

MINUTES OF THE RETIREMENT BOARD
Thursday, February 17, 2022

A meeting of the Retirement Board was held on Thursday, February 17, 2022 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, Harold Haugh, Joe Biondo, Larry Lee, Michael Grix, George Brumbaugh

Excused:

Gary Cutler

Also Present:

Stephanie Dobson, Stephen Smigiel, John Schapka, 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 Vice-Chair Santo to adopt the agenda as presented. The motion carried.

3. Approval of Minutes from January 13, 2022

A motion was made by Trustee Grix, supported by Trustee Haugh to approve the minutes from January 13, 2022 as presented. The motion carried.

4. Approval of Invoices

Ms. Schave requested one additional invoice be added to the approvals today. The 4th Quarter invoice from Edgewood Management in the amount of \$190,811.61 had been received after the list of invoices was prepared for the Board's packets.

A motion was made by Vice-Chair Santo, supported by Trustee Grix to approve the invoices as presented with the inclusion of the 4th Quarter invoice from Edgewood. The motion carried.

5. Public Participation

None

6. EARNEST Partners Annual Update – Patmon Malcom, Pavel Sokolov

Mr. Patmon Malcom and Mr. Pavel Sokolov joined the meeting via Webex to provide the Board with an update on their investment with EARNEST Partners. Mr. Malcom introduced himself and Mr. Sokolov and provided a brief update on the firm. He reminded the Board that EARNEST manages an international portfolio and stated that their total assets under management have grown to approximately \$28 billion.

He noted that EARNEST typically holds names in the portfolio on average for about five years and they employ a buy and hold strategy. He reviewed performance (and indicated that the two year number in their presentation book was incorrect). Mr. Malcom examined trailing one year attribution and sector breakdown within the portfolio. Mr. Sokolov then discussed a specific example of a name they are holding (Erste Group Bank) as well as some of the activity that has taken place within the portfolio recently (names added and sold).

A motion was made by Trustee Grix, supported by Trustee Haugh to receive and file the EARNEST Partners Annual Update. The motion carried.

7. HGK Asset Management Annual Update – Matt Kosara, Nick Mayor, Joe Caretti

Mr. Matt Kosara and Mr. Nick Mayor joined the meeting via Webex to provide the Board with an update on their investment with HGK Asset Management. Mr. Joe Caretti was also present (in person) and briefly introduced the team and firm. Mr. Kosara examined performance history as of December 31, 2021. He also reviewed the breakdown in change in value. Mr. Mayor noted that performance has been largely positive over the last year. He discussed attribution by sector, the top and bottom five names in the portfolio and covered the buys and sells that took place in 2021.

A motion was made by Vice-Chair Santo, supported by Trustee Grix to receive and file the HGK Asset Management Annual Update. The motion carried.

8. Core Real Estate Manager Analysis presentation – Mike Holycross and David Julier, AndCo

Mr. Holycross introduced his colleague Mr. David Julier (joining the meeting via Webex) who will be presenting the Board with his analysis of several Core Real Estate Managers. Mr. Holycross noted that they will be recommending that that Board approve a \$50 million investment split across two managers.

Mr. Julier first examined the drivers of real estate returns and the phases of the real estate market cycle. He reviewed the benefits of allocating an investment to core real estate and advised that they are presenting information on four firms for the Board's consideration. Mr. Julier provided an overview of each of the firms including their investment teams, portfolio summaries, key differences and investment terms (including their management fees). He also discussed several comparisons of the firms including property types, geographic allocations and more. Mr. Julier recommends the Board invest with American Realty Advisors (ARA) and Boyd Watterson Asset Management. Mr. Holycross concurred with this recommendation and stated that the proposed investment of \$50 million should be split, allocating \$25 million to each of these two firms.

A motion was made by Vice-Chair Santo, supported by Trustee Grix to follow the recommendation of AndCo and invest \$25 million with American Realty Advisors (ARA) and \$25 million with Boyd Watterson Asset Management, pending review of the required legal documents. The motion carried.

9. Alidade Capital Fund III Request for Term Extension – Mike Holycross, Tom Michaud

Mr. Holycross advised that Alidade Capital is requesting a one year term extension for Fund III in order to wait until an asset is market ready before selling it. He sees no issues with this request. Mr. Michaud had no concerns from a legal perspective.

A motion was made by Trustee Haugh, supported by Trustee Grix to approve the one-year extension request from Alidade Capital for Fund III. The motion carried.

10. Retirement Administrator Report

Ms. Dobson noted for the Board that there had been a credit issued by Buck on their most recent invoice. This 50% credit was issued due to some of the service issues that she reported on at the last meeting. She stated that communication with the Buck team continues to improve with the new individuals involved and they are working more cooperatively to update the system.

