



# Monroe County Employee's Retirement System

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## 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 February 25, 2013 in the Board of Commissioners Meeting Room at 125 East Second Street, Monroe, Michigan.

Roll call as follows:

### PRESENT

Nancy Bellaire @ 5:02  
James Davies  
Michael Grodi  
Joseph Hudson  
George Jondro

### ABSENT

Bobby Lambert  
Anne McCarthy  
James Morgan  
Jerry Oley

### 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.

Sandy Calkins led the Pledge of Allegiance.

Motion by Vice Chairman McCarthy to approve the agenda as submitted. Supported by Trustee Jondro. Motion carried.

Motion by Trustee Davies to approve the minutes for the January 28, 2013 regular meeting and waive the reading of the minutes. Supported by Vice Chairman McCarthy. Motion carried.

**Citizens Time** – None

**Presentations** – Lisa George, NWQ & Tradewinds Global

Ms. George introduced herself as the Managing Director for NWQ and Tradewinds Global. She stated she brought Michael Mullane from Tradewinds and Kevin Hunter from NWQ to present.

Mr. Mullane is the Managing Director/Client Portfolio Manager for Tradewinds. He stated that even though Tradewinds did lose some of their management team, they are still competitive in the market. He stated Tradewinds currently manages approximately \$8.4 billion in assets.

Mr. Mullane discussed Tradewinds as a dedicated global investment management firm seeking to generate long-term alpha by capitalizing on market inefficiencies. He then discussed Tradewinds Investment Process and Performance Review. He stated the one shortfall came in gold mining. Year to date the fund is valued at 3.7% versus the benchmark at 5.3%. For 2012 the fund is valued at 6.7% versus the benchmark at 17.3%. Three year numbers are valued at 2.8% versus the benchmark at 6.9% and since inception 6.1% versus the benchmark at 4.5%. Mr. Mullane would like to continue the relationship with the Monroe County Employees Retirement System and thanks the board for their continued confidence in Tradewinds.

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Next, Mr. Hunter presented for NWQ. Mr. Hunter is the Managing Director/Client Portfolio Manager for NWQ. He stated they currently have their seasoned portfolio management and research professional team dedicated to the portfolio. He stated NWQ currently manages approximately \$15.6 billion in assets.

Mr. Hunter stated NWQ's mission is to provide superior risk-adjusted returns through an opportunistic value-oriented process. NWQ does not need to reinvent their investment philosophy and process to respond to an uncertain, turbulent environment, rather remain disciplined in applying an investment philosophy and process which has a 20 year history of very attractive and consistent performance.

Mr. Hunter discussed the performance review. Year to date the fund is valued at 6.0% versus the benchmark at 6.5%. For 2012 the fund is valued at 9.9% versus the benchmark at 17.5%. Three year numbers are valued at 9.4% versus the benchmark at 14.3% and since inception 6.6% versus the benchmark at 6.6%.

Finally, Mr. Hunter reviewed current economic conditions stating, while the outlook for global economic growth remains uncertain, U.S. economic growth should improve in the second half of 2013. Consumer spending may be pressured by the increase in the payroll tax cut, and rising gasoline prices. The U.S. unemployment rate has fallen below 8% and job creation seems to be improving and stock valuations are reasonable and appear attractive relative to bonds.

Motion by Trustee Hudson to approve the consent agenda as listed below. Supported by Trustee Davies. Motion carried.

**A. Retirements - None**

**B. Financial Reports – On File with Retirement Specialist**

1. Anchor Capital Advisors Portfolio Summary for the period ended December 31, 2012.
2. Boyd Watterson Asset Management Client Statement for the period ended December 31, 2012.
3. Boyd Watterson Asset Management Client Statement for the period ended January 31, 2013.
4. Comerica Bank Securities Lending Statement for December 2012.
5. Comerica Bank Collateral Investment Summary as of January 1, 2013.
6. Lazard Asset Management Investment Portfolio Summary for the period ended December 31, 2012.
7. Winslow Capital Portfolio Summary for the period ended January 31, 2013.

**C. Communication**

1. Robbins Geller Rudman & Dowd Settlement Report for February 2013.
2. Robbins Geller Rudman & Dowd Monitoring Report for December 2012.
3. Robbins Geller Rudman & Dowd Monitoring Report for January 2013.

**Invoices**

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

1. Invoice #20121231-228-136-A dated January 30, 2013 in the amount of \$29,853.62 from Brandywine Global Investment Management for investment services rendered for the period of October 1, 2012 – December 31, 2012.
2. Invoice #390043 in the amount of \$12,790.93 from Comerica Bank for custodial services rendered for the period of October 1, 2012 – December 31, 2012.

