

PENSION ADVISORY BOARD
Meeting Minutes
February 9, 2017 @ 4:30 p.m.
Governmental Center, Commission Chambers

Board Members Present: Christopher Radu, Pension Vice Chair and Citizen Representative; Robert Zimmerman, Citizen Representative; Carol Crawford, County Chairwoman; Tom Menzel, County Administrator; Jody Lundquist, Finance Director; Heidi Scheppe, County Treasurer.

Excused: Michael Gillman

Call to Order: The meeting was called to order at 4:37 p.m. by Vice Chairman, Christopher Radu.

There were no changes made to the meeting minutes of the January 12, 2017, nor the agenda for February 9, 2017. Crawford moved to approve the agenda and minutes as presented, seconded by Scheppe. The agenda and minutes were unanimously approved.

Staff provided an update on Establishment of Irrevocable Trusts and Outstanding Items.

By consensus the Board agreed to request County Administration request a written legal opinion on the County's authority to establish a Pension Stabilization Trust under current Michigan statute and IRS law.

Menzel reported that he and Deputy County Administrator Jennifer DeHaan participated in a recent discussion hosted by the Michigan Association of Counties that included about 20 counties who indicated that health care costs or Other Post Employment Benefit (OPEB) were a larger emerging problem than unfunded pension liabilities as many of them had already implemented structural changes needed for stabilization.

Also discussed was the restrictiveness of Michigan Public Act 20 on governmental investments and the definition of "acceptable risk" as it relates to pension stabilization.

The GTC Board of Commissioners requested a special study session on March 8th to review and discuss all possible options for a long term strategy to solve the County's unfunded pension liability. Menzel and Lundquist explained that due to the fact that MERS will probably not have the amortization extension analysis completed in order for the Pension Advisory Board (PAB) to review the results and provide a recommendation at its March 9th meeting, it is requested the Board of Commissioners consider rescheduling the special study session to March 29th.

An Ad Hoc Committee may be an option for preparation of a report which outlines the recommendation regarding Grand Traverse County's unfunded pension liability.

Items to be considered for inclusion in that recommendation would include:

- What would trigger moving assets from a pension stabilization fund to MERS – prepare a document identifying how and when these types of things would happen;
- What portion of the \$5.1 million would be set aside for irrevocable pension trust and/or other OPEB;
- Should a dedicated millage be requested and if so, would it be accounted for in a special revenue fund;
- Would the extension of the amortization schedule be enough to fix the problem;
- What portion of assets should be in the stabilization fund vs. MERS (as related to anticipated earnings).

Lundquist informed the board that MERS is currently conducting a sustainability analysis under its new amortization extension policy. The results of the analysis will determine the County's ability to extend its amortization schedule and lower the annual required contributions of the plan in the future. The analysis

is projected to take 30-50 business days and will review the ability to extend the amortization schedule of each defined benefit plan division individually.

General discussion regarding additional sources of funding for the County's unfunded pension liability ensued. Menzel reminded the Pension Advisory Board that pensions were supposed to be paid within each generation and not passed down. Due to the County's significant unfunded pension liability, he recommended that a pension millage be discussed as an option. The Board generally agreed that this was an option, however, members noted the need to place clear language on the ballot regarding the restricted use of millage revenue and include an annual budget policy for funding above the minimum annual required contributions as reported by MERS. Additional discussion would be required prior to moving forward with any recommendation to the Board of Commissioners.

The defined contribution survey will be administered through the County's HR department at a later date, the results of which will be reported to the Pension Advisory Board once compiled.

General Discussion:

In order to prepare recommendations for the Board to review, Radu suggested all members present their ideas in a format similar to the Memo prepared by Gillman for discussion at the next Pension Advisory Board meeting. Scheppé will provide an estimate of the pension millage revenue for further consideration and discussion.

Next meeting is March 9th, Board member Zimmerman will attend via phone.

There was no Public Comment.

The meeting was adjourned at 5:48 p.m.

Christopher Radu, Pension Advisory Board,
Vice - Chair

DATE: _____