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, November 7, 2022**

## 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 November 7, 2022 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 | Jonathan Jones | Randy Richardville |
| George Jondro | Henry Lievens | Michael Smith |
| Cynthia LaBudie | Bob Neely | Ryan Sottile |

ABSENT:
Brian Green, Investment Consultant, excused

ALSO PRESENT:
Thomas Michaud, Legal Counsel
Joey Becker, Retirement Specialist
Michael Bosanac, Retirement Secretary, arrived at 1:03p.m.

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

## 3. Pledge of Allegiance

Chairman Grodi led the Pledge of Allegiance.

## 4. Approval of Agenda

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

## 5. Approval of Minutes

Motion by Vice Chairman Jondro to approve the minutes of the August 31, 2022 regular meeting and waive the reading of the minutes. Supported by Trustee LaBudie. All in favor. Motion carried.

## 6. Citizens Time

No citizens wished to address the board.

## 7. Consent Agenda

Motion by Trustee Sottile to approve the consent agenda as listed below. Supported by Trustee LaBudie.

1. Retirements
    a. Robert Bashaw, General County September 10

| | | |
|---|---|---|
| b. | Jennifer Wenzel, Library | September 12 |
| c. | Susan Lockwood, General County | September 22 |
| d. | Antonio Modica, Sheriff's Office | November 2 |
| e. | Daniel Schmidt, Road Commission | November 17 |
| f. | Bonnie Dean, General County | November 19 |

2. Financial Reports
    a. Comerica Bank consolidated statement for July 2022.
    b. Comerica Bank consolidated statement for August 2022.
    c. Comerica Bank consolidated statement for September 2022.
    d. Comerica Bank line item account statement for July 2022.
    e. Comerica Bank line item account statement for August 2022.
    f. Comerica Bank line item account statement for September 2022.
    g. Comerica Bank account statements for August 2022.
    h. Comerica Bank account statements for September 2022.

3. Communication
    a. Robbins Geller Rudman & Dowd settlement report for August 26, 2022.
    b. Robbins Geller Rudman & Dowd portfolio monitoring report for August 26, 2022.
    c. Robbins Gellar Rudman & Dowd international portfolio monitoring report for August 26, 2022.
    d. Robbins Geller Rudman & Dowd settlement report for September 30, 2022.
    e. Robbins Geller Rudman & Dowd portfolio monitoring report for September 30, 2022.
    f. Robbins Gellar Rudman & Dowd international portfolio monitoring report for September 30, 2022.
    g. Robbins Geller Rudman & Dowd Q3 2022 repose report.

All in favor. Motion carried.

**8. Approval of Bills**

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

1. Invoice #42348 in the amount of $27,848.62 from AndCo for consulting services and performance evaluation for the period of 07/01/2022 through 09/30/2022.

2. Invoice #479843 in the amount of $16,913.79 from Comerica for custodial services rendered for the period of 07/01/2022 through 09/30/2022.

3. Invoice in the amount of $8,920.94 from Comerica Commercial Card Service for monthly QuickBooks online fee, MAPERS registration -LaBudie, Jondro, Neely, Sottile, and Snell, MAPERS Reservations – LaBudie, Jondro, Neely, Sottile, and Snell, NCPERS registration - Grodi.

4. Invoice in the amount of $1,907.44 from Comerica Commercial Card Service for monthly QuickBooks online fee, and MAPERS Conference – LaBudie, Jondro, Neely, and Sottile.

5. Invoice # 6068 in the amount of $23,261.96 from Monroe County Library System for retirement services through June 2022.

6. Invoice # 6085 in the amount of $23,261.96 from Monroe County Library System for retirement services through September 2022.

7. Invoice #13598 in the amount of $290.00 from NCPERS for 2023 membership renewal.

8. Invoice #14722 in the amount of $7,163.00 from Segal Select Insurance Services for cyber liability policy for period of 9/25/2022 through 9/25/2023.

9. Invoice #111494 in the amount of $5,244.00 from Vanoverbeke, Michaud and Timmony, P.C. for legal services rendered through June 30, 2022.

10. Reimbursement in the amount of $616.50 to Michael Grodi for expenses incurred for 2022 MAPERS Fall conference.

11. Reimbursement in the amount of $478.87 to Cynthia LaBudie for expenses incurred for 2022 MAPERS Fall conference.

12. Reimbursement in the amount of $512.98 to Bob Neely for expenses incurred for 2022 MAPERS Fall conference.

13. Reimbursement in the amount of $506.75 to Ryan Sottile for expenses incurred for 2022 MAPERS Fall conference.

Roll call for approval of the bills as follows:

| | | | |
|---|---|---|---|
| AYES: | Michael Grodi | Cynthia LaBudie | Randy Richardville |
| | George Jondro | Henry Lievens | Michael Smith |
| | Jonathan Jones | Bob Neely | Ryan Sottile |

NAYS: None

All in favor. Motion carried.

