

Monroe County Employees Retirement System

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



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 September 22, 2014 at the Mary K. Daume Library Service Center at 840 South Roessler Street, Monroe, Michigan.

Roll call as follows:

PRESENT

Nancy Bellaire
Michael Grodi
Joseph Hudson
George Jondro

Henry Lievens @ 5:12, left @ 6:35
Anne McCarthy
James Morgan

ABSENT

James Davies (excused)
Bobby Lambert

ALSO PRESENT: Sandy Calkins, Retirement Specialist, Michael Bosanac, Retirement Secretary, Michael Cho, Investment Consultant, and Thomas Michaud, Legal Counsel

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

Chairman Grodi led the Pledge of Allegiance.

Motion by Trustee Jondro to approve the agenda as amended adding item 7-3c, Seizert Capital Investment Management Agreement. Supported by Trustee Hudson. All in favor. Motion carried.

Motion by Trustee McCarthy to approve the minutes of the August 25, 2014 regular meeting and waive the reading of the minutes. Supported by Trustee Jondro. All in favor. Motion carried.

Citizens Time – Daniel Frebes, Sheriff's Office

Mr. Frebes would like the Retirement Board to reconsider his request to purchase military time. He discussed two conflicts that occurred while he was active, Lebanon and Grenada.

Mr. Michaud addressed Mr. Frebes request. He stated the decision resolves around the language. The language states at the time they enter needs to be a time of war or emergency conditions.

Motion by Trustee Hudson to approve the consent agenda as listed below. Supported by Trustee Vice Chairman Bellaire. All in favor. Motion carried.

Retirements - None

Financial Reports

1. Boyd Watterson Asset Management Client Statement for the period ended July 30, 2014.
2. Brandywine Global Investment Management Portfolio for the period ended August 2014.
3. U.S. Real Estate Investment Fund statement for the period ended June 30, 2014

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Communication

1. Robbins Geller Rudman & Dowd August 29, 2014 Settlement Report.
2. Robbins Geller Rudman & Dowd August 29, 2014 Monitoring Report.
3. Seizert Capital Investment Management Agreement.

Invoices

Motion by Trustee Morgan to approve payment for the following invoices, subject to house audit. Supported by Trustee Hudson.

1. Invoice #40152 dated September 15, 2014 in the amount of \$25,742.00 from Boyd Watterson Asset Management for investment services rendered for the period of June 1, 2014 – August 31, 2014.
2. Invoice dated August 29, 2014 in the amount of \$2,150.00 from Comerica Commercial Card Service for MAPERS Fall Conference registrations.
3. Invoice dated August 21, 2014 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on Martha Falkenberg.
4. Invoice dated August 21, 2014 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on Scott Goins.
5. Invoice dated August 22, 2014 in the amount of \$892.50 from VanOverbeke, Michaud & Timmony for legal services rendered for the period of July 1, 2014 – July 31, 2014.
6. Reimbursement in the amount of \$327.47 to Nancy Bellaire for expenses incurred for the 2014 Fall MAPERS conference.
7. Reimbursement in the amount of \$339.29 to Sandy Calkins for expenses incurred for the 2014 Fall MAPERS conference.
8. Reimbursement in the amount of \$332.21 to Michael Grodi for expenses incurred for the 2014 Fall MAPERS conference.

Roll call for approval of the bills as follows:

AYES

Nancy Bellaire
Michael Grodi
Joseph Hudson

George Jondro
Anne McCarthy
James Morgan

NAYS

ABSENT

James Davies (excused)
Bobby Lambert
Henry Lievens (excused)

All in favor. Motion carried.

Retirement Refunds

Motion by Trustee Hudson to approve the following retirement refunds. Supported by Trustee Jondro. All in favor. Motion carried.

1. Kathryn Gautz, General County \$ 2,077.53
2. Scott Goins, Central Dispatch \$33,695.21

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Retirement Payments

Motion by Trustee Hudson to approve the following retirement payments. Supported by Trustee Jondro. All in favor. Motion carried.

- | | |
|--------------------------------------|-------------|
| 1. Kathryn Gautz, General County | \$ 7,265.36 |
| *July \$440.32, August \$3,412.52 | |
| 2. Scott Goins, Central Dispatch | \$ 2,146.74 |
| *August \$395.43 | |
| 3. Deborah Zimmerman, General County | \$ 5,482.63 |
| *August \$2,696.40 | |

Communications – Board Action

Motion by Trustee Jondro to accept and place on file the following application for disability retirement. Supported by Trustee McCarthy. All in favor. Motion carried.

