

Monroe County Employees Retirement System

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



MINUTES

Monroe County Employees Retirement System Board of Trustees Monday, February 25, 2019

1. Call to Order

A regular meeting of the Monroe County Employees Retirement System Board of Trustees was called to order at 1:00 PM on February 25, 2019 at the Mary K. Daume Library Service Center at 840 South Roessler Street, Monroe, Michigan 48161.

2. Roll Call

Roll call as follows:

PRESENT:

Michael Grodi
George Jondro
James Morgan

Bob Neely
Jeff Pauli
Jason Turner

ABSENT:

Jeff Koras – excused
Henry Lievens – excused
Annamarie Osment - excused

ALSO PRESENT:

Joey Becker, Retirement Specialist
Michael Bosanac, Retirement Secretary
Thomas Michaud, Legal Counsel

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

3. Pledge of Allegiance

Chairman Grodi led the Pledge of Allegiance.

4. Election of Chairman

Joey Becker opened the meeting up to nominations for the Chairman. Trustee Morgan nominated Trustee Grodi as Chairman of the Monroe County Employees Retirement System Board of Trustees.

No other nominations were offered.

Motion by Trustee Morgan to close the nominations and cast a unanimous ballot for Trustee Grodi as Chairman. Supported by Trustee Turner. All in favor. Motion carried.

5. Election of Vice Chairman

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Chairman Grodi requested nominations for the Vice Chairman. Trustee Morgan nominated Trustee Jondro as Vice Chairman of the Monroe County Employees Retirement System Board of Trustees.

No other nominations were offered.

Motion by Trustee Morgan to close the nominations and cast a unanimous ballot for Trustee Jondro as Vice Chairman. Supported by Trustee Turner. All in favor. Motion carried.

6. Approval of Agenda

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

7. Approval of Minutes

Motion by Vice Chairman Jondro to approve the minutes of the December 17, 2018 regular meeting and waive the reading of the minutes. Supported by Trustee Pauli. All in favor. Motion carried.

8. Citizens Time

No citizen were in attendance.

9. Consent Agenda

Motion by Vice Chairman Jondro to approve the consent agenda as listed below. Supported by Trustee Pauli.

1. Deceased Retirees – 2018

Frederick Abair, Road Commission	February 28
Mary Costello, General County	January 25
Kelly Desilvis, Sheriff's Office	October 26
Margie Epoch, General County	February 21
John Fowler, General County	November 12
Thomas Gerweck, General County	October 19
Roberta Heiden, General County	March 12
Lila Jackson, Road Commission	December 8
Antonina Lewis, General County	November 28
Bernard Margolis, Library	April 14
Kathryn McCracken, Mental Health	December 11
Roderic Navarre, General County	October 14
Richard Reed, General County	June 10
Judith See, General County	May 23
Joseph Steinman, General County	November 13
Betty Williams, General County	August 13

2. Retirements

a. Terrence Bronson, General County	January 1
b. Eddie Lay, Road Commission	January 1
c. Gregory Berman, Sheriff's Office	January 22
d. April Kipf, Sheriff's Office	February 16

3. Financial Reports

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- a. Comerica Bank account statements for December 2018.
 - b. Comerica Bank account statements for January 2019.
 - c. Comerica Bank cash account statement for November 2018.
 - d. Comerica Bank cash account statement for December 2018.
 - e. Comerica Bank consolidated account statement for November 2018.
 - f. Comerica Bank consolidated account statement for December 2018.
 - g. Comerica Bank annual account statements for January 1, 2018 through December 31, 2018.
4. Communication
- a. Robbins Geller Rudman & Dowd settlement report for December 28, 2018.
 - b. Robbins Geller Rudman & Dowd settlement report for January 25, 2019.
 - c. Robbins Geller Rudman & Dowd portfolio monitoring report for December 28, 2018.
 - d. Robbins Geller Rudman & Dowd portfolio monitoring report for January 25, 2019.
 - e. Robbins Gellar Rudman & Dowd International Portfolio Monitoring Report for December 28, 2018
 - f. Robbins Gellar Rudman & Dowd International Portfolio Monitoring Report for January 25, 2019
 - g. Robbins Gellar Rudman & Dowd Litigation Report for fourth quarter 2018.
 - h. Robbins Gellar Rudman & Dowd Repose Report for fourth quarter 2018.

