

**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 August 22, 2011 in the Board of Commissioners Meeting Room at 125 East Second Street, Monroe, Michigan. The meeting was called to order by Chairman Colpaert at 5:00 P.M.

PRESENT: Nancy Colpaert, James Davies (arrived at 5:02), Michael Grodi, Joseph Hudson, Anne McCarthy, James Morgan, William Myers and William Sisk (arrived at 5:05)

ABSENT: Henry Lievens (excused)

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

Motion by Michael Grodi, supported by Joseph Hudson to approve the minutes of the July 25, 2011 regular meeting, August 8, 2011 special meeting, and August 15, 2011 special meeting. Motion carried.

Motion by Michael Grodi, supported by William Myers to approve the agenda as submitted. Motion carried.

Citizens Time – None

Presentations – Cathy Nagy, Gabriel Roeder Smith & Company

Ms. Nagy reviewed the Components of the Actuarial Valuation. She then proceeded with the Highlights of 2010 Valuation. She stated the employer contribution rates have increased slightly for most divisions. She also stated contribution rates are expected to increase in the short term as a result of the unfavorable investment performance from 2008 and the early retirement incentive program. In the long term contribution rates are expected to approach the long term cost of the benefits, or the normal cost.

Ms. Nagy discussed the computed contributions for 2011 and the funded ratio for each division. She concluded with the Retirement System continues to be well funded, although funded ratio varies by division.

Motion by William Sisk, supported by James Davies to accept the 2010 Actuarial Valuation Report and place on file. Motion carried.

**Monroe County Employees
Retirement System Board of
Trustees – Minutes**

August 22, 2011 – Page 2

Presentations – Michael Serchen, Anchor Capital Advisors

Mr. Serchen introduced himself as First Vice President for Anchor Capital Advisors. He stated the firm is based in Boston, Massachusetts and manages approximately \$6 billion in assets.

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.

After discussing the portfolio characteristics and investment performance results, Mr. Serchen believes it will be a volatile market going forward, but Anchor Capital Advisors are comfortably positioned.

Motion by James Morgan, supported by Anne McCarthy to accept Anchor Capital Advisors Report and place on file. Motion carried.

Motion by James Davies, supported by Anne McCarthy to approve the consent agenda as listed below.

A. Retirements

Scott Soleau, Sheriff's Office (deferred)	July 29
Deanna Suydam, Fairview (deferred)	July 31

B. Financial Reports – On File with Retirement Specialist

1. Anchor Capital Advisors Portfolio Summary for the period ended June 30, 2011.
2. Boyd Watterson Asset Management Client Statement for the period ended July 31, 2011.
3. Comerica Bank Securities Lending Statement for June 2011.
4. Eagle Global Advisors Quarterly Investment Portfolio Appraisal for the period ended June 30, 2011.
5. Morgan Stanley Smith Barney Client Statement for Anchor Capital Advisors, Eagle Global Advisors, Lazard Asset Management, NWQ LCV and International and Renaissance Investment Management for the period ended July 31, 2011.
6. NWQ Investment Management Portfolio Summary for the period ended June 30, 2011.

**Monroe County Employees
Retirement System Board of
Trustees – Minutes**

August 22, 2011 – Page 3

7. Pacific Income Advisers Fixed Income Quarterly Report for the period ended June 30, 2011.
8. Templeton Portfolio Advisors Quarterly Report for the quarter ended June 30, 2011.
9. Tradewinds Global Investors Portfolio Summary for the period ended June 30, 2011.
10. Winslow Capital Portfolio Summary for the period ended July 31, 2011.

C. Communication

1. Robbins Geller Rudman & Dowd Settlement Report for the period ended August 2011.
2. Robbins Geller Rudman & Dowd Litigation Report for the quarter ended June 30, 2011.
3. Communication dated August 1, 2011 from Chairman Colpaert regarding the Retirement Specialist position.

Motion Carried.