1. Christine Krug, Mental Health

Motion by Trustee Jondro to accept and place on file the following medical report. Supported by Trustee McCarthy. All in favor. Motion carried.

2. Martha Falkenberg, General County

Motion by Trustee Jondro to accept and place on file the following communication from Intercontinental. Supported by Trustee McCarthy. All in favor. Motion carried.

3. Communication dated August 15, 2014 from Intercontinental Real Estate regarding second quarter distribution.

Proposed Resolutions

Motion by Trustee McCarthy to accept and place on file the following service retirement resolutions. Supported by Trustee Hudson. All in favor. Motion carried.

1. Kathryn Gautz, General County
2. Deborah Zimmerman, General County

Motion by Trustee McCarthy to accept and place on file the following application for disability retirement resolution. Supported by Trustee Hudson. All in favor. Motion carried.

3. Christine Krug, Mental Health

Motion by Trustee McCarthy to accept and place on file the following disability retirement resolutions. Supported by Trustee Hudson. All in favor. Motion carried.

4. Scott Goins, Central Dispatch
5. Martha Falkenberg, General County

Presentations – Devin Sullivan, Intercontinental

Mr. Sullivan began with a history overview. Intercontinental has offices in Boston, New York, Orlando, Chicago, Denver, Los Angeles, and Atlanta. They employ 83 employees and have 3.6 billion in assets under management. Mr. Sullivan stated there have been no changes in key professionals.

Mr. Sullivan discussed the strategy, stating it is a multi-disciplinary investment strategy targeting an average annual cash yield of 6-8% and a total return of 10%. The portfolio will be diversified geographically. It is a foundation of yield driven property assets.

Mr. Sullivan discussed the fund performance. For the second quarter 2014 the fund is up 2.41%. Since inception the fund is up 2.27%.

Consultant's Report

Mr. Cho reviewed the valuation report for the month ending August 31, 2014. The fund is valued at \$194,583,566.71 up \$3,594,880.20 from the previous month. The current asset allocation includes 58% in equities, 32% in fixed income, 3% in cash, 3% in alternative investments, and 4% in real estate. The Total Fund was up 2.21% for the month and up 5.51% year to date.

Trustee Hudson stated CalPERS is getting out of hedge funds and wanted to know if this is a path the Retirement Board should follow.

Trustee McCarthy wanted to know why CalPERS would leave hedge funds.

Trustee Hudson stated the reason they disclosed was hedge funds are too expensive and too complicated.

Mr. Cho stated investments are about strategic planning. He does not feel getting out of hedge funds is a good idea right now.

Mr. Cho stated last month Trustee Lambert requested Bloomfield Capital to present to the Retirement Board. Mr. Cho wanted to provide education to the Retirement Board regarding middle markets. He described a middle market as a medium-sized company, usually one with 50 to 500 employees and revenues to \$5 million to \$1 billion. They collectively employ more people than large companies, usually have a less formal structure, and carry more risk. He stated middle market companies make up over 25% of the nation's \$15.9 trillion economy, and the average interest rate paid by middle market lenders in 2013 was 9.77%.

Trustee Lievens asked if middle markets were considered venture capital.

Mr. Cho stated middle markets are considered alternative investments.

Chairman Grodi asked if there is a minimum investment amount.

Mr. Cho said no. Middle markets will accept any amount of investment.

Trustee Hudson stated middle markets are prime examples of high returns because of high risk.

Trustee Jondro asked Mr. Cho if he would recommend middle markets.

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Mr. Cho stated he could recommend high yield opportunities, but he is not comfortable recommending the middle market. He wanted to educate the Retirement Board of this type of investment per Trustee Lamberts requests. He added there will be a 5-7 year lock up on the investment. There is significant risk in the middle market as these are companies that were unable to secure a bank loan.

Chairman Grodi stated the Retirement Board is known for being a conservative board. He isn't sure this type of investment is consistent with past practice.

Trustee Morgan stated the Retirement Board is on track. The actuary assumption is 7% and that is what the target of the Retirement Board should be. There is no need to take extra risk.

Trustee Hudson would like more information on middle markets.

Trustee Jondro stated he is not a fan of this type of investment.

Trustee Lievens also requested more information on middle markets.

Trustee McCarthy requested go to meeting. It is a new application and allows the Retirement Board to hear presentations from money managers and they do not have to be physically present at the meeting.

