

# 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 August 26, 2013 in the Board of Commissioners Meeting Room at 125 East Second Street, Monroe, Michigan.

Roll call as follows:

### PRESENT

Nancy Bellaire  
James Davies  
Michael Grodi  
Joseph Hudson  
George Jondro

### ABSENT

Bobby Lambert @ 5:26  
Anne McCarthy  
James Morgan  
Jerry Oley @ 5:01

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 Davies to approve the agenda as submitted. Supported by Trustee Jondro. Motion carried.

Motion by Trustee Morgan to approve the minutes of the July 22, 2013 regular meeting and waive the reading of the minutes. Supported by Trustee Davies. Motion carried.

**Citizens Time** – None

Motion by Vice Chairman McCarthy to approve the consent agenda as listed below. Supported by Trustee Jondro. Motion carried.

### Retirements

- |  |           |
|--|-----------|
| 1. Kathy Mitteff, Fairview                 | August 3  |
| 2. Bobbie Soleau, Mental Health (deferred) | August 4  |
| 3. Susan Heer, Mental Health               | August 24 |

### Financial Reports

1. Anchor Capital Advisors portfolio summary for the period ended June 30, 2013.
2. Boyd Watterson Asset Management client statement for the period ended July 31, 2013.
3. Comerica Bank securities loan statement for June 2013.
4. Comerica Bank collateral investment summary as of July 31, 2013.
5. Eagle Global Advisors quarterly investment portfolio for the period ended June 30, 2013.
6. Federated Investment Counseling quarterly report for the period ended June 30, 2013.
7. Franklin Templeton Investments portfolio quarterly report for the period ended June 30, 2013.

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8. Lazard Asset Management portfolio review for the period ended June 30, 2013.
9. Lazard Asset Management portfolio review for the period ended July 31, 2013.
10. Morgan Stanley Client Statement for the period ended July 31, 2013
11. NWQ Investment Management quarterly report for the period ended June 30, 2013.
12. Renaissance Investment Management portfolio quarterly report for the period ended June 30, 2013.
13. Winslow Capital Monthly Statement for the period ended July 31, 2013.

**Communication**

1. Anchor Capital Advisors form ADV part 2A disclosure brochure.
2. Anchor Capital Advisors investment policy outlook.
3. Franklin Templeton Investments vote summary report.
4. Robbins Geller Rudman & Dowd settlement report for July 26, 2013
5. Robbins Geller Rudman & Dowd portfolio monitoring report for July 26, 2013.

**Invoices**

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

1. Invoice dated July 1, 2013 in the amount of \$19,959.13 from Anchor Capital Advisors for investment services rendered for the period of April 1, 2013 – June 30, 2013.
2. Invoice #20130630-228-136A dated July 25, 2013 in the amount of \$28,714.00 from Brandywine Global Investment Management for investment services rendered for the period of April 1, 2013 – June 30, 2013.
3. Invoice #395135 in the amount of \$13,180.48 from Comerica Bank for custodial services rendered for the period of April 1, 2013 – June 30, 2013.
4. Invoice #395432 in the amount of \$2,107.38 from Comerica Bank for custodial services rendered for the period of April 1, 2013 – June 30, 2013.
5. Invoice #395222 in the amount of \$414.50 from Comerica Bank for custodial services rendered for the period of April 1, 2013 – June 30, 2013.
6. Invoice dated July 31, 2013 in the amount of \$1,487.12 from Comerica Commercial Card Service for MAPERS Fall educational seminar registrations.
7. Invoice dated August 1, 2013 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on Teresa Schotte.
8. Invoice in the amount of \$14,562.00 from Eagle Global Advisors for investment services rendered for the period of April 1, 2013 – June 30, 2013.
9. Invoice #36138003 dated July 18, 2013 in the amount of \$10,227.97 from Federated Investors for investment services rendered for the period of April 1, 2013 – June 30, 2013.
10. Invoice dated July 19, 2013 in the amount of \$21,522.03 from Franklin Templeton Investments for investment services rendered for the period ending June 30, 2013.
11. Invoice #1700600 dated August 14, 2013 in the amount of \$16,615.35 from Lazard Asset Management for investment services rendered for the period of April 1, 2013 – June 30, 2013.

