

MINUTES OF THE RETIREMENT BOARD
Thursday, August 22, 2019

A meeting of the Retirement Board was held on Thursday, August 22, 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:

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

Excused:

Also Present:

Stephen Smigiel, Andrew McKinnon, 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 Chair Deldin.

2. Adoption of Agenda

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

3. Approval of Minutes from August 1, 2019

A motion was made by Vice-Chair Santo, supported by Trustee Murphy to approve the minutes from August 1, 2019 as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

None

6. Retirement Administrator Report

Mr. McKinnon reported that there is one Annual Signature Verification form that remains outstanding. He also noted that information will be forthcoming related to the Annual Retiree Holiday luncheon and that, as always, all of the Board members are invited to attend.

A motion was made by Trustee Murphy, supported by Vice-Chair Santo to receive and file the Retirement Administrator Report. The motion carried.

7. Disability Retirements

a. Cherie Marker-Gray (Re-examination Opinion)

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

A motion was made by Trustee Cutler, supported by Trustee Murphy to adopt the following resolution and continue the disability retirement of Cherie Marker-Gray:

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, Cherie Marker-Gray was granted a disability retirement on August 22, 2014, 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, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set-up an appointment for Cherie Marker-Gray to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director, dated July 24, 2019, which states that Cherie Marker-Gray 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 the disability, and

WHEREAS, the Retirement Board has discussed this matter and has determined that Cherie Marker-Gray 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 Cherie Marker-Gray and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, a copy of this resolution shall be provided to Cherie Marker-Gray and all other appropriate parties.

The motion carried.

b. Christine Rutledge-Dudek (Re-examination Opinion)

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

A motion was made by Trustee Cutler, supported by Trustee Murphy to adopt the following resolution and continue the disability retirement of Christine Rutledge-Dudek:

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, Christine Rutledge-Dudek was granted a disability retirement on May 10, 2016, 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, the Retirement Board directed the Human Resources and Labor Relations Department to contact the Medical Director to set-up an appointment for Christine Rutledge-Dudek to be re-examined and to advise the Medical Director of their responsibilities, and

WHEREAS, the Retirement Board is in receipt of a certification from the Medical Director dated August 7, 2019, which states that Christine Rutledge-Dudek 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 Christine Rutledge-Dudek has met the eligibility requirements for a continual disability retirement from the Retirement System, therefore be it

RESOLVED, the Retirement Board hereby approves the continual disability retirement of Christine Rutledge-Dudek and directs that benefits be paid consistent with the Retirement System's provisions, and further

RESOLVED, a copy of this resolution shall be provided to Christine Rutledge-Dudek and all other appropriate parties.

The motion carried.

c. Michelle LaBelle (Application)

A motion was made by Trustee Cutler, supported by Trustee Murphy to approve the application for disability retirement of Michelle LaBelle.

Retiree Representative Brumbaugh noted that Ms. LaBelle has passed away. Mr. Michaud explained that the application was made while Ms. LaBelle was still alive and that would be the effective date of her retirement.

The motion carried.

d. Jason Rowe (Petition for Waiver of Annual Re-examination)

A motion was made by Vice-Chair Santo to enter into closed session to discuss Mr. Rowe's Petition for Waiver of Annual Re-examination. The motion was supported by Trustee Haugh. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

A motion was made by Trustee Murphy to come out of closed session. The motion was supported by Vice-Chair Santo. The motion carried.

A motion was made by Trustee Murphy, supported by Vice-Chair Santo to direct Mr. McKinnon to explore having a "Document Review" conducted by the Board's Medical Director to consider the necessity of future physical examinations of Mr. Rowe. The motion carried with Trustee Cutler voting no.

Mr. McKinnon will report back to the Board once he has been in contact with the Medical Director.

8. Intercontinental Real Estate Annual Update – Ross Vaillancourt

Mr. Ross Vaillancourt joined the meeting to provide the annual update for the Intercontinental Real Estate portfolio. He introduced himself to the Board and described his role within the firm. He also provided a brief update on the executive team and Intercontinental's history.

Mr. Vaillancourt discussed both the gross and net performance of the Board's investment since their initial commitment of \$10,000,000 was made in 2008. He also reviewed the breakdown of change in value over trailing time periods and since inception. Mr. Vaillancourt examined some of the highlights on the list of top 10 holdings provided in their presentation book. He also went over Intercontinental's investment process and philosophy for the Board.

A motion was made by Vice-Chair Santo, supported by Trustee Rocca to receive and file the Intercontinental Real Estate Annual Update. The motion carried.

