

# Monroe County Employees Retirement System

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



## Monroe County Employees Retirement System Board of Trustees MINUTES

A regular meeting of the Monroe County Employees Retirement System Board of Trustees was held on November 24, 2014 at the Mary K. Daume Library Service Center at 840 South Roessler Street, Monroe, Michigan.

Roll call as follows:

### PRESENT

Nancy Bellaire – left @ 6:30  
James Davies  
Michael Grodi  
Joseph Hudson

George Jondro  
Anne McCarthy  
James Morgan

### ABSENT

Bobby Lambert  
Henry Lievens (excused)

ALSO PRESENT: Sandy Calkins, Retirement Specialist, Michael Cho and Brian Green, Investment Consultants, and Thomas Michaud, Legal Counsel

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

Chairman Grodi led the Pledge of Allegiance.

Motion by Trustee Davies to approve the agenda as submitted. Supported by Trustee Morgan. All in favor. Motion carried.

Motion by Trustee Jondro to approve the minutes of the October 27, 2014 regular meeting and November 17, 2014 special meeting and waive the reading of the minutes. Supported by Trustee Davies. All in favor. Motion carried.

**Citizens Time** – None

Motion by Trustee McCarthy to approve the consent agenda as listed below. Supported by Trustee Jondro. All in favor. Motion carried.

### Retirements

- |                                    |             |
|------------------------------------|-------------|
| 1. Lois Turbett, County (deferred) | November 10 |
| 2. Carol Laurie, Library           | November 29 |

### Financial Reports

1. Boyd Watterson Asset Management Client Statement for the period ended October 31, 2014.
2. Seizert Capital Large Cap Value Portfolio Appraisal for the period ended September 30, 2014.
3. Seizert Capital SMID Performance Summary for the period ended September 30, 2014.

### Communication

1. Robbins Geller Rudman & Dowd October 31, 2014 Settlement Report.
2. Robbins Geller Rudman & Dowd October 31, 2014 Portfolio Monitoring Report.
3. Robbins Geller Rudman & Dowd Litigation Report as of September 30, 2014.

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**Invoices**

Motion by Trustee Jondro to approve payment for the following invoices, subject to house audit. Supported by Trustee Davies.

1. Invoice #3952 dated October 27, 2014 in the amount of \$5,500.00 from Asset Strategies Portfolio Services for pension evaluation completion.
2. Invoice dated October 26, 2014 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on Christine Krug.
3. Invoice dated September 23, 2014 in the amount of \$700.00 from J. Stephen Howell, D.O. for an independent medical evaluation performed on Mark Winter.
4. Invoice #3295 dated August 27, 2014 in the amount of \$75.00 from MAPERS for guest conference registration.
5. Invoice #5580 dated October 23, 2014 in the amount of \$14,144.07 from Monroe County Library System for services rendered to the Retirement Board for July – September 2014.
6. Invoice dated October 14, 2014 in the amount of \$169,547.67 from Morgan Stanley for management fees for the period of July 1, 2014 – September 30, 2014.
7. Invoice dated October 24, 2014 in the amount of \$1,040.00 from Seizert Capital for large cap value investment services rendered for the period of September 22, 2014 - September 30, 2014.
8. Invoice dated October 24, 2014 in the amount of \$16,580.00 from Seizert Capital for SMID investment services rendered for the period of July 1, 2014 - September 30, 2014.
9. Invoice dated November 13, 2014 in the amount of \$1,627.50 from VanOverbeke, Michaud & Timmony for legal services rendered for the period of August 1, 2014 – September 30, 2014.
10. Invoice dated November 21, 2014 in the amount of \$647.50 from VanOverbeke, Michaud & Timmony for legal services rendered for the period of October 1, 2014 – October 31, 2014.
11. Reimbursement in the amount of \$234.68 to Henry Lievens for expenses incurred for the 2014 Fall MAPERS conference.

Chairman Grodi addressed the Asset Strategies invoice.

Trustee McCarthy stated Asset Strategies failed to meet their contractual obligation. The scope of service was clear yet the requested information was not received.

Trustee Davies was concerned that Mr. Vitta only looked at Counties. He is not after not paying the invoice he is just disappointed with the service.

Trustee Jondro asked if the Board of Commissioners will be paying their portion of the invoice.

Chairman Grodi stated that is what was agreed upon.

Mr. Michaud stated if the Retirement Board is concerned, the Chairman could send a letter describing the Retirement Boards disappointment with Asset Strategies service.

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Trustee Hudson stated he believes this is one of those times you just pay the invoice and move on.

Trustee Davies agreed. He is not happy with the report, but he feels the Retirement Board should pay the invoice and be done with Asset Strategies.

