

JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM

A Policy Committee meeting of the Jackson County Employees' Retirement System Board of Trustees is scheduled as follows:

Thursday, November 21, 2019
Immediately Following the
Jackson County Employees'
Retirement System Meeting
6th Floor
County Tower Building

POLICY MEETING AGENDA

1. Approval of Agenda
2. Public Comment
3. Approve Minutes of August 22, 2019
4. Policy #40 – Correction of Errors (Rough Draft for Review)
5. Cybersecurity Policy
6. Policy #10 – Verification of Retirant and Beneficiary Data Policy
7. Policy #32 – Adoption of Actuarial Assumptions
8. Review policies and determine which need to be addressed
9. Trustee Comments

**POLICY COMMITTEE MINUTES OF
JACKSON COUNTY EMPLOYEES' RETIREMENT SYTEM**

Thursday, August 22, 2019
Tower Building 5th Floor

The Policy Committee Meeting of the Jackson County Employee's Retirement System Board of Trustees was called to order at 10:04 a.m. by Trustee Robert Griffis. Trustees present: Robert Griffis, Denise Owens, and Rodney Walz. Also in attendance: Nick Barris, Morgan Stanley – Investment Consultant, Jessica Gerlach, Pension Coordinator and Legal Counsel, Jack Timmony – VanOverbeke Michaud and Timmony.

Special Order:

Trustee Griffis called the meeting to order with a special election of the Chair and Vice-Chair of the Jackson County Employees' Retirement System Policy Committee for the 2019/2020 Plan year. Trustee Owens nominated Trustee Griffis as Chair, with support from Trustee Walz. Trustee Griffis nominated Trustee Owens as Vice-Chair, with support from Trustee Walz. No other nominations.

MOTION: Moved by Griffis, supported by Owens for appointing Trustee Robert Griffis as Chairman and Trustee Denise Owens as Vice-Chairperson of the Jackson County Employees' Retirement System Policy Committee for the 2019/2020 Plan year. Motion carried unanimously.

MOTION: Moved by Owens, supported by Walz to approve the Agenda. Motion carried unanimously.

Public Comments: None

Minutes:

MOTION: Moved by Walz, supported by Owens to approve the minutes of May 23, 2019. Motion carried unanimously.

Actuarial Study for Purchase of Service:

Legal counsel, Jack Timmony, clarified that the question is how long is the application valid for. Act 314 is an amendment of Public Act 728; 728 requires that every time you have a proposed pension benefit change, you have to have a supplemental actuarial cost calculated before the benefit change can be effective. The actuarial cost evaluation must be provided to the governing board of the municipality (in this case, the Board of Commissioners and the Board of Trustees) at least 7 days before the benefit change is effective. The question of how long is it valid; it is valid for however long that change is on the table for discussion.

Gerlach wanted to clarify for understanding. The instance that brought this question up is that someone came in and said they wanted to buy years of service; they paid the \$1000 for the actuarial study; the study came by from Gabriel Roeder with the cost of what it would be to purchase 3 years. That was over a year ago; the person recently came back and said they want to go ahead and purchase the years that were calculated. Timmony said that is a different scenario then. Since the purchase of service request is a study performed by the actuary, based on wages, it is believed that the cost estimate is good for the amount of time equivalent to the request, as long as the wages calculated remain the same; however, Timmony would defer to the

actuary. Once the actuary comes back, a visit to the policy may need to be considered to add information to the policy as to how long the actuary's recommendation is valid. Trustee Walz mentioned that the actuary recommendation should specify a time limit that the estimate is valid; Trustee Owens concurred.

Gerlach also advised that binders were prepared for the Policy Committee members which included updated versions of the policies and bylaws for easier reference by the committee as these are being reviewed.