9. Edgewood Management Annual Update – Kevin Seth, Gui Costin

Mr. Kevin Seth and Mr. Gui Costin joined the meeting to provide the annual update for the Edgewood Management portfolio. Mr. Costin introduced Mr. Seth to the Board since this was his first time attending a meeting. Mr. Seth began the presentation talking about a particular stock they had sold after holding it for a very long time and what they ultimately replaced it with. They are working on completing one other major purchase at this time. Per their strategy, there are 22 stocks in their portfolio and in order to buy one, they must sell one.

Mr. Seth briefly discussed the positive performance of the Board's investment with Edgewood. He examined another name in the portfolio and how it has performed during the trade war with China. He also talked about the differences between growth companies in the 80s and 90s and today.

A motion was made by Trustee Murphy, supported by Trustee Haugh to receive and file the Edgewood Management Annual Update. The motion carried.

10. Private Equity Opportunities Search – AndCo Consulting

Mr. Holycross distributed an additional Private Equity Review book to supplement the one that had been provided to the Board members with their packets. The additional book included a Market Value Update. He discussed the Board's current allocation in Private Equity and what their options are for new candidates over the next couple of years. He also discussed comparative performance among the private equity funds the Board is currently invested in. Mr. Holycross is anticipating the current allocation in Private Equity investments to fall to 1-2% within the next five years. AndCo is making recommendations today that will help eventually build that allocation back up to 5-6%.

Mr. Holycross directed the Board's attention to the book that was provided with their meeting packets. This book provides an overview of Private Equity and the pros and cons of investing in this asset class. He discussed AndCo's due diligence process for screening potential candidates and the criteria used for selection.

Mr. Holycross reviewed the list of candidates AndCo is presenting to the Board: Franklin Park Associates, Aberdeen Asset Management and Constitution Capital Partners (CCP). He talked about the strengths and differences between all three of these firms as well as the investment team for each. He also reviewed the key terms and fee structures offered by each. In looking at performance, he noted that he feels there has been more stability with Franklin Park and CCP.

Chair Deldin explained that the Board has a couple of options at this point. They can choose to bring any or all of the firms in for interviews or just approve a recommendation from Mr. Holycross. Trustee Cutler stated that he has spoken with and likes both Franklin Park and CCP. Since they are talking about Private Equity, Trustee Cutler stated the Board has to understand that there is risk of some of the investments in these funds going to zero. Chair Deldin expressed his appreciation to Trustee Cutler for the extra time he spends researching investments with Mr. Holycross and he respects his opinion.

Mr. Holycross explained further that his specific recommendation involves \$12,000,000 per year to Franklin Park for five years (with the ability to re-visit that every year) and a \$10,000,000 investment with CCP. Mr. Michaud recommended that the Board bring both of these firms in for presentations before committing to any investments with either. They are talking about a significant amount of money and from a due diligence standpoint, it makes sense for the Trustees to have the opportunity to meet both Franklin Park and CCP to ask any questions before finalizing any investments.

A motion was made by Trustee Murphy, supported by Trustee Haugh to schedule Franklin Park and CCP for presentations at a future Retirement Board meeting. The motion carried.

Chair Deldin asked Mr. Holycross to work with Ms. Schave to coordinate a date for those presentations.

11. Michigan Institutional Forum – East Lansing, Michigan – October 10, 2019

The Board was provided with the preliminary agenda for the upcoming Michigan Institutional Forum in East Lansing.

A motion was made by Trustee Cutler, supported by Trustee Haugh to approve Board member and staff attendance and related expenses for the Michigan Institutional Forum. The motion carried.

12. Unfinished Business

None

13. New Business

Chair Deldin noted that Trustee Cutler had advised him that he will be unable to attend the September 5th meeting. In the interest of ensuring a quorum, Chair Deldin inquired if any other Board members will also be absent that day. Trustee Rocca also indicated he would not be in attendance. All other Board members will attend.

Chair Deldin also advised the Board that notification of a lawsuit filed by Mr. Joseph Cada's attorney against the Pension Board has been received. That has been forwarded to both Mr. Michaud and Mr. Schapka. Mr. Michaud advised that the next step is to file an Answer and proceed through the process.

Mr. Smigiel advised the Board that he expects the actuary to be in attendance at the September 19th meeting to present the results of the 2018 Valuation.

14. Adjournment

There being no further business before the Board, a motion was made by Vice-Chair Santo, supported by Trustee Rocca to adjourn the meeting at 10:22 a.m. The motion carried.