All in favor. Motion carried.

10. Approval of Bills

Trustee Neely questioned how Comerica's fees were calculated. Chairman Grodi stated the fees are based on the value in each account.

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

1. Invoice #27790 dated December 28, 2018 in the amount of \$26,250.00 from AndCo for consulting services and performance evaluation for period of October 2018 through December 2018.
2. Invoice in the amount of \$241.70 from Comerica Commercial Card Service for monthly QuickBooks online fee, MAPERS annual membership fee, and certified mail.
3. Invoice in the amount of \$204.30 from Comerica Commercial Card Service for monthly QuickBooks online fee, certified mail, office supplies, and nameplate - Pauli.
4. Invoice #447677 in the amount of \$1,983.80 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
5. Invoice #447674 in the amount of \$1,068.21 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
6. Invoice #447671 in the amount of \$1,051.04 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
7. Invoice #447676 in the amount of \$1,242.01 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.

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8. Invoice #447940 in the amount of \$8,092.67 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
9. Invoice #447675 in the amount of \$1,013.85 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
10. Invoice #447670 in the amount of \$1,047.19 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
11. Invoice #447673 in the amount of \$1,039.73 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
12. Invoice #447672 in the amount of \$1,269.95 from Comerica Bank for custodial services rendered for the period of October 1, 2018 – December 31, 2018.
13. Invoice #44425 dated January 16, 2019 in the amount of \$5,000.00 from Gabriel, Roeder, Smith & Company for January monthly maintenance.
14. Invoice #5909 in the amount of \$21,595.20 from Monroe County Library System for retirement services rendered for October 1, 2018 – December 31, 2018.
15. Invoice #0146449 dated December 31, 2018 in the amount of \$300.00 from Nyhart, for benefit calculation.
16. Invoice #0147321 dated January 31, 2019 in the amount of \$1,500.00 from Nyhart for annuity withdrawal benefit calculations.
17. Invoice dated January 29, 2019 in the amount of \$4,302.00 from VanOverbeke, Michaud & Timmony for legal services rendered for the period of October 1, 2018 through December 31, 2018.

Roll call for approval of the bills as follows:

AYES: Michael Grodi Jeff Pauli
George Jondro Bob Neely
James Morgan Jason Turner

NAYS: None

ABSENT: Jeff Koras, Henry Lievens, and Annamarie Osment excused

All in favor. Motion carried.

10A. Refunds

Motion by Vice Chairman Jondro to approve the following refunds and retirement payments. Supported by Trustee Morgan.

- | | |
|--------------------------------------|-------------|
| 1. Brandon Calkins, Central Dispatch | \$ 7,035.79 |
| 2. Stephanie Evans, General County | \$ 7,437.52 |
| 3. Ashley Gillean, Sheriff's Office | \$ 828.32 |
| 4. Kathryn Hotchkiss, General County | \$ 8,831.90 |
| 5. Eddie Lay, Road Commission | \$34,295.22 |
| LPL Financial FBO Eddie Lay | \$18,607.56 |

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6. Samantha Morlan, General County	\$ 700.22
7. Angela Nance, Sheriff's Office	\$ 243.83
8. Aaron Pierce, Road Commission	\$24,687.27

10B. Retirement Payments

1. Gregory Berman, Sheriff's Office January \$1,536.60, February \$4,763.24	\$ 6,299.84
2. Patricia Boitnott, Library December \$48.79, January \$1,512.42	\$ 3,073.63
3. Terrence Bronson, General County	\$ 2,529.11
4. William Dashner, Mental Health February \$673.44, March \$785.54	\$ 673.44
5. Stephanie Evans, General County December \$2,650.29, January \$2,271.64	\$ 2,271.64
6. Kathryn Hotchkiss, General County December \$199.92, January \$2,065.86	\$ 2,265.78
7. Eddie Lay, Road Commission January \$2,234.14, February \$2,234.14	\$ 4,468.28

All in favor. Motion carried.

Trustee Neely questioned what could be done to ensure payments are made if the Board is unable to meet.

Mr. Michaud stated that meetings are able to be held by phone if necessary. A catastrophe plan could also be established.

Chairman Grodi stated catastrophe planning would be added to the Administrative Policy Committee meeting agenda.

