

MINUTES OF THE RETIREMENT BOARD
Thursday, August 18, 2022

A meeting of the Retirement Board was held on Thursday, August 18, 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, Harold Haugh, Michael Grix, Larry Rocca, Daniel Willis, George Brumbaugh

Excused:

Bryan Santo, Larry Lee

Also Present:

Joe Biondo, Cindy Mitchell, Andrew McKinnon, Aaron Castle, Mike Holycross, Gary Cutler

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:31 a.m. by Chair Deldin.

Chair Deldin advised the Board that Vice-Chair Santo and Trustee Lee are excused today.

2. Adoption of Agenda

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

3. Approval of Minutes from August 4, 2022

A motion was made by Trustee Willis, supported by Trustee Grix to approve the minutes from August 4, 2022 as presented. The motion carried.

4. Approval of Invoices

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

5. Public Participation

None

6. Marathon Asset Management Annual Update – Jason Friedman, James Atwater

Mr. Jason Friedman and Mr. James Atwater joined the meeting via Webex to provide the Board with an update on their investment with Marathon Asset Management. Mr. Friedman provided a brief introduction and stated that the fund continues to call capital (with about 70% called so far). He indicated they have seen both meaningful growth from a markets perspective as well as meaningful volatility. Capital has been called on a somewhat quarterly basis and he expects that 80-85% will be called by the end of the year. He examined a summary of capital activity and provided an update on the distressed

credit market. Mr. Friedman also discussed a summary of their investment performance. Mr. Atwater provided a few additional updates on the firm (including some new hires) and noted that they are opening new offices (one on the west coast and one in Miami). They are spending a lot of time investing in the business. Mr. Friedman also commented on sourcing and where they are finding their investments.

A motion was made by Trustee Rocca, supported by Trustee Grix to receive and file the Marathon Asset Management Annual Update. The motion carried.

7. H.I.G. Capital Annual Update – Jackson Craig

Mr. Jackson Craig joined the meeting via Webex to provide the Board with an update on their investment with H.I.G. Capital. Mr. Craig provided a broad update on Fund VI and discussed their strategy, the portfolio and their themes. Approximately 54% of capital has been called thus far (investing started in April 2020). He discussed investments by sector and described some of the attributes of the portfolio. He reviewed their approach to investing noting that they have a small/mid focus. Mr. Craig reviewed their top 10 holdings and indicated that the market is attractive and their team is staying very busy. He expects 15-20% more capital to be called by the end of the year. Mr. Holycross asked him his opinion on the current state of the market and his outlook for the future and Mr. Craig responded.

A motion was made by Trustee Haugh, supported by Trustee Grix to receive and file the H.I.G. Capital Annual Update. The motion carried.

8. AndCo Fixed Income Discussion – Philip Schmitt, Mike Holycross

Mr. Holycross introduced Mr. Philip Schmitt, one of AndCo's research directors who is here today to discuss Fixed Income opportunities. Mr. Schmitt talked about the two big themes in Fixed Income - inflation and slowing economic growth. He noted that global equity markets have bounced back, but it is a long shot that they will recover back to even this year. Fixed income markets are in a unique period. The first and second quarters of this year yielded negative returns in core bonds. He stated this almost never happens. He did note that one bright spot remains and that is the U.S. dollar. He believes the dollar will continue to perform well against most global currencies and that should help on the inflation front.

Mr. Schmitt stated that he does not believe anyone foresaw the pace of inflation expanding as quickly as it has. The Federal Reserve has stated that they are absolutely committed to quashing inflation. They are trying to balance this without tipping the economy into a recession. It will be very hard to determine when that will happen until it actually happens and Mr. Schmitt feels like it will probably be sooner rather than later.

Mr. Holycross recalled the actuarial valuation presentation from the last meeting and noted that this may be the time to start thinking about "de-risking" the portfolio. He indicated that they may ultimately recommend more conservative investments in the future (private debt, for example) and they will start reducing their equity targets. This would be a new asset class for this fund and he asked Mr. Schmitt to briefly describe how senior directly lending works (specifically private debt loans). Mr. Schmitt described the asset class and why they like it. He also answered some questions for the trustees.

A motion was made by Trustee Rocca, supported by Trustee Willis to receive and file the information provided by Mr. Schmitt and Mr. Holycross. The motion carried.

9. Analyst Report – Gary Cutler

Mr. Cutler reported that he has visited with approximately one-third of the Retirement System's managers so far and he will be meeting with Reinhart Partners next week. He has been pleased that nothing unexpected has popped up in any of his meetings with any of the managers.

He also noted that Nantucket will not be attending the MAPERS conference this year and wanted to extend any invitation to the Board for a lunch or dinner event the week before. He will reach out via email to see who may be interested in attending and let Nantucket know their response.

A motion was made by Trustee Haugh, supported by Trustee Grix to receive and file the Analyst Report provided by Mr. Cutler. The motion carried.

10. Retirement Services Report – Cindy Mitchell

Ms. Mitchell reported that activity numbers remain consistent with the prior year. She noted that there are still nine individuals that have not responded to the Annual Signature Verification. She will be reaching out to them again and any that do not respond by Wednesday next week, will have their pension payments suspended starting in September. Chair Deldin asked if Retiree Representative Brumbaugh had been able to assist and he responded that he tried to make contact with all of those that remained outstanding and was successful in reaching about half. He said that the list he received from Human Resources and Labor Relations was very thorough in detailing when and how each of these people were contacted.

A motion was made by Trustee Willis, supported by Trustee Grix to receive and file the Retirement Services Report. The motion carried.

11. Disability Retirement

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 Ms. Marker-Gray's disability retirement should be continued.

A motion was made by Trustee Rocca, supported by Trustee Haugh that based on the Medical Director's opinion, the continuation of the disability retirement of Cherie Marker-Gray should be approved and the following resolution should be adopted:

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, that 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 August 5, 2022, 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 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, that a copy of this resolution shall be provided to Cherie Marker-Gray and all other appropriate parties.

The motion carried.

12. Unfinished Business

None

13. New Business

Retiree Representative Brumbaugh distributed some information related to the Retirement Ordinance and the allowance of supplemental retirement payments. He referred the Board to Section 27 which outlines the information regarding these payments and noted in particular item "E" which mentions a formula that is to be used to calculate the amount of any such payments. He indicated that he had spoken with Ms. Wendy Fisher (a former employee in the Retirement area of Human Resources) who recalled that such payments had been issued in the past. Retiree Representative Brumbaugh requested the Board consider issuing a supplement payment to retirees as a type of "performance bonus" based on the recent Actuarial Valuation report that indicated significant investment gains last year. The Board discussed this information and Mr. Castle offered to review any history he might have access to related to the calculation of previous payments. Chair Deldin noted that the issuance of any payments must be approved by the Board of Commissioners. He asked that this item be placed on the next meeting agenda under "Unfinished Business" so that the full Board could discuss it further and review any available historical information.

14. Adjournment

There being no further business before the Board, a motion was made by Trustee Rocca, supported by Trustee Haugh to adjourn the meeting at 10:04 a.m. The motion carried.