Policy #36 – Statement of Investment Objectives, Policies and Guidelines:

Timmony advised the Committee that this policy is legally required. Act 314 requires that you have this particular document, however, Act 314 does not specify what to put in the document. Timmony cited Section 13 of Act 314 which advises that you are required to have an investment policy; "to prepare and maintain written objectives, policies, and strategies with clearly defined accountability and responsibility for implementing and executing the system's investments". The Board's investment consultant, Morgan Stanley, along with the assistance of legal counsel, have revised this policy with edits and updates for review by the Committee.

Timmony, with the assistance of Nick Barris of Morgan Stanley, reviewed the proposed changes and updates with the Committee. There is a question concerning Section 12 of the Policy, Investment Manager Performance Review and Evaluation – the policy states "not more than three members" of the Board will be on the Committee. The question being asked is whether it is intentional to limit the number of members in attendance on the Committee; Timmony advised that it was, but that the number of members could be expanded if the Board of Trustees desires. Timmony suggested that if this is an issue, the question be presented to the full Board for discussion.

Barris mentioned the "Watch List Procedures" as referenced in the Policy. The changes and recommendations to the List include giving the Board the full right to add or remove any Investment Manager from the List at any time for any reason. This is particularly important to note given the present concerns with the current manager, Brandes.

There was some discussion regarding Section 13, paragraph B, in reference to an Investment Manager meeting "in person" due to past presentations being given via Skype or a conference call to the Board. It was concluded that the "in person" reference may include any form of communication to the Board, as long as it was more than just a written report. If the Board is comfortable with the Investment Manager presenting their presentation via Skype or a conference call, that is acceptable and in line with this Policy.

Barris had asked a question concerning the Objectives for International Equity Manager (Brandes) provision of the Policy. Since the Board now has a bonds proceeds account, as well as international accounts, and Brandes is an international value manager, does the Committee want to add the word "value" to the specific title on this page, and maybe consider adding another manager, such as Thornburg? Keep the description all-inclusive of all international value account. There was discussion concerning a change in managers, due to Brandes being a concern. Barris said that maybe being a little more general, just in case there is a change in managers, and it still includes all international value managers. It was concluded to change the Objectives to International **Value** Equity Manager, and strike the wording to indicate that it is managed by Brandes. A similar suggestion by Barris was made concerning the International Equity Manager (ClearBridge), to add the word "growth" to the title, and eliminate "managed by ClearBridge", so

that again, it is all encompassing of anything related to international growth managers, due to the bonds proceeds account being included.

Barris asked if the reference to CS McKee as the manager for Core Fixed Income and Garcia Hamilton as the manager to Intermediate Fixed Income should also be stricken out, as with Brandes and ClearBridge discussed earlier. The Committee deemed the change appropriate, to keep these accounts generalized and uniform. Trustee Griffis asked if there were further comments or changes. No further changes were discussed.

Timmony asked if the Committee was prepared to recommend this Policy to the full Board for adoption of the changes, or if the Committee would like to review the changes as discussed and then present to the Board. Trustee Owens advised that she believed it was fine to present the updated policy to the Board for adoption, including the changes discussed today. Trustee Griffis concurred. Barris advised that a clean copy will be presented to the Board at the next meeting, and an edited copy will be presented in addition to the clean copy so the Board can adopt the changes.

Continue Reviewing Board Policies:

Trustees Griffis and Owens discussed whether policies that haven't been revised since 2015 should be reviewed. Timmony revisited the discussion from the regular board meeting concerning the DROP interest rate; if a policy related to this issue should be drafted. Timmony stated that because the System is recovering that money, there should be a policy to go with it. Trustee Walz advised that the specified interest rate should not be included in the policy; the interest rate will be calculated at the time it is needed. Timmony concurred and said this should a consultation with the actuary.

Trustee Griffis said hopefully this situation won't happen again; Timmony advised that sometimes, situations like this does happen. When someone dies, for example, and there's no notification of it; the System has to recoup 2-3 months or however long it's been, of payments, if there's no beneficiary or surviving spouse. This new policy would be Policy #40. A draft will be presented to the Committee for review at the next Committee meeting in November.

Trustee Comments: None

Meeting adjourned by Chair at 11:01 a.m.

Chairperson

Pension Coordinator