Ms. Dobson also provided some information related to the Activity Report and the 2021 year end numbers. She mentioned that the additional information related to the 401a plan (for the \$1,000 payout) has been added to the report per the Board's request. These numbers are very low at the moment since the five year mark has just passed, but she anticipates much higher numbers in 2022.

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

11. Disability Retirement

a. Patricia Miottel (Initial Application)

A motion was made by Trustee Grix, supported by Trustee Haugh to adopt the resolution to process the disability retirement application of Patricia Miottel and direct Human Resources to order an IME.

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, the Retirement Board is in receipt of an application dated January 13, 2022 from Patricia Miottel requesting a Non-duty disability retirement; and

WHEREAS, in accordance with Section 28 of the Retirement System Ordinance provides that upon the application of a member, or the Member's department head, a member who (1) is in the employ of the County, (2) is vested**, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Board: Provided, that after a medical examination of the member made by or under the direction of the medical director, the medical director certifies to the Board (1) that the member is mentally or physically totally incapacitated for duty in the employ of the County, (2) that such incapacity will probably be permanent, and (3) that the member should be retired, therefore be it

RESOLVED, that the Retirement Board acknowledges receipt of said application and directs the processing of said application in accordance with the Retirement System provisions, and further

RESOLVED, that the Retirement Board directs the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Patricia Miottel to be examined and to advise the Medical Director of their responsibilities, and further

RESOLVED, that the Retirement Board requests that all medical and/or other information be forwarded to the Medical Director in support of the application, and further

RESOLVED, that the Medical Director fulfill their duties and report to the Retirement Board their findings and certifications, and further

RESOLVED, that copies of this resolution and the Board's disability retirement procedures be forwarded to Patricia Miottel, the Medical Director and all other appropriate parties.

** Any member who is not vested shall be considered vested for the exclusive purpose only of qualifying for disability retirement as provided in Section 28: Provided, that (1) the Board finds the Member is totally and permanently incapacitated for duty as the natural and proximate result of a personal injury or disease arising out of and in the course of the Member's actual performance of duty in the service of the County, and (2) the Member is in the receipt of workers' compensation on account of the Member's physical or mental incapacity. (Section 29 of the Retirement System ordinance).

The motion carried.

12. Correspondence from Treasurer's Office – Treasurer Larry Rocca

Chair Deldin advised the Board that a letter had been received from Treasurer (and Trustee) Larry Rocca indicating that his Chief Deputy Treasurer, Joe Biondo is designated to act in his absence at any or all meetings of the Macomb County Employees' Retirement System.

A motion was made by Trustee Grix, supported by Vice-Chair Santo to receive and file the correspondence from Treasurer Rocca. The motion carried.

13. Advisor & Consultant Review Schedule for 2022 – Investment Consultant

Secretary Smigiel advised the Board that per their rotating schedule, the next service provider up for review is the Investment Consultant. He stated that the Board is not required to issue a RFP, but the matter is up for review. Ms. Dobson inquired whether there was another service provider that was going to be added to this list. She recalled previous discussion on this, but could not remember what was decided. Ms. Schave advised that it had been discussed that when hired, the "Investment Analyst" position may be added to this review cycle.

Chair Deldin recalled that last year when the Board reviewed Legal Counsel, they requested RFPs and a subcommittee reviewed them and then made a recommendation to the Board to retain their current legal counsel. He believes they may be obligated to seek RFPs for Investment Consultant and perhaps have them reviewed in the same manner to be consistent with what has taken place in the past. The Board had no objections. Chair Deldin asked Ms. Schave to work with Trustee Lee's office (Purchasing) to prepare the RFP for Investment Consulting to be posted.

A motion was made by Trustee Grix, supported by Trustee Haugh to receive and file the Advisor & Consultant Review Schedule for 2022. The motion carried.

14. MCERS Benefit Payments & Contributions Report – Stephen Smigiel, Secretary

Secretary Smigiel noted that the year-end cash flow reports for the Retirement System had been provided to the Board in their packets. There are two schedules, one is a high level overview and the other is a

more detailed breakdown of the benefits listed on page one. He noted nothing out of the ordinary on this report. Benefit amounts continue to increase as people retire, but that is to be expected.

A motion was made by Trustee Biondo, supported by Trustee Grix to receive and file the MCERS Benefit Payments & Contributions Report. The motion carried.

15. Unfinished Business

None

16. New Business

None

17. Adjournment

There being no further business before the Board, a motion was made by Trustee Grix, supported by Trustee Haugh to adjourn the meeting at 10:08 a.m. The motion carried.