**8A. Refunds**

Motion by Trustee Sottile to approve the following refunds and retirement payments. Supported by Trustee LaBudie.

1. Robert Bashaw, General County
2. Steven Bouws, Road Commission
3. Michael Grodi, Sheriff's Office
4. Lambert Lavoy, County Agency
5. Keith Richard, Road Commission
6. Randall Sehl, Sheriff's Office

**8B. Retirement Payments**

1. Robert Bashaw, General County
2. Steven Bouws, Road Commission
3. Michael Grodi, Sheriff's Office
4. Susan Lockwood, General County
5. Randall Sehl, Sheriff's Office
6. Vickie Warner, Mental Health
7. Jennifer Wenzel, Library

All in favor. Chairman Grodi abstained. Motion carried.

**9. Communications**

Motion by Trustee Lievens to receive and file the following communications. Supported by Trustee Jones.

**Application for Service Retirement**

1. Bonnie Dean, General County
2. Timothy George, Sheriff's Office
3. Robert Goertz, Road Commission
4. Christine Herron, Road Commission

5. Susan Lockwood, General County
6. Antonio Modica, Sheriff's Office
7. Daniel Schmidt, Road Commission

**Application for Deferred Retirement**

8. Steven Bouws, Road Commission
9. Randall Sehl, Sheriff's Office

**Application for Deferred Status**

10. David Morgan, Central Dispatch

**Certificate of Attendance**

11. Michael Grodi, MAPERS
12. Cynthia LaBudie, MAPERS
13. Robert Neely, MAPERS
14. Ryan Sottile, MAPERS

15. Communication dated August 17, 2022 from Alidade regarding distribution.
16. Communication dated August 29, 2022 from Raven regarding capital call.
17. Communication dated September 1, 2022 from Raven regarding distribution.
18. Communication dated September 1, 2022 from Raven regarding distribution.
19. Communication dated September 1, 2022 from Raven regarding distribution.
20. Communication dated October 19, 2022 from Intercontinental regarding redemption.
21. Communication dated October 19, 2022 from Nancy Bellaire, Monroe County Library System Director regarding issuance of 13th checks for 2022.
22. Notice of Election from Monroe County Road Commission for position held by Matthew Snell.

All in favor. Motion carried.

**10. Resolutions**

Motion by Trustee Neely to accept and place on file the following retirement resolutions. Supported by Trustee Sottile.

**Application for Service Retirement**

1. Bonnie Dean, General County
2. Timothy George, Sheriff's Office
3. Robert Goertz, Road Commission
4. Christine Herron, Road Commission
5. Susan Lockwood, General County
6. Antonio Modica, Sheriff's Office
7. Daniel Schmidt, Road Commission

**Application for Deferred Retirement**

8. Steven Bouws, Road Commission
9. Randall Sehl, Sheriff's Office

**Service Retirement**

10. Robert Bashaw, General County
11. Susan Lockwood, General County
12. Vicki Warner, Mental Health
13. Jennifer Wenzel, Library

**Deferred Retirement**

14. Steven Bouws, Road Commission
15. Michael Grodi, Sheriff's Office
16. Randall Sehl, Sheriff's Office

**11. Consultant's Report**

1. Q3 2022 Performance Report

**The Economy**

- Broadly, global markets declined during the 3rd quarter as inflation remained elevated, causing global central banks further drain liquidity from the market, and geopolitical risks increased as the conflict in Ukraine escalated.
- While inflation moderated slightly in the US, it showed signs of increasing, especially in Europe, where UK and German inflation reached multi-decade highs. US CPI was 8.3% in August, down from 9.1% at the end of the 2nd quarter.
- The US Federal Reserve Bank (the Fed) continued to increase interest rates during the quarter by raising 0.75% at the July and September meetings. Importantly, the Fed signaled it was committed to fight inflation by additional rate hikes if needed.
- The US labor market showed its resiliency during the quarter by adding an estimated 1.1 million jobs. As a result, the unemployment rate fell to 3.5% in September. The number of workers re-entering the workforce increased slightly during the period as wage growth remained strong.
- Real estate markets were under pressure during the quarter as rising interest rates pushed mortgages to their highest levels since 2007. As of September, the average 30-year fixed mortgage was roughly 6.7%, up from roughly 3.0% last year at the same time.

**Equity (Domestic and International)**

- US equities declined during the 3rd quarter as concerns regarding inflation, the path of interest rates, and a slowing global economy acted as headwinds. Small cap growth was the best performing domestic segment of the equity market relative to other US market capitalizations and styles during the period while large cap value performed the worst.
- Momentum was decidedly negative in international stocks during the 3rd quarter. The escalating conflict in Ukraine, rising inflation in Europe, and tightening monetary policy all contributed to the decline. The continued strength of the US dollar, which rose against most major developed market and emerging market currencies, also acted as a headwind. Finally, China continued its zero-tolerance policy regarding Covid-19, which led to additional restrictions.