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3. Invoice #2319 dated February 4, 2013 in the amount of \$41.83 from County of Monroe Finance Department for January 2013 Postage and Federal Express charges.
4. Invoice #2320 dated February 5, 2013 in the amount of \$6,732.45 from County of Monroe Finance Department for Services Rendered to the Retirement Board for October – December 2012.
5. Invoice #1212-576-04 dated January 22, 2013 in the amount of \$57.48 from County of Monroe Printing for resolutions and supplemental retirement benefit letter.
6. Invoice in the amount of \$12,823.00 from Eagle Global Advisors for investment services rendered for the period of July 1, 2012 – September 30, 2012.
7. Invoice in the amount of \$13,666.00 from Eagle Global Advisors for investment services rendered for the period of October 1, 2012 – December 31, 2012.
8. Invoice #36138001 dated January 22, 2013 in the amount of \$5,986.34 from Federated Investors for investment services rendered for the period of October 31, 2012 – December 31, 2012.
9. Invoice dated January 17, 2012 in the amount of \$15,409.53 from Franklin Templeton Investments for investment services rendered for the period ending December 31, 2012.
10. Invoice #1693029 dated January 31, 2013 in the amount of \$11,324.80 from Lazard Asset Management for investment services rendered for the period of October 1, 2012 – December 31, 2012.
11. Invoice dated January 23, 2012 in the amount of \$10,590.00 from Pacific Income Advisers for investment services rendered for the period of October 1, 2012 – December 31, 2012.
12. Invoice dated January 7, 2013 in the amount of \$14,116.37 from Renaissance Investment Management for investment services rendered for the period of October 1, 2012 – December 31, 2012.
13. Invoice dated January 24, 2013 in the amount of \$840.00 from Vanoverbeke, Michaud & Timmony for legal services rendered for the period of December 1, 2012 – December 31, 2012.
14. Invoice dated February 15, 2013 in the amount of \$1,487.50 from Vanoverbeke, Michaud & Timmony for legal services rendered for the period of January 1, 2013 – January 31, 2013.

Roll call for approval of the bills as follows:

**AYES**

Nancy Bellaire  
James Davies  
Michael Grodi  
Joseph Hudson  
George Jondro

**NAYS**

Bobby Lambert  
Anne McCarthy  
James Morgan  
Jerry Oley

**ABSENT**

Motion carried.

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**Refunds**

Motion by Trustee Davies to approve the following refunds. Supported by Trustee Jondro.

1. Royce Maniko, Finance	\$ 3,972.79
Nationwide Retirement FBO: Royce Maniko	\$15,618.01
2. Mary O’Neill, Board of Commissioners	\$ 431.08
3. Sandra Pond, Road Commission	\$ 5,785.09
4. George Warnke Jr., Road Commission	\$11,520.47
Edward Jones FBO: George Warnke Jr.	\$ 1,590.54

Motion carried.

**Retirement Payments**

Motion by Vice Chairman McCarthy to approve the following retirement payments. Supported by Trustee Bellaire.

1. Robert Bolton, Employment & Training (deferred)	\$ 1,347.38
**January \$118.89	
2. Cathy Chlebek, Library (deferred)	\$ 927.71
**December \$117.63, January \$405.04	
3. Paula Czapich, Probate Court	\$ 2,866.08
**January \$1,433.04	
4. Royce Maniko, Finance	\$10,157.60
**January \$5,078.80	
5. Francis Spreeman, Human Resources	\$ 3,816.86
**January \$1,908.43	
6. Barbara Zorn, Library	\$ 1,186.02
**December \$192.36, January \$496.83	

Motion carried.

**Communications – Board Action**

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

1. Communication dated January 24, 2013 from Amy Deford, County of Saginaw Retirement Administrator regarding Act 88 and Melissa Strong.

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

2. Communication dated January 22, 2013 from Mark Buis, Gabriel Roeder Smith & Company regarding proposed fees for the December 31, 2012 Actuarial Valuation of the Monroe County Employees Retirement System.

Motion by Trustee Davies to accept and place on file the following communication from NCPERS 2013. Supported by Vice Chairman McCarthy. Motion carried.

3. Certification of Delegates Form for NCPERS 2013 Annual Conference.

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

4. Communication from James Brown, Monroe Community Mental Health Human Resources Director regarding closing the Defined Benefit Plan.

Motion by Trustee Davies to accept and place on file the following Application for Deferred Retirement. Supported by Vice Chairman McCarthy. Motion carried.

5. Robert Bolton, Employment & Training

Motion by Trustee Davies to accept and place on file the following Application for Purchase of Military Service Time. Supported by Vice Chairman McCarthy. Motion carried.

6. Michelle O'Connor, District Court

**Proposed Resolutions**

Motion by Trustee Jondro to accept and place on file the following Application for Deferred Retirement resolution. Supported by Trustee Davies. Motion carried.

1. Robert Bolton, Employment & Training

Motion by Trustee Jondro to accept and place on the file the following Service Retirement resolutions. Supported by Trustee Davies. Motion carried.

