

Monroe County Employees Retirement System

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Monroe County Employees Retirement System Board of Trustees SPECIAL MEETING MINUTES Friday, August 4, 2017

1. Call to Order

A special meeting of the Monroe County Employees Retirement System Board of Trustees was called to order at 8:30 A.M. on August 4, 2017 at the Monroe County Courthouse at 125 East Second Street, Monroe, Michigan.

2. Roll Call

Roll call as follows:

PRESENT:

Nancy Bellaire
Michael Grodi
George Jondro
Jeff Koras

Anne McCarthy
James Morgan
Bob Neely
Jason Turner, arrived at 8:31a.m.

ABSENT:

Henry Lievens

ALSO PRESENT:

Joey Becker, Retirement Specialist
Michael Bosanac, Retirement Secretary
Thomas Michaud, Attorney arrived at 8:50a.m.
David Rever, Monroe Bank & Trust, Moderator

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

3. Monroe County Investment Consultant Interviews

1. **AndCo Consulting** – Brian Green, Senior Consultant
Chris Kuhn, Senior Consultant
Misha Bell, Client Solutions Group Consultant

Mr. Rever explained the interview process and proceeded with the first question.

Mr. Green discussed the review process for underperforming managers. He stated a score card is used. If a manager underperforms for two consecutive quarters, a watch list is triggered.

Trustee McCarthy questioned how the situation would be handled if the Board did not want to wait to change managers.

Mr. Green stated it would depend on whether the underperformance was expected or unexpected. They work with the Trustees to ensure expectations are being met.

Chairman Grodi questioned what AndCo's thoughts were regarding index funds.

Mr. Green stated that index funds are less costly. They can be used for large cap or mid cap space. They also use index funds as a place holder.

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Chairman Grodi questioned what percentage of index funds in the overall portfolio AndCo was comfortable with.

Mr. Green stated it depends on the fund. They have some funds that are 100% index and others are 0%. They would have a discussion with the Board to make a determination.

Mr. Green discussed why he felt AndCo should be chosen. They have 49 Michigan Public Funds, 99% client retention and a service back guarantee of 100% in the first 12 months.

2. **Morgan Stanley** – Brian Brice, Institutional Consultant
Timothy Brice, Institutional Consultant
Michael Cho, Investment Consultant
Amy Cole, Investment Consultant

Mr. Brice discussed underperforming managers. A variance report is received daily and they feel as though all managers are on watch daily.

Trustee Turner questioned if we can expect Morgan Stanley to be a more active manager, opposed to reactive.

Mr. Brice stated that Morgan Stanley has more resources than the other companies being interviewed today and an asset allocation study will be completed every year.

Chairman Grodi questioned who would be in attendance at the board meetings.

Mr. Brice stated all four members present would attempt to be at every meeting.

3. **PFM Asset Management** – Michael Barry, Senior Managing Consultant
Brian Quinn, Managing Director
Jim Link, Managing Director

Mr. Barry discussed their manager selection. They have an investment committee that determines passive exposure and which active manager is the best fit. They prefer active managers who have "skin in the game."

Mr. Barry stated that if there are compliance issues or if an outperforming manager has strayed from their process, they will term that manager. Underperforming managers will be put on a watch list after 2 quarters. If the manager continues to a lag, a meeting is scheduled to determine the issue.

Trustee McCarthy questioned how the situation would be handled if the Board did not want to wait to change managers.

Mr. Link stated that PFM has the discretionary role.

Mr. Barry added that they will understand the Board and its goals.

Chairman Grodi questioned if PFM takes any financial liability. If there is litigation, would PFM cover the cost of that litigation?

Mr. Michaud stated that there would be no change in how litigation would be handled.

Mr. Barry discussed why the Board should select PFM. They have a strong history of outperforming the benchmark. They have a discretionary model, which expands their fiduciary role, providing more efficient portfolio management, and reducing administrative burden on the Retirement Board.

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4. Trustee Comments

The Board had discussion in regards to the interviews.

Chairman Grodi stated the Board will take formal action at the board meeting on August 28th

The meeting was dismissed at 12:32 P.M.

Respectfully Submitted,

Michael Grodi, Chairman
Monroe County Employees Retirement System