Invoices

Motion by James Morgan, supported by William Sisk to approve for payment the following invoices, subject to house audit:

1. Invoice dated July 1, 2011 in the amount of \$17,065.51 from Anchor Capital Advisors for investment services rendered for the period of April 1, 2011 – June 30, 2011.
2. Invoice #375602 in the amount of \$3,347.50 from Comerica Bank for custodial services rendered for the period of April 1, 2011 – June 30, 2011.
3. Invoice #375603 in the amount of \$1,466.69 from Comerica Bank for custodial services rendered for the period of April 1, 2011 – June 30, 2011.
4. Invoice #1992 dated July 22, 2011 in the amount of \$53.23 from County of Monroe Finance Department for June 2011 Postage and Federal Express charges.
5. Invoice dated July 15, 2011 in the amount of \$550.00 from Steven Dovitz, M.D. for the independent medical evaluation of Nickolas Musulin.
6. Invoice dated July 22, 2011 in the amount of \$550.00 from Steven Dovitz, M.D. for the independent medical evaluation of Tobi Sisman.

**Monroe County Employees
Retirement System Board of
Trustees – Minutes**

August 22, 2011 – Page 4

7. Invoice in the amount of \$16,329.00 from Eagle Global Advisors for investment services rendered for the period of April 1, 2011 – June 30, 2011.
8. Invoice dated July 20, 2011 in the amount of \$17,366.27 from Franklin Templeton Investments for investment services rendered for the period ending June 30, 2011.
9. Invoice #1671497 dated July 21, 2011 in the amount of \$9,006.09 from Lazard Asset Management for investment services rendered for the period of April 1, 2011 – June 30, 2011.
10. Invoice dated July 22, 2011 in the amount of \$63,284.45 from Morgan Stanley Smith Barney for Management fees for the period of April 1, 2011 – June 30, 2011.
11. Invoice dated July 29, 2011 in the amount of \$8,284.00 from Pacific Income Advisers for investment services rendered for the period of April 1, 2011 – June 30, 2011.
12. Invoice dated July 14, 2011 in the amount of \$16,951.29 from Renaissance Investment Management for investment services rendered for the period of April 1, 2011 – June 30, 2011.

Motion carried.

Refunds

Motion by Michael Grodi, supported by William Sisk to approve the following refunds:

1. Michael Buxton, Sheriff's Office	\$15,105.01
2. Catherine Frank, Health Department	\$14,391.36
3. Steven Rousselo, Sheriff's Office	\$ 2,113.94
4. Scott Soleau, Sheriff's Office (deferred)	\$21,676.92
(PNC Bank FBO: Scott Soleau)	\$47,342.29

Motion carried.

Retirement Payments

Motion by Michael Grodi, supported by James Morgan to approve the following retirement payments:

**Monroe County Employees
Retirement System Board of
Trustees – Minutes**

August 22, 2011 – Page 5

- | | |
|--|-------------|
| 1. Catherine Frank, Health Department | \$ 4,975.88 |
| **June \$452.34, July \$2,261.77 | |
| 2. Scott Soleau, Sheriff's Office (deferred) | \$ 918.28 |
| **July \$81.03 | |
| 3. Deanna Suydam, Fairview (deferred) | \$ 979.35 |
| **July \$30.60 | |
| 4. Terrie Vanderpool, Youth Center | \$ 7,549.62 |
| **July \$3,774.81 | |

Motion carried.

Communications

Motion by James Davies, supported by Anne McCarthy to accept and place on file the following Application for Service Retirement:

1. Anne Smith, Library

Motion by James Davies, supported by Anne McCarthy to accept and place on file the following Applications for Deferred Retirement:

2. Scott Soleau, Sheriff's Office
3. Deanna Suydam, Fairview

Motion by James Davies, supported by Anne McCarthy to accept and place on file the following Application for Deferred Status:

4. Vickie Adams, Veteran's Bureau

Motion by James Davies, supported by Anne McCarthy to accept and place on the following Medical Reports:

5. Medical report dated July 15, 2011 from Steven Dovitz, M.D. regarding an independent medical evaluation of Nickolas Musulin.
6. Medical report dated July 22, 2011 from Steven Dovitz, M.D. regarding an independent medical evaluation of Tobi Sisman.

Motion carried.

**Monroe County Employees
Retirement System Board of
Trustees – Minutes**

August 22, 2011 – Page 6

Proposed Resolutions

Motion by Anne McCarthy, supported by Michael Grodi to accept and place on file the following Application for Service Retirement resolution:

1. Anne Smith, Library

Motion carried.

Motion by Anne McCarthy, supported by Michael Grodi to accept and place on file the following Service Retirement resolutions:

2. Catherin Frank, Health Department
3. Terrie Vanderpool, Youth Center

Motion by Anne McCarthy, supported by Michael Grodi to accept and place on file the following Application for Deferred Retirement resolutions:

4. Scott Soleau, Sheriff's Office
5. Deanna Suydam, Fairview

Motion carried.