2. Paula Czupich, Probate Court
3. Royce Maniko, Finance
4. Francis Spreeman, Human Resources
5. Barbara Zorn, Library

Motion by Trustee Jondro to accept and place on file the following Deferred Service Retirement resolutions. Supported by Trustee Davies. Motion carried.

6. Robert Bolton, Employment & Training
7. Cathy Chlebek, Library

Motion by Trustee Jondro to accept and place on file the following Purchase of Universal Service Credit resolutions. Supported by Trustee Davies. Motion carried.

8. Linda Benson, Animal Control
9. Thomas Derbeck, County Agency

Motion by Trustee Jondro to accept and place on file the following Purchase of Military Service Credit resolution. Supported by Trustee Davies. Motion carried.

10. Todd Sulfaro, Sheriff's Office

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**Attorney's Report**

Mr. Michaud discussed Linda Martin's Workers' Compensation settlement. He stated we will need a copy of the actual redemption order to determine if an offset is necessary.

Motion by Trustee Davies to accept, place on file and administer benefits according to the coordination of benefits policy on file with the Monroe County Employees Retirement System. Supported by Trustee Jondro. Motion carried.

**Consultant's Report**

Mr. Cho reviewed the valuation report for the month ending January 31, 2013. The fund is valued at \$178,846,165.65 up \$3,713,445.91 from the previous month. The current asset allocation includes 48.0% in Equities, 44.0% in Fixed Income, and 8.0% in Cash. The Total Fund was up 2.24% and up 2.24% YTD.

Next, Mr. Cho reviewed the Investment Manager Performance Report for the Fourth Quarter 2012. YTD 2012 the fund was 9.29% vs. the benchmark 8.43%. Trailing 3 years was 6.21% vs. the benchmark 7.16%. Trailing 5 years was 2.27% vs. the benchmark 3.43%. The asset allocation includes 45.8% in fixed income, 47.1% in equity, and 7.0% in cash.

Mr. Cho distributed an investment manager fee review comparison for 2012. He stated the Retirement System comparable to the Universe range.

Mr. Cho addressed the need to raise cash to pay bills. His recommendation is to transfer three million dollars from Pacific Income Advisors to the cash account.

Motion by Trustee Davies to transfer three million dollars from Pacific Income Advisors to the cash account. Supported by Trustee Hudson. Motion carried.

Mr. Cho discussed Tradewinds Global. He stated they are significantly underperforming. What they accomplished five years ago is not currently working in today's market. He recommends terminating Tradewinds Global and transferring half the funds to Franklin Templeton and the other half to Lazard Asset Management. He also suggested using a transition manager for the transfer.

Motion by Trustee Morgan to terminate Tradewinds Global and transfer half the funds to Franklin Templeton and the other half to Lazard Asset Management and use a transition manager to conduct the transfer. Supported by Vice Chairman McCarthy. Motion carried. Trustee Lambert abstained from voting.

Next, Mr. Cho discussed NWQ's underperformance. He stated they are also underperforming. For the time being Mr. Cho would recommend placing NWQ on watch.

Finally, Mr. Cho discussed Alternative Investments. Morgan Stanley Smith Barney's recommendation is to invite representatives from Entrust, Corbin Capital and Mesirow to present their hedge fund portfolios at the next board meeting. Mr. Cho would like to offer them 15 minutes for presentations and 5 minutes for questions and answers.

Chairman Grodi will schedule a special meeting in March for hedge fund presentations. Trustee Bellaire is unavailable the first Monday in March and Mr. Bosanac is unavailable the second Monday in March. Chairman Grodi will try and schedule the meeting for the third Monday in March.

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**Old Business**

- Disability Re-examination
  - Ronald Whited, waiting on medical report from February 4, 2013 appointment
- Confidentiality Agreement
  - Continues to be pending
- County Travel Policy, policy number 307.1
  - Continues to be pending

**New Business**

- Committee Appointments
  - Michael Grodi, Nancy Bellaire, Jerry Oley and Joseph Hudson will comprise the Administrative Policy Committee and Anne McCarthy, James Davies, George Jondro and Bobby Lambert will comprise the Investment Policy Committee.

Motion by Trustee Davies to accept communication and place on file. Supported by Trustee Lambert. Motion carried.

**Chairman's Report**

Chairman Grodi stated Felecia Ryan's from Comerica Bank will be in attendance for the next retirement board meeting.

**Trustee Comments**

Trustee Oley would like to request written communication in the future when terminating a money manager becomes necessary.

Trustee Morgan stated the termination of Tradewinds was heavily discussed prior to today's termination recommendation.

Trustee Davies would like money manger's to present fees net of fees.

Vice Chairman McCarthy will be absent from next month's meeting.

Motion by Trustee Oley to adjourn. Supported by Trustee Jondro. Motion carried. Meeting adjourned at 6:46 P.M.

Respectfully Submitted,

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