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12. Invoice dated July 25, 2013 in the amount of \$8,124.00 from Pacific Income Advisers for investment services rendered for the period of April 1, 2013 – June 30, 2013.
13. Invoice dated July 11, 2013 in the amount of \$15,214.47 from Renaissance Investment Management for investment services rendered for the period of April 1, 2013 – June 30, 2013.
14. Invoice dated July 17, 2013 in the amount of \$1,907.50 from VanOverbeke, Michaud & Timmony for legal services rendered for the period of June 1, 2013 – June 30, 2013.

Roll call for approval of the bills as follows:

AYES		NAYS	ABSENT
Nancy Bellaire	George Jondro		Bobby Lambert (excused)
James Davies	Anne McCarthy		
Michael Grodi	James Morgan		
Joseph Hudson	Jerry Oley		

Motion carried.

**Refunds**

Motion by Trustee Hudson to approve the following refunds. Supported by Trustee Davies. Motion carried.

- |                                      |             |
|--------------------------------------|-------------|
| 1. Ruth Lape, Sheriff's Office       | \$19,512.66 |
| T.D. Ameritrade (FBO: Ruth Lape)     | \$15,286.26 |
| 2. Jeremy Jennings, Central Dispatch | \$26,806.53 |

**Retirement Payments**

Motion by Trustee Hudson to approve the following retirement payments. Supported by Trustee Davies. Motion carried.

- |  |             |
|--|-------------|
| 1. John Carrabino, Sheriff's Office      | \$ 1,889.93 |
| **June \$523.71, July \$683.11           |             |
| 2. David Diekman, County Agency          | \$ 1,361.27 |
| **July \$332.00                          |             |
| 3. Ruth Lape, Sheriff's Office           | \$ 5,295.88 |
| **June \$170.84, July \$2,562.52         |             |
| 4. Barbara Southworth, Health Department | \$ 2,638.86 |
| **July \$1,319.43                        |             |

**Communications – Board Action**

Motion by Trustee Davies to accept and place on file the following communication from Comerica Bank. Supported by Vice Chairman McCarthy. Motion carried.

1. Securities Lending Performance from Comerica Bank.

Motion by Trustee Hudson to approve and opt-in to Globe Tax's tax recovery service. Supported by Trustee Davies. Motion carried.

2. Communication dated August 13, 2013 from Comerica Bank regarding a new tax recovery service.

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Motion by Trustee Davies to accept and place on file the following communication from Robbins Geller Rudman & Dowd. Supported by Vice Chairman McCarthy. Motion carried.

3. Communication dated August 9, 2013 from Robbins Geller Rudman & Dowd regarding Autoliv securities litigation.

Motion by Trustee Davies to accept and place on file the following medical report. Supported by Vice Chairman McCarthy. Motion carried.

4. Medical report dated August 1, 2013 from Steven Dovitz, M.D. regarding an independent medical evaluation performed on Teresa Schotte.

Motion by Trustee Davies to accept and place on file the following applications for service retirement. Supported by Vice Chairman McCarthy. Motion carried.

5. Nancy Hanke, Mental Health
6. Susan Heer, Mental Health
7. John Plath, Sheriff's Office

Motion by Trustee Davies to accept and place on file the following application for deferred retirement. Supported by Vice Chairman McCarthy. Motion carried.

8. Bobbie Soleau, Mental Health

Motion by Trustee Davies to accept and place on file the following applications for deferred service status. Supported by Vice Chairman McCarthy. Motion carried.

9. Kim Maher, Mental Health
10. Randall Sehl, Sheriff's Office

Motion by Trustee Davies to accept and place on file the following disclosure forms. Supported by Vice Chairman McCarthy. Motion carried.

11. Steven Dovitz, M.D.
12. Federated Investment Counseling
13. Lazard Asset Management
14. Renaissance Investment Management
15. SEI Trust Company

**Proposed Resolutions**

Motion by Trustee Davies to accept and place on file the following application for service retirement resolutions. Supported by Trustee Hudson. Motion carried.

