

MINUTES OF THE RETIREMENT BOARD
Thursday, March 22, 2018

A meeting of the Retirement Board was held on Thursday, March 22, 2018 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, Bryan Santo, Carol Grant, Gary Cutler, Matthew Murphy, Bob Smith, George Brumbaugh

Excused:

Larry Rocca

Also Present:

John Schapka, Stephen Smigiel, Stephanie Dobson, Joe Biondo, Larry Lee, Tom Michaud, Mike Holycross

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:30 a.m. by Chair Deldin.

2. Adoption of Revised Agenda

A motion was made by Trustee Grant, supported by Trustee Murphy to adopt the revised agenda as presented. The motion carried.

Chair Deldin advised the Board that he would need to excuse himself at 9:15 a.m. this morning and Vice-Chair Santo will direct the remainder of the meeting.

3. Approval of Minutes

a. March 8, 2018

A motion was made by Vice-Chair Santo, supported by Trustee Murphy to approve the minutes of March 8, 2018 as presented. The motion carried.

4. Public Participation

None

5. Retirement Administrator Report

Ms. Dobson provided the activity numbers through the month of February. She also reported that she had a meeting with Martha T. Berry last week and they are going to try to extract their pay history from ADP for 2017, so that the valuation can proceed. Ms. Dobson will keep the Board posted on any progress that is made in that regard. She also advised the Board that she has a temporary employee that started about three weeks ago who has been working diligently on verifying the plan date for all of the members in the system.

A motion was made by Trustee Cutler, supported by Trustee Murphy to receive and file the Retirement Administrator Report. The motion carried.

6. Disability Retirement

a. Victor Krese (Initial Application)

A motion was made by Trustee Cutler, supported by Trustee Grant to adopt the following resolution to process the disability retirement application of Victor Krese and direct Human Resources to order an independent medical examination.

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, the Retirement Board is in receipt of an application dated March 6, 2018 from Victor Krese requesting a Non-Duty disability retirement; and

WHEREAS, in accordance with Section 28 of the Retirement System Ordinance provides that upon the application of a member, or the Member's department head, a member who (1) is in the employ of the County, (2) is vested**, and (3) has become or becomes totally and permanently incapacitated for duty in the employ of the County, may be retired by the Board provided that after a medical examination of the member made by or under the direction of the Medical Director, the Medical Director certifies to the Board (1) that the member is mentally or physically totally incapacitated for duty in the employ of the County, (2) that such incapacity will probably be permanent, and (3) that the member should be retired, therefore be it

RESOLVED, that the Retirement Board acknowledges receipt of said application and directs the processing of said application in accordance with the Retirement System provisions, and further

RESOLVED, that the Retirement Board directs the Human Resources and Labor Relations Department to contact the Medical Director to set up an appointment for Victor Krese to be examined and to advise the Medical Director of their responsibilities, and further

RESOLVED, that the Retirement Board requests that all medical and/or other information be forwarded to the Medical Director in support of the application, and further

RESOLVED, that the Medical Director fulfill their duties and report to the Retirement Board their findings and certifications, and further

RESOLVED, that copies of this resolution and the Board's disability retirement procedures be forwarded to Victor Krese, the Medical Director and all other appropriate parties.

***Any member who is not vested shall be considered vested for the exclusive purpose only of qualifying for disability retirement as provided in Section 28 provided that (1) the Board finds the Member is totally and permanently incapacitated for duty as the natural and proximate result of a personal injury or disease arising out of and in the course of the Member's actual performance of duty in the service of the County, and (2) the Member is in the receipt of worker's compensation on account of the Member's physical or mental incapacity. (Section 29 of the Retirement System Ordinance).*

The motion carried.

7. LS Investment Advisors update

Mr. Kevin Yousif and Mr. Bill Camp joined the meeting to provide an update on the LS Investment Advisors portfolio. Mr. Camp briefly introduced himself and Mr. Yousif and he expressed their appreciation to the Board for being one of their oldest and most valued clients. Mr. Yousif began the presentation by explaining a bit about their large cap strategy which is based on dividends. It is a "dividend growers strategy" and they select the stocks they invest in by searching for companies within the S&P 500 that have increased their dividend every year for the last 25 years. Mr. Yousif also discussed the portfolio's performance history and change in value as of February 28, 2018.

A motion was made by Trustee Murphy, supported by Trustee Grant to receive and file the LS Investment Advisors update. The motion carried.

8. World Asset Management update

Mr. Eric Lessnau joined the meeting to provide an update on the World Asset Management (WAM) portfolio. He distributed a handout to the Board and reported that as of December 31, 2017 WAM has approximately \$14.5 billion in assets under management (AUM). Of that amount, \$10.5 billion are in domestic equities which he manages.