**Fixed Income**

- While inflation fell slightly during the quarter, the Fed continued increasing interest rates which acted as a headwind for fixed income performance during the quarter. US interest rates moved significantly higher during the quarter with the US 10- Year Treasury bond rising 83 basis points to close at 3.80%.
- Performance across all bond market sectors was negative during the quarter, with US high yield corporate bonds and US Treasury bonds down the least.
- The combination of higher coupons and a shorter maturity profile relative to high quality government bonds was the primary driver of the relative outperformance of high yield bonds during the period.
- US Treasury bonds declined less than other investment grade bond market sectors during the quarter. During periods of increased volatility, investors have historically preferred the safety of government bonds over those with credit risk.

**Market Themes**

- Central banks remained hawkish during the quarter with several banks raising interest rates to fight higher inflation. The Fed, the Bank of England, and European Central Bank all raised rates during the quarter. Additionally, the Fed is currently allowing bonds to mature without reinvesting (quantitative tightening), while other banks are also considering similar actions. The outcome would be additional liquidity from the market.
- The escalating crisis in Ukraine spilled over as several gas pipelines were attacked in the Baltic Sea. The result was further disruption of energy supplies to Europe, Germany in particular. Energy costs have risen significantly since the start of the conflict which have negatively impacted economic activity in the region.
- US equity markets experienced their third consecutive quarter of negative performance during the 3rd quarter. Growth-oriented stocks outperformed value stocks as investors believe the Fed will begin slowing the rise of interest rates as economic growth declines. Historically, growth stocks have outperformed value stocks as the economy reaches the trough following a recession.
- Interest rates rose across the Treasury yield curve during the quarter as the Fed hiked interest rates by 0.75% at both the July and September meetings. The 3rd quarter marks the third consecutive quarter the bond market has suffered negative absolute returns. Long-term mortgage and investment grade corporate bonds underperformed during the

quarter given their maturity profiles. High yield bonds outperformed primarily due to their shorter maturity profile and higher coupons.

2. Recommended Rebalance / Liquidity Plan

Given continued underperformance vs. benchmark and peers, coupled with a significant increase in duration, we recommend exiting the position. Brandywine has increased the duration from 5.3 years to 8.52 years as of 9/30/2022. Proceeds from the liquidation of the Brandywine portfolio would be transferred to the Boyd Watterson Intermediate Fixed Income portfolio

Motion by Trustee Neely to approve recommended rebalance. Supported by Vice Chairman Jondro. All in favor. Motion carried.

3. AndCo Consulting Fee

Chairman Grodi reviewed the notification of the implementation of the contractual fee increase of 3% effective January 1, 2023. No motion needed.

**12. New Business**

1. 13th Check

Motion by Vice Chairman Jondro to send out notice to retirees regarding repayment of 13th check benefit paid in error. Supported by Trustee Neely. All in favor. Motion carried.

2. Cyber Liability Insurance Renewal

Chairman Grodi stated this is a renewal of the cyber liability policy.

Motion by Trustee Labudie to renew the cyber liability insurance rider. Supported by Trustee Sottile. All in favor. Motion carried.

3. Summary Annual Report

Motion by Vice Chairman Jondro to accept, place on file, and post to the retirement website. Supported by Trustee Sottile. All in favor. Motion carried.

4. Set Meeting Schedule and Calendar

Motion by Trustee LaBudie to approve the meeting schedule and administrative calendar for 2023. Supported by Trustee Jones. All in favor. Motion carried.

5. Adopt Training Budget – According to policy

Motion by Vice Chairman Jondro to approve the training budget according to policy. Supported by Trustee LaBudie. All in favor. Motion carried.

6. Trustee Election

Motion by Trustee Sottile to approve schedule for the election. Supported by Trustee Jones. All in favor. Motion carried.

**13. Attorney's Report**

No items to address at this time.

**14. Trustee Comments**

Trustee Smith stated he is looking forward to being on the board.

Trustee Neely complemented MAPERS on the Fall conference.

Vice Chairman Jondro welcomed Trustee Smith to the board.

Trustee Sottile stated his first time attending the MAPERS conference was very informative. He also mentioned the amount of employees leaving and wondered if eliminating defined benefit plans is a contributing factor.

**17. Administrative Calendar**

Chairman Grodi stated the next meeting is scheduled for February 13, 2023 at 1:00 P.M.

**18. Adjourn**

Meeting adjourned at 1:24 P.M.

Respectfully Submitted,

Michael Grodi, Chairman
Monroe County Employees Retirement System