Motion by Anne McCarthy, supported by Michael Grodi to accept and place on file the following Deferred Retirement resolutions:

6. Scott Soleau, Sheriff's Office
7. Deanna Suydam, Fairview

Motion carried.

Motion by Michael Grodi, supported by James Morgan to accept and place on file the following Disability Retirant Re-examination resolutions:

8. Nickolas Musulin, Buildings & Grounds
9. Tobi Sisman, Youth Center

Motion carried.

**Monroe County Employees
Retirement System Board of
Trustees – Minutes**

August 22, 2011 – Page 7

Michael Grodi addressed items 9-8 and 9-9. He acknowledged the medical reports state these patients should now be considered permanently and medically disabled.

Motion by Michael Grodi, supported by James Morgan to waive all future re-examinations for Nickolas Musulin and Tobi Sisman due to medical report language. Motion carried.

Attorney Report

No formal legal report.

Anne McCarthy questioned who was charged when Mr. Michaud Consulted the Retiree Healthcare Board. Mr. Michaud stated the Retirement Board was not charged.

Consultant Report

Mr. Cho and Mr. Holycross discussed the Investment Manager Performance Measurement Report for the Second Quarter. The total fund performance is up 1.23% for the current quarter and up 8.33% since inception. The current asset allocation includes 51.12% in equities, 43.94% in fixed income, 1.52% in real estate, and 3.42% in cash. Mr. Cho stated NWQ, Tradewinds, and Alpine are underperforming and they will take appropriate action if necessary.

Mr. Cho reviewed the valuation report for the month ending July 31, 2011. The fund is valued at \$177,759,982.19 down \$1,177,203.65 from the previous month.

The Total Fund was down .18%. The current asset allocation includes 50.88% in equity, 43.92% in fixed income, and 5.19% in cash.

Mr. Holycross presented the Investment Thesis Update. He discussed the recession watch update, stating the four indicators are widening credit spreads, falling stock prices, weak ISM purchasing managers index, and moderate or flat yield curve. He offered three solutions for investing in a secular bear market; Equities, Fixed Income, and Alternative Investments.

Old Business

- Investment Consultant RFP

Mr. Morgan stated the five Trustees in attendance for the special meetings of August 8 and August 15 would like to invite back Gray & Company, Oppenheimer, and Morgan Stanley Smith Barney to conduct a second presentation for the full board. He stated because it is such an important decision it would be beneficial for all Trustees to hear the presentations.

**Monroe County Employees
Retirement System Board of
Trustees – Minutes**

August 22, 2011 – Page 8

Motion by Anne McCarthy, supported by Michael Grodi to schedule a special meeting on August 30, 2011 at 5:00 P.M. and invite Gray & Company, Oppenheimer, and Morgan Stanley Smith Barney to conduct a second 30 minute presentation and allow 15 minutes for questions and answers. Motion carried.

- Disability Re-examinations 2011

There is only one Disability re-examination remaining.

- Audit Retirement Files

Anne McCarthy stated she would like more clarity from the auditors. She would like to know where most mistakes happen and what services the auditors can provide. She expressed her concern for Rehmann Robson because they are asking the Retirement Board to supply them with guidelines and not the other way around. She is questioning if the Retirement Board should look elsewhere for an auditor. James Morgan agrees. James Davies asked if the Retirement Board is responsible for payment of the annual audit. Chairman Colpaert stated the Retirement Board does not pay for the annual audit.

Motion by Anne McCarthy, supported by Joseph Hudson to table the audit of retirement files discussion until the Retirement Board finalizes the Investment Consultant search. Motion carried.

New Business - None

Trustee Comments

James Davies would like to research recording the Retirement Board meetings. Anne McCarthy and William Sisk also believe it is a great idea.

Motion by James Davies, supported by William Sisk to research recording Retirement Board meetings and place on agenda for the October 24, 2011 meeting. Motion carried.

Motion by James Morgan, supported by Anne McCarthy to adjourn. Motion carried. Meeting adjourned at 6:45 P.M.

Respectfully Submitted,

Nancy Colpaert, Chairman
Monroe County Employees Retirement System
Board of Trustees