Mr. Lessnau reviewed the account summary and the allocations in each fund. He noted that the most recent quarterly rebalance was completed last Friday and will next be done on June 15, 2018. He also pointed out the fee schedule and reported that the current aggregate fee is 3.7 basis points.

A motion was made by Trustee Grant, supported by Trustee Murphy to receive and file the World Asset Management update. The motion carried.

9. **AndCo 4th Quarter Performance Report**

Mr. Holycross provided the quarterly performance report as of December 31, 2017. He reviewed the layout of the new report books and discussed a few specific sections. He invited feedback from the Board and said that they report could be adapted to show whatever they felt was most important.

Mr. Holycross began by reviewing the Performance-at-a-Glance for the total fund. The beginning market value in 2017 was \$933,754,227. Net outflows were \$42,790,527 with gains of \$150,378,731. Ending market value for 2017 was \$1,038,486,558. He also reviewed the asset allocation summaries by manager and for the total fund.

Mr. Holycross discussed a recommendation to fully liquidate the EnTrust Diversified hedge fund portfolio. After four straight years of lackluster performance, he would like to see that money be available to allocate to a future investment.

Additionally, Mr. Holycross reviewed the financial reconciliation and trailing returns reports. He commented on the Clarkston portfolio and the large amount of cash they are holding (25-28%). They have now underperformed since inception and he has discussions with them weekly on their cash holding. Trustee Cutler advised that he was recently made aware that Clarkston made a purchase late last week or early this week and it has not been disclosed yet what the stock is. Mr. Holycross said that Clarkston knows he is paying attention to their cash holding and that it is a bit of a sore spot with some of their clients.

The quarterly report also now includes a holdings based analysis for each fund manager. Mr. Holycross walked the Board members through a couple of these reports, so they can see all of the information available to them.

A motion was made by Trustee Cutler, supported by Trustee Grant to receive and file the AndCo 4th Quarter Performance Report. The motion carried.

A motion was made by Trustee Cutler, supported by Trustee Murphy to liquidate the EnTrust Diversified Fund II LP as recommended by Mr. Holycross. The motion carried.

Ms. Schave asked if she could make a comment to the Board and Vice-Chair Santo gave her the floor. She said that she just wanted to say that she thought that Mr. Holycross and his team are doing a great job and she was surprised with how smooth the investment consultant transition to AndCo has been. She had been anticipating some administrative issues and has been very pleased with the level of support she gets from Donna at Mr. Holycross' office and appreciates the prompt communication from his team. Vice-Chair Santo thanked her for her input and said that it is good to hear that things are going well from an administrative perspective.

10. MAPERS 2018 Spring Conference

The Board was provided with the preliminary agenda and registration information for the upcoming MAPERS 2018 Spring Conference at Soaring Eagle in Mount Pleasant.

A motion was made by Trustee Cutler, supported by Trustee Murphy to approve Board member attendance and expenses for the MAPERS 2018 Spring Conference. The motion carried.

Ms. Schave will email the Board members to determine who would like to attend and ensure that the appropriate arrangements are made for registration and lodging.

11. Unfinished Business

a. Annual Advisor and Consultant Review – Custodial Bank

Chair Deldin reminded the Board that a decision still needs to be made regarding the Annual Advisor and Consultant Review for the Custodial Bank. A presentation was done at the last meeting by the current Custodial Bank, Wells Fargo. This presentation had been scheduled to give the Board better familiarity with the services the Custodial Bank provides and introduce them to the representative from Wells Fargo. Since the information provided was so in-depth and thorough, Chair Deldin remarked that it could fulfill the Board's requirement to review the Custodial Bank. He asked the other Board members if they were interested in doing further review or issuing a RFP for a more formal search.

Trustee Cutler inquired what the staff who deal with Wells Fargo on a regular basis think about the service they provide. He thought the presentation was fine, but wanted the opinions of the people who work with them more directly. Mr. Larry Lee from the Treasurer's Office remarked that he has never had a problem with Wells Fargo and the group that he deals with are always quick to respond when he needs information. Mr. Smigiel agreed and although Ms. Schave deals with Wells Fargo more directly on behalf of his office, he has always been pleased with their service. Mr. Holycross commented that he has not heard of any specific issues. Trustee Murphy asked Ms. Schave for her input. Ms. Schave replied that other than a recent hiccup with some extensive paperwork needing to be re-done because the originals had gone missing at Wells Fargo, she had no specific complaints or issues with working with them.

A motion was made by Trustee Cutler, supported by Trustee Murphy to forgo a formal search for Custodial Bank and continue with Wells Fargo until the next re-evaluation in the future. The motion carried.

12. New Business

None

13. Adjournment

There being no further business before the Board, a motion was made by Trustee Grant, supported by Trustee Smith to adjourn the meeting at 10:00 a.m. The motion carried.