1. Nancy Hanke, Mental Health
2. Susan Heer, Mental Health
3. John Plath, Sheriff's Office

Motion by Trustee Davies to accept and place on file the following application for deferred retirement resolution. Supported by Trustee Hudson. Motion carried.

1. Bobbie Soleau, Mental Health

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Motion by Trustee Davies to accept and place on file the following service retirement resolutions. Supported by Trustee Hudson. Motion carried.

1. John Carrabino, Sheriff's Office
2. Ruth Lape, Sheriff's Office
3. Barbara Southworth, Health Department

Motion by Trustee Davies to accept and place on file the following disability retirement resolution. Supported by Trustee Hudson. Motion carried.

1. David Diekman, County Agency

Motion by Trustee Davies to accept and place on file the following purchase of universal service credit resolutions. Supported by Trustee Hudson. Motion carried.

1. Todd Anderson, Sheriff's Office
2. Aundrea Armstrong, Human Resources
3. Daniel Baker, Employment & Training
4. Matias Billegas, Sheriff's Office
5. Tracy Blackwell, District Court
6. Susan Cassada, Sheriff's Office
7. Jessica Chaffin, District Court
8. Gary Clawson, County Agency
9. Jeffrey Corie, Sheriff's Office
10. Lucy Cucinella, Central Dispatch
11. Sarenda Davison, Sheriff's Office
12. David Diekman, County Agency
13. Kenneth Dobbs, Sheriff's Office
14. William Dobson, Sheriff's Office
15. Steven Dunham, Probate Court
16. Jeffrey Dusseau, Probate Court
17. Terry Elinski, District Court
18. Jennifer Ewen, Prosecuting Attorney
19. Brian Francisco, Sheriff's Office
20. Matthew Frazer, Sheriff's Office
21. Daniel Frebes, Sheriff's Office
22. Timothy Garbo, Sheriff's Office
23. Timothy George, Sheriff's Office
24. Joseph Gore, Sheriff's Office
25. John Gurganus, Sheriff's Office
26. Linda Hammac, Circuit Court
27. John Hohman, Probate Court
28. Joseph Joly, Sheriff's Office
29. April Kipf, Sheriff's Office
30. Lois Kubik, District Court
31. Douglas Kuras, Employment & Training
32. Ruth Lape, Sheriff's Office
33. J. Henry Lievens, Board of Commissioners
34. Nicole Long, Circuit Court
35. Brian McBroom, Sheriff's Office
36. James McCoy, Information Technology

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37. Antonino Modica, Sheriff's Office
38. Brian Narewski, Equalization
39. William Nichols, Prosecuting Attorney
40. Robin Opfermann, Health Department
41. Morris Owen, Sheriff's Office
42. Kevin Raymo, Central Dispatch
43. Michael Roehrig, Prosecuting Attorney
44. Brenda Schering, District Court
45. Janis Smith, Central Dispatch
46. Kenneth Wassus, District Court
47. William Whittaker, County Agency
48. Daniel Zdybek, Sheriff's Office

**Presentations – Mark Buis, Gabriel Roeder Smith & Company**

Mr. Buis reviewed the highlights of the 2012 valuation. He stated the employer contribution rates have increased for most divisions since the 2011 valuation as a result of unfavorable investment performance working its way through the asset smoothing method and demographic experience varied by division. Contribution rates are expected to increase in the short term as a result of the unfavorable investment performance from 2008 and 2011. In the long term, contribution rates are expected to approach the long term cost of the benefits, or the normal cost.

Mr. Buis stated the 13<sup>th</sup> check has been eliminated for the General County, County Agency, Sheriff's Office and the Central Dispatch groups. He also stated the Mental Health group has closed their plan to new hires. He discussed the computed contributions for 2013 and the funded ratio for each division as well as the asset performance. He reviewed the historical contributions for each group.

As of December 31, 2012, \$18.5 million in unrecognized asset losses remain to be phased into the contribution calculation over the next 6 years. This will continue to apply upward pressure on the contribution rates in the short term, absent favorable investment performance to offset these losses. In the long run, employer contributions are expected to level off at the employer normal cost, absent any unfavorable market performance or demographic experience.

