

MINUTES OF THE RETIREMENT BOARD
Thursday, June 13, 2019

A meeting of the Retirement Board was held on Thursday, June 13, 2019 at 8:30 a.m., in the Administration Building, 9th Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Bryan Santo, Gary Cutler, Harold Haugh, Larry Rocca, Matthew Murphy, George Brumbaugh

Excused:

Mark Deldin, Carol Grant

Also Present:

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

1. Call to Order

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

2. Adoption of Agenda

A motion was made by Trustee Rocca, supported by Trustee Murphy to adopt the agenda. The motion carried.

3. Approval of Minutes from May 30, 2019

A motion was made by Trustee Haugh, supported by Trustee Rocca to approve the minutes from May 30, 2019 as presented. The motion carried.

4. Approval of Invoices

A motion was made by Trustee Haugh, supported by Trustee Rocca to approve the invoices as presented. The motion carried.

5. Public Participation

None

6. Retirement Administrator Report

Mr. McKinnon advised that the second notice for the Annual Signature Verification has been sent out. There are 136 still outstanding. He also noted that the transition over to the new Buck platform is continuing and they are encountering issues with the data from Martha T. Berry. As a result, they are not ready to enter the testing phase, but will hopefully be doing that in mid-July. The transition date is scheduled for August 15th and Buck has indicated they will be up and running by that date or will implement a contingency plan if necessary.

Mr. McKinnon also provided some follow-up on a question that was posed at the last meeting related to the number of individuals who had taken a refund as reflected on the Activity Report. The number of refunds requested has trailed off recently and he will continue to keep the Board apprised of any future activity.

A motion was made by Trustee Haugh, supported by Trustee Rocca to receive and file the Retirement Administrator Report. The motion carried.

7. Disability Retirement

a. Victor Krese (Re-examination Opinion)

The Board was in receipt of the Medical Director's confidential medical reports regarding the re-examination of Victor Krese. The Medical Director has concluded, based on the re-exam, that Mr. Krese's disability retirement should be continued.

A motion was made by Trustee Murphy, supported by Trustee Rocca to adopt the following resolution and continue the disability retirement of Victor Krese:

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, Victor 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 Victor Krese to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, on April 26, 2019, Dr. Lawrence Wiesner, D.O. conducted an independent examination and reviewed all records provided and concludes Victor Krese is totally and permanently incapacitated for duty in the employ of the County, and further indicates that Victor Krese should remain retired, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated June 4, 2019, which states that Victor 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 Victor 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 Victor 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 Victor Krese and all other appropriate parties.

The motion carried.

8. Noel Reynolds – request for appeal of Board's decision of February 14, 2019

Mr. Michaud advised that Ms. Reynolds has submitted an appeal of the Board's February 14, 2019 decision to adjust her pension. His recommendation at this point is to receive the appeal and set it for a hearing at a time convenient for Ms. Reynolds.

Ms. Reynolds is present today and Vice-Chair Santo invited her to speak if she wished to. She declined and advised that all future communication will be conducted through her legal counsel.

A motion was made by Trustee Murphy, supported by Trustee Haugh to accept Ms. Reynolds' appeal and schedule it for hearing through Ms. Reynolds' attorney. The motion carried.

9. Clarkston Capital Partners annual update – Kurt Terrien, Jeff Hakala

Mr. Kurt Terrien and Mr. Jeff Hakala joined the meeting to provide the Board with the annual update on their investment with Clarkston Capital Partners. Mr. Terrien provided a brief update on the current status of their organization. They have reached \$4 billion in assets under management (AUM) and now have a staff of 30. They also just opened a second office in downtown Rochester and that is where the individuals serving the Board's account will be based moving forward.

Mr. Hakala continued the conversation and briefly reviewed Clarkston's investment philosophy and noted that this has been a more active/volatile year since they last appeared before the Board. They have acquired six businesses and sold four in just that time. In fact, four of those purchases were made during the 4th Quarter of 2018. The portfolio currently contains 24 businesses and cash stands at just over 20%.

Mr. Hakala also reviewed performance numbers through May 31, 2019. He also described several examples on the businesses in the platform (including several of the new ones). Trustee Rocca inquired if there are any businesses they are looking at purchasing at some point. Mr. Hakala responded that they have an extensive list of businesses that they monitor and they are always looking for the right opportunity.

Trustee Haugh questioned the amount of money being held in cash. Mr. Holycross brought him up to speed on Clarkston's strategy related to cash in that they will hold on to it until they find just the right opportunity. Cash holding has been as high as almost 30% at one time and dropped significantly at the end of 2018 as they found opportunities to put that cash to work. The current level of cash is fairly standard for Clarkston.