Mr. Bosanac suggested contacting Colleen in Information Technology for a copy of the County's disaster recovery plan.

11. Communications

Motion by Trustee Turner to receive and file the following communications. Supported by Trustee Morgan.

Application for Service Retirement

1. April Kipf, Sheriff's Office
2. William Whitaker, County Agency

Application for Deferred Service Retirement

3. William Dashner, Mental Health
4. Communication dated December 26, 2018 from Alidade Capital regarding distribution.
5. Communication dated January 4, 2019 from Boyd Watterson regarding government shutdown.
6. Communication dated January 25, 2019 from Boyd Watterson regarding 4th quarter distribution.
7. Communication dated January 3, 2019 from Clarkston Capital regarding strategic direction of the firm.

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8. NCPERS Certificate of Transparency
9. Communication dated February 8, 2019 from Renaissance regarding ownership and/or professional staff changes.
10. Communication dated January 17, 2019 from TerraCap Partners regarding distribution of interest.

All in favor. Motion carried.

12. Resolutions

Motion by Vice Chairman Jondro to accept and place on file the following retirement resolutions. Supported by Trustee Pauli.

Application for Service Retirement

1. April Kipf, Sheriff's Office
2. William Whittaker, County Agency

Application for Deferred Service Retirement

3. William Dashner, Mental Health

Service Retirement

4. Gregory Berman, Sheriff's Office
5. Patricia Boitnott, Library
6. Terrence Bronson, General County
7. Kathryn Hotchkiss, General County
8. Eddie Lay, Road Commission

Deferred Retirement

9. William Dashner, Mental Health

Disability Retirement

10. Stephanie Evans, General County
11. Darlene Redmond, Sheriff's Office

All in favor. Motion carried.

13. Consultant's Report

1. Monthly Valuation for period ending November 30, 2018

For the month ending November 30, 2018, the fund is valued at \$197,022,473 down \$8,411,252 from the previous month. The current asset allocation includes 61.4% in equities, 17.8% in fixed income, 0.4% in cash, 6.3% in alternative investments, and 14.1% in real estate. The Total Fund was up 0.87% for the month and down 1.24% year to date.

2. Monthly Valuation for period ending December 31, 2018

For the month ending December 31, 2018, the fund is valued at \$186,831,701 down \$10,190,772 from the previous month. The current asset allocation includes 59.7% in equities, 18.3% in fixed income, 0.1% in cash, 6.6% in alternative investments, and 15.3% in real estate. The Total Fund was down 4.53% for the month and down 5.72% year to date.

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3. 2018 4th Quarter Performance Report

The US equity market plummeted during the 4th quarter and volatility returned. The selloff may be attributed to several factors, including the Federal Reserve's forecasts for several rate increases in 2019, the slowing global economy, persistent trade tensions with China, politics (midterm elections and federal debt ceiling standoff), and other concerns. The decline was broad based with most sectors falling by double digits; larger companies survived the best (S&P 500 down 13.5%), followed by mid-caps and small-caps. The international equity markets fared slightly better (MSCI EAFE -12.5% and MSCI Emerging Markets -7.5%); however, these markets did not keep pace with the US markets over the summer and significantly lagged in 2018. The fixed income market managed a modest gain during the quarter (BB US Aggregate 1.6%). Treasuries and mortgages led as investors focused on safety; corporate bonds struggled due to their relationship with domestic equities. The Federal Reserve hiked interest rates for a fourth time this year in December and the yield curve continued to flatten (short term rates rising faster than longer term rates); at quarter end the Fed Funds Rate was 2.25% – 2.50%. In late December the Fed softened their language on future rate increases and the equity market rallied.

- Total fund results for the quarter of -8.27% outperformed the policy index return of -8.90%. Return ranked in the 58th percentile.
- For the calendar year, the Total Fund outperformed the policy index by 0.88% and ranked in the 87th percentile.

Positive:

- Strong performance from Clearbridge Large Growth, Clarkston Small Mid, Seizert Small Mid.
- Lazard Emerging Markets outperformed by +4.26% for the quarter.
- Intercontinental US REIF and Titanium GSA had another strong quarter, beating their index.
- Corbin Pinehurst had a strong quarter and year as market volatility benefitted hedge funds.