Mr. Buis discussed the GASB Statement 67, Financial Reporting for Pension Plans, amends Statements 25 and 50, and GASB Statement 68, Accounting and Reporting for Pensions, amends Statements 27 and 50. Under the GASB's current standards, there is a close link between the accounting and funding measures. Under the new statements, the two are disconnected. There will be a liability and expense on the books that is larger than ever seen. The changes only impact the accounting rules. GASB 67 Plan Reporting is effective for fiscal years beginning after June 15, 2013 and GASB 68 Employer Reporting is effective for fiscal years beginning after June 15, 2014.

Ray Urban, Winslow Capital

Mr. Urban informed the Trustees of changes within the firm. Justin Kelly has replaced Clark Winslow as the CIO. Peter Dlugosch, Stephanie Simon and Kelly Flynn also joined the firm in 2013. He stated Winslow Capital manages approximately \$34 billion in assets.

He stated Winslow Capital's portfolios focus solely on large cap growth stocks. These stocks include companies that demonstrate long-term sustainable earnings growth, quality companies with cyclical growth, and companies in newer industries with rapid growth potential.

Mr. Urban discussed the investment strategy, portfolio characteristics, portfolio holdings and performance review. For the second quarter the fund is up 1.61%, the fund is up 11.12% YTD and the fund is up 8.86% since inception.

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**Consultant's Report**

Mr. Cho reviewed the valuation report for the month ending July 31, 2013. The fund is valued at \$180,785,993.93 up \$4,122,069.18 from the previous month. The current asset allocation includes 51% in equities, 40% in fixed income, 8% in cash and 1% in alternative investments. The Total Fund was up 2.33% for the month and up 5.11% YTD.

Mr. Cho reviewed the investment manager performance report for the second quarter 2013. YTD the fund was up 2.72% versus the benchmark up 2.77%. Trailing 3 years was up 7.63% versus the benchmark up 7.90%. Trailing 5 years was up 3.90% vs. the benchmark up 3.46%. The asset allocation includes 45.6% in fixed income, 50.2% in equities and 4.20% in cash.

Trustee Morgan asked if Winslow is expected to be placed on watch.

Mr. Cho stated not at this time. Morgan Stanley conducted an investigation of the firm and felt proper procedures were in place after Mr. Kelly became CIO, but if Trustee Morgan would like to have Winslow placed on watch Mr. Cho would certainly place them on watch at this time.

Mr. Cho would recommend terminating Eagle and Pacific Income; proceeds would go to New Mid Cap / Smid Cap Manager, hire Mid Cap and/or Smid Cap Equity Manager, Lower Anchor's allocation to 7%, proceeds would go into the cash account, remainder would go to Mid Cap or Small Cap Manager, 7% Anchor and 7% in New Manager. Mr. Cho would like to interview for Direct Real Estate, and lower Brandywine to 10% from 14 %; proceeds would go to Direct Real Estate at a 4% allocation.

Trustee Lambert stated other boards are doing well with Commercial Real Estate.

Mr. Cho stated there is around an 8-10% yield, but there is also a 5-7 year lock-up on the invested funds.

Trustee Lambert stated he would like the Retirement Board to look into investing in Real Estate.

Mr. Cho would recommend Gannett Welsh – Smid Cap, Riverbridge – Smid Cap Growth, Seizert – Midcap, Alidade – Real Estate, Intercontinental – Real Estate and Titanium – Real Estate present to the Retirement Board.

Vice Chairman McCarthy would like to have all of the companies present at one meeting to the Retirement Board.

Chairman Grodi would suggest holding a special meeting to have the companies present to the Retirement Board.

Motion by Trustee Lambert to hold a special meeting to allow all companies to present to the Retirement Board. Supported by Vice Chairman McCarthy. Motion carried.

Motion by Trustee Lambert to accept Mr. Cho's recommendation to terminate Eagle and Pacific Income; proceeds would go to New Mid Cap / Smid Cap Manager, hire Mid Cap and/or Smid Cap Equity Manager, Lower Anchor's allocation to 7%, proceeds would go into the cash account, remainder would go to Mid Cap or Small Cap Manager, 7% Anchor and 7% in New Manager. Mr. Cho would like to interview for Direct Real Estate, and lower Brandywine to 10% from 14 %; proceeds would go to Direct Real Estate at a 4% allocation. Supported by Vice Chairman McCarthy. Motion carried.