Roll call for approval of the bills as follows:

AYES		NAYS	ABSENT
Nancy Bellaire	George Jondro	Michael Grodi	Bobby Lambert
James Davies	Anne McCarthy		Henry Lievens (excused)
Joseph Hudson	James Morgan		

Motion carried. Chairman Grodi voted no because of the Asset Strategies invoice.

**Retirement Refunds**

Motion by Trustee Hudson to approve the following retirement refunds. Supported by Trustee Davies. All in favor. Motion carried.

1. Kelvin McGhee, General County \$1,350.07

**Retirement Payments - None**

**Communications – Board Action**

Motion by Trustee Davies to accept and place on file the following applications for service retirement. Supported by Trustee Hudson. All in favor. Motion carried.

1. Michael Langton, Sheriff's Office
2. Carol Laurie, Library
3. Gail Rochowiak, General County

Motion by Trustee Davies to accept and place on file the following application for deferred retirement. Supported by Trustee Hudson. All in favor. Motion carried.

4. Lois Turbett, General County

Motion by Trustee Davies to accept and place on file the following application for purchase of military service time. Supported by Trustee Hudson. All in favor. Motion carried.

5. William Owens, Sheriff's Office

Motion by Trustee Davies to accept and place on file the following medical reports. Supported by Trustee Hudson. All in favor. Motion carried.

6. Christine Krug, Mental Health
7. Mark Winter, General County

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Motion by Trustee Davies to accept and place on file the following certificates of attendance. Supported by Trustee Hudson. All in favor. Motion carried.

8. Sandy Calkins
9. Michael Grodi
10. Joseph Hudson.

Motion by Trustee Davies to accept and place on file the following communication from Asset Strategies. Supported by Trustee Hudson. All in favor. Motion carried.

11. Communication dated October 29, 2014 from Asset Strategies regarding the MCERS defined benefit plan analysis.

Motion by Trustee Davies to accept and place on file the following communication from Boyd Watterson. Supported by Trustee Hudson. All in favor. Motion carried.

12. Communication dated October 23, 2014 from Boyd Watterson regarding third quarter 2014 distribution.

Motion by Trustee Davies to accept and place on file the following communication from Nancy Bellaire. Supported by Trustee Hudson. All in favor. Motion carried.

13. Communication dated November 21, 2014 from Nancy Bellaire, Director for the Monroe County Library System concerning issuance of 13<sup>th</sup> checks for 2014.

Motion by Trustee Davies to accept and place on file the following communication from Randy Pierce. Supported by Trustee Hudson. All in favor. Motion carried.

14. Communication dated October 22, 2014 from Randy Pierce, Managing Director for the Monroe County Road Commission concerning issuance of 13<sup>th</sup> checks for 2014.

**Proposed Resolutions**

Motion by Trustee Davies to accept and place on file the following application for service retirement resolutions. Supported by Trustee Hudson. All in favor. Motion carried.

1. Michael Langton, Sheriff's Office
2. Carol Laurie, Library
3. Gail Rochowiak, General County

Motion by Trustee Davies to accept and place on file the following application for deferred retirement resolution. Supported by Trustee Hudson. All in favor. Motion carried.

4. Lois Turbett, General County

Motion by Trustee Davies to accept and place on file the following disability retirement resolution. Supported by Trustee Hudson. All in favor. Motion carried.

5. Christine Krug, Mental Health

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Motion by Trustee Davies to accept and place on file the following disability retirant re-examination resolution. Supported by Trustee Hudson. All in favor. Motion carried.

6. Mark Winter, General County

**Presentations** – Michael Serchen, Anchor Capital

Mr. Serchen introduced himself as the First Vice President for Anchor Capital Advisors. He stated the firm is based in Boston, Massachusetts, manages approximately \$12 billion in assets, and provides investment counseling services to individuals, corporate and retirement accounts, Taft-Hartley funds, public funds and charitable organizations.

Mr. Serchen reviewed the investment philosophy and stated Anchor Capital Advisors strives to invest in those Mid Cap securities which are undervalued, while always maintaining prudent and appropriate levels of risk. They also believe that capital preservation is as important as capital appreciation in achieving long-term investment success. Mr. Serchen also discussed the investment process stating the objective of Anchor Capital's process is to identify investment opportunities which are undervalued, have moderate downside risk and a reasonable probability of above average total return.

Mr. Serchen discussed the portfolio characteristics and investment performance results. The fund is up 6.23% year to date versus the benchmark up 11.91%. Year end 2013 the fund was up 23.00% versus the benchmark up 33.46%.

Mr. Serchen stated Anchor Capital's edge is that they protect on the downside. They do not take unnecessary risk.

Mr. Green asked why the Retirement System should stay invested with Anchor Capital considering the last five years have been extremely disappointing.

Mr. Serchen stated Anchor Capital is focused on earning 8-10%. They have underperformed their benchmark the last five years but they have earned their 8-10%. They stuck to their knitting and have performed between 8-10% over time even in the down market.