Attorney's Report

Mr. Michaud thanked the Trustees for their input and activity at the MAPERS conference.

Old Business

1. Code of Conduct/Education/Due Diligence Policy and County Travel Policy 307.1

This policy will be placed on the next Administrative Policy Committee meeting.

2. Pension Evaluation

Asset Strategies had a few questions for Morgan Stanley which are going through Morgan Stanley's legal department. Asset Strategies omitted a section on the report and they are in the process of conducting research to complete the evaluation.

3. Investment Policy Statement Review

This policy will be placed on the next Investment Policy Committee meeting.

New Business

1. Barbara Marsh, Multiplier error

On January 8, 2002 the Monroe County Board of Commissioners approved a multiplier change from 2.25% to 2.5%. Barbara Marsh was approved for a non-duty disability retirement on December 2, 2003. The multiplier change was not updated in the system for Michigan Nurses Association deferred and non-duty disability retirees. Therefore, when she retired her multiplier was at a 2.25% instead of the approved increased multiplier of 2.5%. Gabriel Roeder Smith & Company is in the process of running an updated benefit calculation. Her benefit will be recalculated and corrected.

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2. Gabriel Roeder Smith & Company recommendations
 - a. Closed period of 20 years effective December 31, 2013 actuarial valuation
 - b. Conducting an experience study

Mr. Bosanac stated he would like to see the cost from an employer's stand point.

Trustee McCarthy asked Mr. Michaud if it is a sound fiduciary action to accept the actuary's recommendation and approve a closed period of 20 years and conduct an experience study.

Mr. Michaud stated it is prudent to follow the actuary's recommendation and it is a reasonable course of action.

Motion by Trustee McCarthy to follow the actuary's recommendations and use a closed period of 20 years effective December 31, 2013 actuarial valuation, and also conduct an experience study. Supported by Trustee Lievens.

Trustee Morgan asked if all the employers received a copy of the actuary report. Sandy Calkins responded yes, all the employers received a copy of the actuary report. The recommendations can be found on page B-6 of the report.

Mr. Bosanac stated he would like to see the numbers.

Mr. Michaud suggested requesting a projection from the actuary detailing the impact on employers.

Trustee Lievens redacted his supported for Trustee McCarthy's earlier motion.

Motion by Trustee Lievens to table actuary recommendations until next meeting. Supported by Trustee Hudson. All in favor. Motion carried.

3. Due Diligence Site Visits

Chairman Grodi stated this was addressed at MAPERS. It is a good practice to perform site visits. He recommends this be placed on the next administrative committee meeting to put a policy and schedule in place.

4. Request for Proposal – Actuary Services

Motion by Trustee Morgan to prepare a request for proposals for actuary services. Supported by Trustee Jondro. All in favor. Motion carried.

5. Request for Proposal – Audit Services

Motion by Trustee Hudson to prepare a request for proposals for audit services. Supported by Trustee McCarthy. All in favor. Motion carried.

6. Agenda Packet Distribution

Mr. Michaud stated there is no legal requirement to post agenda items.

Motion by Trustee Hudson to post only the retirement agenda and minutes on the website. Supported by Trustee Jondro.

Trustee Hudson withdrew his motion because no action means to continue what we are already doing, which is posting only the retirement agenda and minutes on the website.

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Trustee Comments

Trustee Hudson enjoyed the MAPERS Conference. He stated the conference materials emphasized the importance of his role, which is his responsibility is to the Retirement Systems members and capital preservation.

Trustee Jondro also enjoyed the MAPERS Conference. He always benefits from the fiduciary responsibility sessions.

Sandy Calkins discussed the administrators' workshop. The workshop focused on communication and how to promote education through communication.

Trustee McCarthy liked the variety of presentations. She enjoyed the defined benefit versus defined contribution discussions.

Vice Chairman Bellaire appreciated the sessions that focus on Michigan. She also enjoyed the discussion on high frequency trading.

Chairman Grodi found the defined benefit versus the defined contributions sessions interesting. He spoke highly of David Sirota's presentation on public systems.

Chairman Grodi stated the next meeting is October 27, 2014 at the Mary K. Daume Library Service Center.

Motion by Trustee Hudson to adjourn. Supported by Trustee McCarthy. All in favor. Motion carried. Meeting adjourned at 7:00 P.M.

Respectfully Submitted,

Michael Grodi, Chairman
Monroe County Employees Retirement System
Board of Trustees