising from pension benefit changes provided to retirees, or in conjunction with early retirement incentive programs offered by the employer, shall be separately funded over a period determined by the Retirement Board in consultation with its actuary.

(4) In the event that the Retirement System's assets exceed its liabilities, all amortization schedules other than those related to pension benefit changes for retirees or early retirement incentive programs offered by the employer shall be considered completed, and employer contributions will be set based upon the normal cost and the completion of any remaining amortizations due to pension benefit changes for retirees or early retirement incentive programs offered by the employer, without regard to the overfunding status of the Retirement System.

D. Assumptions

(1) The economic and demographic actuarial assumptions utilized to determine the contribution requirements and pension benefit values of the Retirement System shall be determined by the Retirement Board in consultation with its actuary., subject to the following limitations:

(a) The assumed rate of investment return shall not exceed 8.0%, compounded annually.

E. Funding Target

(1) The targeted funded ratio of the Retirement System shall be 100%.

(2) The employer contribution rate shall at least be equal to the normal cost unless the funded ratio of the Retirement System exceeds 120%.

(3) A funding plan shall be developed by the Retirement Board in consultation with its actuary if the funded ratio of the Retirement System falls below 60%, which may include additional funding requirements.

F. Risk Management

(1) Assumption Changes

(a) The actuarial assumptions utilized to determine the annual contribution requirements and valuations shall be those last adopted by the Retirement Board based on the most recent experience study and upon the advice and recommendation of the Retirement Board's actuary. The Retirement Board's actuary shall conduct an experience study at least once every five years. The results of the experience study shall be the basis for the actuarial assumptions recommended to the Retirement Board.

(b) The actuarial assumptions may be revised during the five-year period between experience studies if significant plan design changes or other significant economic events occur, as advised by the actuary.

(2) Risk Measures. The following risk measures will be annually determined to provide quantifiable measurements of risk as it applies to the Retirement System.

(a) Funded ratio;

(b) Unfunded actuarial accrued liabilities – the years required to pay down the unfunded liabilities of the Retirement System based upon the current funding schedule;

(c) Total unfunded actuarial accrued liabilities as a percentage of total payroll;

(d) Total assets as a percentage of total payroll; and

(e) Total actuarial accrued liabilities as a percentage of total payroll.

(3) Risk Control

(a) The Retirement Board shall carefully monitor the risk measures identified above and shall consider steps to mitigate risk, particularly as the funded ratio increases.

IV. REVIEW AND AMENDMENT

A. Periodic Review

(1) This Actuarial Funding Policy shall be reviewed no less frequently than once every five years in conjunction with the required experience study performed by the Retirement Board's actuary, and may be reviewed at any time in the Retirement Board's discretion.

B. Amendment

(1) The Retirement Board, in consultation with its Actuary and Legal Counsel, may amend this Actuary Funding Policy at any time as deemed necessary to address changes in the makeup, pension benefit structure, and/or funding status of the Retirement System.

Motion carried.

MOTION: Moved by Elwell, supported by Huttenlocker to accept the Kimberly Stahl Disability Retirement Resolution.

JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM
R E S O L U T I O N

Adopted: October 23, 2014

RE: NON-SERVICE DISABILITY RETIREMENT
OF KIM STAHL

WHEREAS, an application for disability retirement was filed regarding Kim Stahl, was processed, and a physician appointed by the Board of Trustees has opined in writing that the aforesaid member of the Retirement System is mentally or physically totally incapacitated for continued employment by Jackson County, that the incapacity is likely to be permanent, and has thus recommended that a disability retirement be granted, and

WHEREAS, Kim Stahl has been credited with 10 years of service credit, and

WHEREAS, the member has not been granted workers' compensation on account of his disability arising out of and in the course of his (her) County employment, therefore it is

RESOLVED, that a non-service connected disability retirement be granted effective November 1, 2014, and it is further

RESOLVED, that the benefits be paid consistent with the Retirement System provisions, and it is further

RESOLVED, that he (she) be periodically re-examined consistent with the Retirement System provisions, and it is further

RESOLVED, that a copy of this resolution be provided to Kim Stahl.

Roll call vote. Motion carried unanimously, 4 – yes.

Retirement Board Attorney Frank Judd discussed reissuance of the Johnson refund check. It was decided to table the item until November Board Meeting for the full Board to discuss this issue.

Vice Chairperson Marce Wandell had to leave the meeting at 10:03 a.m. Trustee David Elwell finished chairing the meeting.

Frank Judd, Retirement Board Attorney reported he is currently reviewing a request for Purchase of Military time by an employee.

Morgan Stanley Wealth Management update: Matt Augustine reported that the 10% correction in the market occurred. He went on to report that the quarterly review will be presented at the November meeting.

Trustee Elwell adjourned the meeting at 10:12 a.m.

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Chairperson | Pension Coordinator