

JACKSON COUNTY EMPLOYEES' RETIREMENT SYSTEM

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

Thursday, August 22, 2019
Immediately Following the
Jackson County Employees'
Retirement System Meeting
5th Floor
County Tower Building

POLICY MEETING AGENDA

Special Order: Election of Chair and Vice-Chair

1. Approval of Agenda
2. Public Comment
3. Approve Minutes of May 23, 2019
4. Actuarial Study for Purchase of Service
 - a. How long is it valid for?
5. Policy #36 – Statement of Investment Objectives, Policies and Guidelines
6. Review policies and determine which need to be addressed
7. Trustee Comments

POLICY COMMITTEE MINUTES OF JACKSON COUNTY EMPLOYEES' RETIREMENT SYTEM

Thursday, May 23, 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 _____ a.m. by Trustee Griffis. Trustees present: Robert Griffis, Denise Owens, and Rodney Walz. Absent: None. Also in attendance: Jessica Gerlach, Pension Coordinator and Jack Timmony of VanOverbeke Michaud and Timmony.

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

Public Comments: None

Minutes:

MOTION: Moved by Walz, supported by Owens to approved the minutes of January 24, 2019. Motion carried.

Continue Reviewing Board Policies: Timmony addressed a statement in the January 24, 2019 minutes concerning Policy #38, Actuarial Funding. Francois Pieterse of Gabriel, Roeder provided a verbal comment that the policy is good as it is, however, it is not a formal statement. When Timmony met with Gerlach and Applegate in April, it was confirmed that Pieterse had provided that information. The committee acknowledges that this Policy has been reviewed and no updates are necessary at this time.

Timmony continued and referred back to the May 2, 2019 meeting of the Board where the Board had elected to adopt a more recent mortality table. The RP-2014 Employee Generational Mortality Table, Timmony had referenced Section 11 of the Board's Bylaws which provides that there is an actuarial equivalency where the Board may, from time to time, adopt the Mortality Table. Timmony recommends that the Policy Committee advises the Board of the resolution to adopt the updated 2014 mortality table.

MOTION: Moved by Walz, supported by Owens to direct legal counsel to draft the resolution for the updated 2014 Mortality Table to present to the full Board at the next meeting. Motion carried.

Richard Martonchik, of Human Resources, provided further clarification on the issue concerning the DROP accounts. He stated that because of the dip in return and the recognized rate of return in the actuarial valuation, a couple of things affect the percentage. One being the updated mortality table and another is the actual rate of return. In reviewing the rate of return from the, it was up around 7-8%. The Bylaws state that Medical Care Facility and Department of Transportation that the DROP account is credited with the contributions and interest 1% below the assumed rate of return in the annual actuary valuation, as stated in Section 11. County General is that the interest is equal to the nominal rate of return on a smooth value for the plan, minus 1%, as long as it doesn't go below 4%. So what appears to have happened in the valuation, 2018 (based on the 2017 valuation) had an interest of 7.84% so General and Sheriff had an interest of 6.84%, as well as everyone else.

This year has to be different because now, General County is to be 3.85%, which has to be 4% since it cannot go below 4%. Timmony had restated the Chairman's question at the last meeting of how do we proceed from here. Griffis clarified that General County is at 4%, and asked how

that affects Medical Care Facility and Department of Transportation. Martonchik stated that the resolution is that if the mortality table is adopted, it's going to change the interest rate for them to 7%; he also stated that this would change each year depending on the valuation. Additional discussion was held discussing the new mortality table and the new mortality table that is currently in process. Going forward, once the new mortality table is adopted, interest rates will be adjusted according to the new table (if necessary) and the rates will, and should, change each year depending on the actuarial valuation. The committee thanked Martonchik for the clarification on the issue.

Timmony continued the discussion on the Service Retirement Policy. The comments are based on the meeting he had with Gerlach and Applegate. Paragraph 7 says that the Option Election Form will be completed by the Pension Coordinator. Gerlach had stated in his meeting with her that the Member should be the one completing the form, not the Pension Coordinator. Paragraph 8 says that Members must notify the Board, through the Pension Coordinator, about their intent to retire. Paragraph 9, should also be revised that the final data will be prepared after all final pay has been received. Gerlach clarified the importance of this information; if someone works through the end of the month (i.e. May 31st for example), and enters the DROP beginning June 1, their final pay isn't going to be calculated until June 14, so that it encompasses everything. Timmony continued and said Paragraph 1(a) and (b), it is being recommended that the two are to be consolidated. Gerlach clarified that it's actually Paragraph 1(b) and Section A. Griffis confirmed that these changes will be recommended to the Board at the next meeting; Timmony said yes, they will be presented at the next meeting for the Board's approval.

MOTION: Moved by Owens, supported by Walz to direct legal counsel to draft the revisions to Policy #29 to present to the full Board at the next meeting. Motion carried.

Timmony continued and referred to the investment policy, Policy #36. According to his notes, the policy hasn't been revised since 2016. He will check with Morgan Stanley and see if they have any changes or updates that should be included in the policy. Gerlach advised that she pulled out this policy for the new Trustee, Nicholas Warner, and said she also agrees that some "cleanup" on the policy may be necessary. She pointed out a few places that needed some clarification and maybe condensing as well.

Timmony concluded his comments and said that he didn't see anything further which needed immediate attention. He did turn the attention to Gerlach regarding the DROP policy and maybe refer it back to the actuary for review. Gerlach continued with some clarification on the interest rate, if it is supposed to change each year or if a person is locked in at the interest rate that is present when they apply. She stated that past practice has done both; locking in a person at the current rate, and changing each year. So the question is which way is it supposed to be. Gerlach provided information based on what she had discovered in research, including examples of those who had entered the DROP and the percentage didn't change, and those when the percentage changed each year. If it is supposed to change each year, then a correction to the retiree's pension checks will be necessary, per the Correction of Errors provision of the Bylaws. Gerlach said that she would be reviewing retiree files dating back to 2012 to make sure the calculations are correct and make any necessary changes. Gerlach believes the issue is a software issue.

Gerlach had asked if some review can be done regarding the re-employment of retirees. She says there's a Bylaw which references it, but there's no Policy in effect to clarify the potential of re-hiring retirees. Timmony advised that there is a state statute, the County Pension Plan Act, that is very specific regarding who pays the pension, as well as Bylaws and collective bargaining agreements. Timmony recommends that a policy isn't necessary; there are Bylaws, state laws, and collective bargaining agreements that in some way, that answers the question. Some

additional discussion took place with concern to tracking casual employee hours. The concern is that there is no system feature in place that tracks casual hours. Timmony had advised that it is an “employer” issue with regard to retirees exceeding the 960 hours for casual status (in order to retain their benefit). Timmony advised Gerlach to discuss the issue with the Human Resources Department.

Trustee Comments: None

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

Next meeting will be tentatively planned for June 27, 2019.

Chairperson

Pension Coordinator

DRAFT