

MINUTES OF THE RETIREMENT BOARD
Thursday, May 16, 2024

A meeting of the Retirement Board was held on Thursday, May 16, 2024 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, Harold Haugh, Larry Rocca, Michael Grix, Dan Willis, Ken Willis, Wendy Fisher

Excused:

Also Present:

Stephen Smigiel, Cindy Mitchell, John Schapka, Andy McKinnon, Skip Maccarone, Tom Michaud, Mike Holycross, Gary Cutler

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 Agenda

A motion was made by Trustee Ken Willis, supported by Trustee Rocca to adopt the agenda as presented. The motion carried.

3. Approval of Minutes from May 2, 2024

A motion was made by Vice-Chair Santo, supported by Trustee Dan Willis to approve the minutes from May 2, 2024 as presented. The motion carried.

4. Approval of Invoices

A motion was made by Trustee Haugh, supported by Trustee Dan Willis to approve the invoices as presented. The motion carried.

5. Public Participation

None

6. Portfolio Advisors Annual Presentation – Michael Chen, Matthew Lucas

Mr. Michael Chen and Mr. Matthew Lucas joined the meeting in person to provide the Board with an update on their investment with Portfolio Advisors. Mr. Lucas provided a brief introduction and Mr. Chen proceeded with the presentation. He discussed their investment strategy and noted that careful manager selection and a steady supply of deals are very important. He provided an update on Fund IV and mentioned that Fund V is expected to close within the next seven months. Mr. Chen also answered some questions from Mr. Holycross and Mr. Cutler.

A motion was made by Trustee Ken Willis, supported by Trustee Haugh to receive and file the Portfolio Advisors Annual Presentation. The motion carried.

7. Adams Street Annual Presentation – Greta Nolan, Craig Waslin

Ms. Greta Nolan and Mr. Craig Waslin joined the meeting in person to provide the Board with an update on their investment with Adams Street. Ms. Nolan introduced herself and the firm, briefly touching on their investment strategy. Mr. Waslin introduced himself and discussed an early snapshot of their investments. He discussed the current market environment and the advantages of a co-investment program. Mr. Waslin reviewed their platform and talked about future opportunities. Ms. Nolan and Mr. Waslin also answered some questions from Trustee Rocca, Trustee Haugh and Mr. Holycross.

A motion was made by Trustee Dan Willis, supported by Trustee Grix to receive and file the Adams Street presentation. The motion carried.

8. TerraCap Update – Steve Hagenbuckle, Pat Melton, Nicholas Vician

Mr. Steve Hagenbuckle, Mr. Pat Melton and Mr. Nicholas Vician joined the meeting in person to provide the Board with another update on their investment with TerraCap. Mr. David Julier from Mariner also joined the meeting via Webex. Mr. Holycross introduced the group and provided some background regarding the reason for TerraCap's second visit to the Board this year. TerraCap was previously in to provide an update on February 22nd and then on February 29th a number of write downs took place and the Board wanted to hear more about the reason why these write downs were not mentioned when they first appeared before the Board. Mr. Holycross mentioned the Board's frustration at what seemed to be a lack of transparency and lapse in communication. The TerraCap team is here today to provide information related to their strategy moving forward and how they plan to improve things operationally.

Mr. Hagenbuckle apologized on behalf of TerraCap and took responsibility for the poor communication and for not giving earlier notification of the unrealized markdowns that transpired. He spoke about the increases in interest rates and the market environment. The Fund V portfolio consists predominately multi-family and industrial properties. Mr. Hagenbuckle reviewed their strategy for rebuilding which includes a plan to manage multi-family revenue growth, decrease expenses and eliminate bad debt. Mr. Hagenbuckle also talked about Fund VI which the Board has already committed capital to.

Trustee Haugh, Trustee Grix, Mr. Maccarone, Mr. Cutler and Mr. Holycross all asked questions which Mr. Hagenbuckle and Mr. Vician responded to. Mr. Julier also provided input based on his research and the "deep dive" he has done into the situation with TerraCap. He expects to have a summary available for Mr. Holycross and the Board sometime after the July 4th holiday. The consensus currently is that TerraCap needs to "prove it" and show that they can operate in this challenged environment and differentiate themselves from others operating in the same space. Mr. Holycross confirmed that the Board is committed to Fund VI, but Mr. Hagenbuckle indicated that the Board would be allowed to rescind that commitment if they choose to.

A motion was made by Vice-Chair Santo, supported by Trustee Grix to receive and file the TerraCap update. The motion carried.

9. Retirement Services Report – Cindy Mitchell/Jennifer Smiley

Ms. Mitchell provided the Board with the Activity Report showing numbers through the end of April. She noted that overall, they are a bit lower, but they are still seeing steady inquiries about retirement. Ms. Mitchell also reported that there are approximately 43 retirees who did not respond to the Dependent Audit and second notices will be going out to them this week. The Annual Signature Verifications will be going out the first week of June.

A motion was made by Trustee Dan Willis, supported by Trustee Ken Willis to receive and file the Retirement Services Report. The motion carried.

10. Investment Consultant Report – Mike Holycross

Mr. Holycross had nothing formal to report but advised that he will have first quarter information coming soon.

A motion was made by Vice-Chair Santo, supported by Trustee Grix to receive and file the Investment Consultant Report. The motion carried.

11. Analyst Report – Gary Cutler

Mr. Cutler talked about the pace of the U.S. economy and noted that markets are trending higher despite inflation beginning to have a small impact in certain sectors.

A motion was made by Trustee Ken Willis, supported by Trustee Dan Willis to receive and file the Analyst Report provided by Mr. Cutler. The motion carried.

12. Legal Report – Tom Michaud

Mr. Michaud requested to combine this agenda item with the item under Unfinished Business.

13. Unfinished Business

a. D. Miller hearing follow-up

Mr. Michaud summarized the issue before the Board once again. The Board already made a decision in this matter, but because it has been returned to the Board by the Court, they need to either reaffirm or change their previous decision.

A motion was made by Trustee Ken Willis, supported by Trustee Grix to reaffirm the Board's prior decision on the Derek Miller vesting question. The motion carried.

14. New Business

Trustee Haugh thanked the Board for their thoughts and prayers on behalf of his family during this difficult time.

15. Adjournment

There being no further business before the Board, a motion was made by Trustee Haugh, supported by Trustee Grix to adjourn the meeting at 10:35 a.m. The motion carried.