A motion was made by Trustee Murphy, supported by Trustee Haugh to receive and file the Clarkston Capital Partners annual update. The motion carried.

10. Bloomfield Capital annual update – Jason Jarjosa, Mike Lucci

Mr. Jason Jarjosa and Mr. Mike Lucci joined the meeting to provide the Board with the annual update on their investment with Bloomfield Capital. Mr. Jarjosa briefly reviewed Bloomfield's investment strategy and reminded the Board that they are a private credit alternative manager. The Board is currently invested in three funds with Bloomfield (Funds II, III and V).

Mr. Jarjosa advised that Fund III was fully invested as of the end of 2018 and currently has three loans that are considered non-performing (out of 26). They feel very good about these loans. Two of them have matured and Bloomfield has chosen not to renew them and the other is currently involved in a significant amount of litigation.

Fund II has one particular non-performing asset in its portfolio that has really resulted in a drag on the Investment Rate of Return (IRR). This past quarter Bloomfield took a write down on that loan as they expect it might lose money in the future. They have put some considerable time and effort into converting the building into a more viable asset and occupancy has increased somewhat quickly. Bloomfield expects to hit breakeven on this property by the end of the year with the expectation they will sell it sometime in 2020.

Mr. Jarjosa also reviewed a couple of different investment examples (one in Fund III and one partially in Funds III, IV and V). He also noted that the remaining capital in Fund V will likely be called in the next six months or so.

A motion was made by Trustee Murphy, supported by Trustee Haugh to receive and file the Bloomfield Capital annual update. The motion carried.

11. AndCo – 1st Quarter Performance Report

Mr. Holycross noted the Board members had been provided with the presentation books for the 1st Quarter Performance Report. He also referred to a copy of a third book (April Monthly Flash Report) that was not distributed to the Board. He was not aware they did not have a copy of this book and will make sure that the information is forwarded to Ms. Schave for distribution to the Board after the meeting.

Mr. Holycross began by discussing the Market Commentary provided in the main investment book at great length. He then moved on to performance of the total fund as of March 31, 2019 and asset allocation compliance with the Investment Policy Statement. They are currently overweight in equities and there will be a re-balancing forthcoming for cash needs and to add to other asset classes that are underweight.

He also reviewed the Comparative Performance Trailing Returns by manager, highlighting performance statistics for Edgewood, Lyrical, Seizert, LS Advisors, Clarkston, Reinhart, Cramer Rosenthal McGlynn (CRM), World Asset Management (WAM), EARNEST Partners, HGK International, NWQ, Loomis Sayles, JP Morgan, Franklin Templeton, EnTrustPermal and Corbin Capital. Mr. Holycross also examined the reports that delve into more detail about each manager and their portfolio's characteristics and top holdings (including best and worst performers).

He also noted the inclusion of the Fee Schedule Analysis in the book as well as the Liquidity Schedule for the entire fund. Lastly, he noted that NWQ is considered to have been consistently

“underperforming” for the last two years according to the Underperforming Manager Policy. AndCo discusses this underperformance with them and their expectations on a quarterly basis. In the event those trends continue, a thorough evaluation will be conducted to determine if a change should be made. Mr. Holycross also did a brief review of the Private Investment Report.

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

12. Unfinished Business

Trustee Haugh inquired again about why there is such a significant price difference between EDRO calculations for the County and the City of Roseville. Ms. Dobson had been looking into this issue prior to going out on medical leave and Mr. McKinnon stated that he would follow-up on it. Mr. Michaud advised that he would explain the concern to Mr. McKinnon and answer any questions he might have related to the information Trustee Haugh is seeking.

13. New Business

Mr. Smigiel mentioned that a special election will need to be held for the remainder of Trustee Grant’s term since her retirement is effective tomorrow, June 14, 2019. The plan is to send out notice to all members on Monday, June 17th and begin the 30-day period for pulling petitions and collecting signatures. Once the petitions have been returned and signatures have been verified, they will determine how many candidates are interested and whether or not an election will actually need to be held. If there is only one interested person and they obtain the requisite number of valid signatures, that person will be considered elected. If there is more than one, a formal election will be held.

Vice-Chair Santo read a prepared statement from Trustee Grant. She had hoped to be able to attend the meeting, but was not able to. She thanked the Board members and the employees of the system for the opportunity to serve as an Employee Representative. Trustee Grant expressed her gratitude for being able to serve nearly three full terms as a Board member and wished everyone well. Vice-Chair Santo noted that she was a valuable member of the Board and she will be missed.

14. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Murphy to adjourn the meeting at 10:39 a.m. The motion carried.