Negative:

- Seizert Large Value had a tough quarter, though longer term results are inline or ahead of benchmark.
- Cambiar and Renaissance both had a difficult year, falling below benchmark and peers.
- Boyd Watterson Fixed Income lagged for the quarter due to an overweight to corporate investment grade and high yield bonds.
- Brandywine Global Fixed was the largest detractor for the quarter as returns were impacted by both corporate bond holdings and currency losses.

Final Notes:

- As of 12/31/2018, the portfolio was in compliance with the Investment Policy Statement and Public Act 314, as amended.
- With respect to the Manager Compliance Checklist, Lazard remains on watch effective 7/1/2018. This is the second consecutive quarter of watch status. Q4 2018 results were strong, but have not yet lifted longer term results above minimum standards.

4. Monthly Valuation for period ending January 31, 2019

For the month ending January 31, 2019, the fund is valued at \$202,701,172 up \$10,444,268 from the previous month. The current asset allocation includes 59.8% in equities, 17.2% in fixed income, 3.0% in cash, 6.1% in alternative investments, and 13.9% in real estate. The Total Fund was up 5.52% for the month and up 5.52% year to date.

14. Old Business

1. 2019 Training Budget

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Motion by Vice Chairman Jondro to adopt the training budget for 2019. Supported by Trustee Morgan. All in favor. Motion carried.

15. New Business

1. Set interest rate for 2018

The December 31, 2018 Ten Year U.S. Treasury Rate was 2.69%.

Motion by Vice Chairman Jondro to set the 2018 interest rate at 2.69%. Supported by Trustee Morgan. All in favor. Motion carried.

2. Schedule Investment Manager Presentations

Chairman Grodi stated he is looking at dates in October to schedule the meeting. The Board will request Mr. Green provide each manager with a set of questions to cover during their presentation.

3. Committee Appointments

Administrative Policy Committee Members:

Michael Grodi, Chairman
James Morgan
Jeff Pauli
Jason Turner

Investment Policy Committee Members:

George Jondro, Vice Chairman
Jeff Koras
Bob Neely
Annamarie Osment

Motion by Trustee Morgan to accept the committee appointments. Supported by Trustee Turner. All in favor. Motion carried.

4. MAPERS One-Day Seminar, MAPERS Spring/Fall Conference, NCPERS Annual Conference

Motion by Vice Chairman Jondro to approve funding for training as allowable under P.A. 314. Supported by Trustee Morgan. All in favor. Motion carried.

5. Tuition Reimbursement

Trustee Neely stated the courses for reimbursement should be approved prior to registration.

Chairman Grodi questioned if the board would like to wait until the education policy is in place to approve the reimbursement.

Motion by Trustee Turner to approve reimbursement for tuition to the retirement specialist. Supported by Trustee Neely.

Roll call for approval of reimbursement as follows:

AYES: Michael Grodi
George Jondro

James Morgan
Bob Neely

Jeff Pauli
Jason Turner

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NAYS: None

ABSENT: Jeff Koras, excused
Henry Lievens, excused
Annamarie Osment, excused

All in favor. Motion carried.

16. Attorney's Report

Mr. Michaud stated there has been some activity in Lansing regarding reporting, but no changes have been put in place yet. He has no concerns at this time.

17. Trustee Comments

Trustee Morgan questioned changing the time of the meetings to 3:00 p.m. Trustee Neely stated the Retiree Healthcare meetings take place at 3:00 p.m.

Trustee Turner questioned if one check could be written to pay the Comerica invoices as opposed to paying each invoice separately.

Vice Chairman Jondro questioned if the board should have Comerica attend a meeting to review their procedures.

Chairman Grodi agreed that Comerica should attend a meeting and asked the retirement specialist to contact the Comerica representative to arrange the meeting.

Trustee Neely stated that the Retiree Healthcare Board signs a conflict of interest statement and suggested the Retirement Board consider signing one also. Mr. Bosanac stated that he would send a copy of the Retiree Healthcare Board's conflict of interest statement to the retirement specialist.

18. Administrative Calendar

Chairman Grodi stated the next meeting is March 25, 2019 at 1:00 P.M.

19. Adjourn

Motion by Vice Chairman Jondro to adjourn. Supported by Trustee Morgan. All in favor. Motion carried.

Meeting adjourned at 1: 34 P.M.

Respectfully Submitted,

Michael Grodi, Chairman
Monroe County Employees Retirement System