

# Monroe County Employees Retirement System

840 South Roessler Street, Monroe, MI 48161-1557 (734) 241-1174



## Monroe County Employees Retirement System Board of Trustees SPECIAL MEETING MINUTES

A special meeting of the Monroe County Employees Retirement System Board of Trustees was held on October 9, 2013 in the Board of Commissioners Chambers at 125 East Second Street, Monroe, Michigan. The meeting was called to order by Chairman Grodi at 5:00 P.M.

Roll call as follows:

**Present:** Nancy Bellaire; James Davies; Michael Grodi; Joseph Hudson; George Jondro; James Morgan

**Absent:** Bobby Lambert (excused); Anne McCarthy (excused); Jerry Oley (excused)

**Also Present:** Michael Bosanac, Retirement Secretary; Michael Cho, Investment Consultant and Thomas Michaud, Legal Counsel

A quorum being present, the Board proceeded to transact business.

**Pledge of Allegiance:** Chairman Grodi led the Pledge of Allegiance.

**Agenda:** Motion by Trustee Davies to approve the agenda as submitted. Supported by Trustee Hudson. All in favor. Motion carried.

**Citizens Time:** None

### **Real Estate Investment Management Presentations:**

4:10 P.M. Devin Sullivan and Peter Palandjian, Intercontinental

Sullivan introduced the firm. Palandjian reviewed the firm's personnel, clients and advisory board. Palandjian discussed the open ended structure of the fund, and explained liquidity with potential limitations. Palandjian discussed return objectives, use of leverage, nature of property types and locations. The properties are appraised by a third party and the funds are audited by KPMG. Palandjian reviewed the fund's debt, leases, occupancy rates, performance, diversification and fees.

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4:40 P.M. Geoffrey Langdon and Steven Faliski, Alidade Capital

Langdon discussed firm's market strategy and risk. Investments are made in properties in the \$2-20 million dollar market. Target returns for Fund III are 14-18% net. Langdon explained the firm's competitive advantage. The investment professionals and advisors experience were reviewed. Cho asked about changes in personnel and Langdon advised that marketing director Michael Lucci has left the firm. Langdon reviewed Fund III's investment strategy with leverage limited to 65%. Langdon discussed the performance of Fund I and II and the market opportunities of Fund III in light of the number of commercial mortgages maturing. The life cycle of the fund's investments was explained. Faliski reviewed the summary of Fund III's terms. Trustee Davies asked about the competitive approach to deal acquisition and Langdon responded that Alidade's advantage is their advance due diligence and timely ability to close a deal.

5:20 P.M. Brian Gevry and Kris Jankowski, Titanium/Boyd Watterson

Gevry discussed the history of Boyd Watterson and its real estate experience and products. Gevry reviewed the GSA approach dealing with government leasing and explained the benefits of the credit quality, liquidity and longevity of the federal government as tenants. The manager focuses on income returns, cap rates, downside protection and renewal rates. Gevry discussed the organizational structure and professional backgrounds of the firm. Gevry reviewed the investment process, added value, risk controls and performance. The summary of investment terms were reviewed.

Board recessed at 5:50 P.M.

**Smid / Mid Cap Investment Management Presentations:**

6:00 P.M. Michael Clare and Daniel Miller, GW&K

Clare provided an overview of the company. Miller discussed the firm's products and investment objective of long term investment growth. Miller reviewed the investment team and the fundamental research process. Miller explained the portfolio construction and risk management. Discussion ensued regarding quantitative risk analysis, sell discipline, portfolio characteristics, sector analysis, and holdings. Miller reviewed performance. Trustee Grodi asked about fees and Miller responded 70 basis points. In response to Trustee Davies inquiry regarding sector weightings, Miller explained they are sector neutral. Trustee Grodi asked about MAPERS membership.

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6:30 P.M. Emily Soltvedt, Riverbridge Partners

Soltvedt reviewed the firm's background, investment team and significant employee ownership. Soltvedt discussed the investment philosophy, security review process, and due diligence. Soltvedt provided an overview of the firm's research process, portfolio construction and reviewed the committee interaction. Trustee Morgan inquired regarding the reporting periods and client servicing which Soltvedt indicated would be quarterly with a minimum of one annual meeting presentation. Trustee Davies asked about downside capture ratio. Soltvedt advised the Board as to the 60 basis point fee in response to Trustee Grodi's question.

6:55 P.M. Chris Heatley and David Collon, Seizert

Heatley reviewed the history of the firm and investment team. Collon discussed the investment philosophy with the priority of protection of capital and downside risk protection. Collon reviewed the stock selection process and the price/valuation considerations. Collon indicated that the firm focuses on earnings quality and financial statements. The small to mid cap portfolio would be a blend of the firm's small and mid cap portfolios. Trustee Grodi asked about the appropriate benchmark. Trustee Hudson discussed with Collon the consideration of small control groups of shareholders.

Cho provided an overview of the next steps in the review process. Board agreed to discuss this matter further at the October 28<sup>th</sup> meeting.

Cho reviewed the Retirement System's asset allocation, manager performance and cash requirements and recommended that it was in the best interest of the Retirement System to liquidate Pacific Income Advisors. Motion by Trustee Hudson to terminate the Pacific Income Advisors account and move the proceeds to the cash account. Supported by Trustee Davies. All in favor. Motion carried.

Motion by Trustee Davies to utilize the services of GTS Advisors regarding the Pacific Income Advisors transition. Supported by Trustee Jondro. All in favor. Motion carried.

**Trustee Comments:** Trustee Hudson asked Cho regarding investment objectives. Trustee Grodi thanked Trustee Bellaire for all her assistance with the retirement office transition.

**Adjournment:** Motion by Trustee Hudson to adjourn. Supported by Trustee Davies. All in favor. Motion carried.

Meeting adjourned at 7:35 P.M.

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Respectfully Submitted,

Michael Grodi, Chairman  
Monroe County Employees Retirement System  
Board of Trustees