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**Attorney's Report**

Mr. Michaud discussed the legislative update. Mr. Michaud will continue to update the Retirement Board on any action in Lansing, and pending legislative matters.

**Old Business**

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

Chairman Grodi and Trustee Oley are collectively pursuing the matter and it will be resolved within the next few months, continue on old business.

2. Consideration of purchasing Tablets for Retirement Board Meetings

Motion by Trustee Lambert to appoint Chairman Grodi to work with Colleen Hinzmann, the Information Technology Director and submit a final recommendation to the Retirement Board at the next meeting. Supported by Vice Chairman McCarthy. Motion carried. Trustee Davies voted no.

3. Custodial Services

Chairman Grodi stated there is a significant economic savings transferring custodial services to Morgan Stanley. He would like the Retirement Board to review this matter. He realizes there are issues with securities lending, but he also points out that the loss will be recognized in approximately three years. Whichever decision the Retirement Board decides, the liability will need to be paid at some point, rather now or later. He doesn't want the Retirement System to be held hostage over \$347,000.

Trustee Davies agreed with Chairman Grodi, a decision needs to be made quickly.

Trustee Hudson asked if the loss has been recognized.

Mr. Michaud stated the loss is recorded on the books. At this point it is a cash issue with Comerica Bank. At some point Comerica Bank will ask for the \$347,000.

Mr. Bosanac stated the loss is recognized on the financial statements, but has not been paid.

Chairman Grodi stated the change will affect the custody of assets. Morgan Stanley will custody the assets going forward instead of Comerica Bank, and the Retirement Board will save money by transferring the assets to Morgan Stanley.

This item is tabled until the next Retirement Board meeting.

4. Professional and Clerical Services Agreement

Chairman Grodi stated he was able to meet with Trustee Bellaire and Trustee Morgan to establish the position guidelines. The central services agreement was established by reviewing previous contracts, which include office space, utilities, phone, IT support and janitorial services. The position will be for 32 hours per week.

Trustee Bellaire stated the compensation was determined using the format that is already in place for Library staff. She stated the Library has not changed positions from full time to part time in years.



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Chairman Grodi stated he has met with County administration and they have agreed to assist in the transition in any way possible.

Motion by Vice Chairman McCarthy to enter into an agreement with the Library with the 32 hours a week contract. Supported by Trustee Davies.

Trustee Lambert would like to see a total cost analysis to the retirement fund by terminating the agreement with the County.

Mr. Bosanac stated the total cost of the annual audit is around \$55,000.00 and a small portion will be charged to the Retirement System.

Chairman Grodi stated there are plenty of companies that perform audits and the Retirement System will not hold up the County with the Comprehensive Annual Financial Report.

Trustee Oley stated a large part of the retirees are County retirees and he does not see this change as better.

Chairman Grodi stated this move is going to improve services for all retirees. There will be an employee available to handle all retirement matters.

Roll call to enter into an agreement with the Library as follows:

AYES		NAYS	ABSENT
Nancy Bellaire	George Jondro	Bobby Lambert	
James Davies	Anne McCarthy	Jerry Oley	
Michael Grodi	James Morgan		
Joseph Hudson			

Motion carried.

**New Business**

Motion by Vice Chairman McCarthy to approve the disability of Teresa Schotte. Supported by Trustee Davies. Motion carried.

**Trustee Comments**

Trustee Davies is glad the meetings were moved.

Vice Chairman McCarthy would like Mr. Michaud to keep his billing current.

Trustee Morgan would request a transition budget for moving the position to the Library.

Motion by Trustee Morgan to allocate up to \$5,000.00 for transition costs for moving the position to the Library. Supported by Vice Chairman McCarthy. Motion carried.

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Motion by Trustee Jondro to adjourn. Supported by Trustee Hudson. Motion carried. Meeting adjourned at 8:02 P.M.

Respectfully Submitted,

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