**Presentations** – Michael Lucci, Nicholas Coburn, Jason Jarjosa, Bloomfield Capital

Mr. Coburn started Bloomfield Capital about seven years ago. Bloomfield Capital lends capital at high rates for short periods of time. Bloomfield Capital Income Fund is a real estate opportunity fund managed by Bloomfield Capital focused on two primary strategies, originating senior secured, high yield, interim and bridge loans on income-producing real estate in the United States, and acquiring diverse portfolio of commercial mortgages, deeds of trust and other real estate related opportunistic investments.

Bloomfield Capital has a target equity capitalization of \$50 million. Bloomfield Capital currently manages over \$105 million in capital, funded primarily from pension funds, endowments, family office and other institutional investors. To date Bloomfield Capital has funded a total of \$178 million in 63 transactions in loans collateralized by multifamily, retail, mixed-use, hospitality, and other commercial property types. Bloomfield Capital has successfully exited 32 transactions with realizations of \$86 million. 96.8% of Bloomfield loans have performed and paid off generating a net yield of 10.8% to 11.1% to the investor. 3.2% of Bloomfield loans went into foreclosure and became REO. Historical resolution returns on such loans have been in excess of 30%.

Trustee Jondro asked what options are available if the loan is not paid within the timeframe. He also wanted to know who has the lean on the property.

Mr. Coburn stated every loan has title insurance. The title insurance company has a job to search the title. At the end of the agreement if the terms are not met there is an option to extend the loan for a year.

Trustee Davies asked how the profit works in a foreclosure.

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Mr. Jarjosa stated it is an 80/20 split. The investor will receive 80% and Bloomfield Capital will receive 20%.

Trustee Davies asked Bloomfield Capital how much of an investment are they looking for.

Mr. Jarjosa stated 1 million to 10 million is the preferred contribution. The investment is locked for approximately four years.

**Consultant's Report**

Mr. Cho reviewed the valuation report for the month ending October 31, 2014. The fund is valued at \$191,737,753.43 up \$2,406,762.65 from the previous month. The current asset allocation includes 59% in equities, 31% in fixed income, 3% in cash, 3% in alternative investments, and 4% in real estate. The Total Fund was up 1.58% for the month and up 4.52% year to date.

Next, Mr. Cho reviewed the investment manager performance report for the third quarter 2014. In the third quarter, equity performance in the United States was mixed, in part due to an uptick in volatility spurred by geopolitical concerns in Ukraine/Russia and the Middle East. Ongoing monetary stimulus by major central banks throughout the world helped keep equities afloat. Year to date the fund was up 2.86%. Trailing 3 years the fund was up 9.7%. Trailing 5 years the fund was up 7.18%. The asset allocation includes 58.5% in equities, 31.2% in fixed income, 2.9% in hedge funds, 3.8% in real estate and 3.6% in cash.

Mr. Green stated he will review Anchor Capital and provide a recommendation in January. Because the Retirement Board has added hedge funds Anchor Capital is in the same pond.

**Attorney's Report**

Mr. Michaud will comment as needed.

**Old Business**

1. Code of Conduct/Education/Due Diligence Policy and County Travel Policy 307.1

This policy will be placed on the next Administrative Policy Committee meeting.

2. Pension Evaluation

Chairman Grodi will be presenting to the Board of Commissioners on Tuesday, December 2.

3. Investment Policy Statement Review

This policy will be placed on the next Investment Policy Committee meeting.

4. Request for Proposal – Actuary Services

The Retirement Board would like a special meeting to interview the candidates.

5. Request for Proposal – Auditor Services

The Retirement Board would like to interview the candidates at the December 8 meeting.

6. Gabriel Roeder Smith & Company Experience Study recommendation

The Retirement Board will need to select an Actuary before the experience study can be conducted.

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7. Summary Annual Report to Members

Motion by Trustee Jondro to accept communication and place on file. Supported by Trustee McCarthy. All in favor. Motion carried.

**New Business** - None

**Trustee Comments**

Trustee Morgan addressed Winslow and how they failed three quarters. He also addressed Anchor Capital. They are underperforming their benchmark but they passed.

Mr. Cho stated Winslow is on watch and Morgan Stanley will be reviewing Anchor Capital and provide a recommendation in January.

Trustee Jondro stated he is torn on Anchor Capital. They offer lower risk.

Trustee Hudson thanked Chairman Grodi for a nice job as Chairman.

Chairman Grodi thanked the Retirement Board. He stated the Retirement Board needs to stay on task.

Chairman Grodi stated the next meeting is December 8, 2014 at 4:00 P.M. at the Mary K. Daume Library Service Center.

Motion by Trustee McCarthy to adjourn. Supported by Trustee Morgan. All in favor. Motion carried. Meeting adjourned at 7:55 P.M.

Respectfully Submitted,

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