

Monroe County Employees Retirement System

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



MINUTES

Monroe County Employees Retirement System Board of Trustees Monday, September 21, 2015

1. Call to Order

A regular meeting of the Monroe County Employees Retirement System Board of Trustees was called to order at 5:01 PM on September 21, 2015 at the Mary K. Daume Library Service Center at 840 South Roessler Street, Monroe, Michigan 48161.

2. Roll Call

Roll call as follows:

PRESENT

James Davies	Jason Turner
Anne McCarthy	Nancy Bellaire
George Jondro	Joseph Hudson
James Morgan	Michael Grodi

Al Potratz (excused)

ALSO PRESENT: Michael Cho, Investment Consultant
Michael Bosanac, Retirement Secretary
Thomas Michaud, Legal Counsel
Charles Schmidt and Gerald Seizert, Seizert Capital
Larry Langer, Buck Consulting
Alan Frank - member

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

3. Pledge of Allegiance

Chairman Grodi led the Pledge of Allegiance.

4. Approval of Agenda

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

All in favor. Motion carried.

5. Approval of Minutes

Motion by Trustee Morgan to approve the minutes of the August 24, 2015 regular meeting and waive the reading of the minutes. Supported by Trustee Davies.

All in favor. Motion carried.

6. Citizens Time

No citizens in attendance.

7. Consent Agenda

Motion by Trustee Morgan to approve the consent agenda as listed below. Supported by Trustee Jondro.

1. Retirements
 - a. Mary Francis, General County September 22
2. Financial Reports
 - a. Brandywine Global Investment Management Global Fixed Income for August 2015.
3. Communication
 - a. Robbins Geller Rudman & Dowd Settlement Report for August 31, 2015.

All in favor. Motion carried.

8. Approval of Bills

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

1. Invoice #5662 dated August 28, 2015 in the amount of \$14,556.85 from the Monroe County Library System for services rendered to the Retirement Board for April - June 2015.
2. Invoice dated September 4, 2015 in the amount of \$1,200.00 from Diane K. Klisz-Karle, Ph.D. for an independent psychological evaluation performed on Keith M. Turner.
3. Invoice #8406 dated September 11, 2015 in the amount of \$4,480.00 from Vanoverbeke, Michaud & Timmony for legal services rendered for the period July 1, 2015 – August 31, 2015.
4. Invoice #224450 dated September 14, 2015 in the amount of \$11,000.00 from Buck Consultants for work to date on Five Year Experience Study.

Roll call for approval of the bills as follows:

AYES: James Davies	Jason Turner
Anne McCarthy	Nancy Bellaire
George Jondro	Joseph Hudson
James Morgan	Michael Grodi

NAYS: None

ABSENT: Al Potratz (excused)

All in favor. Motion carried.

8A. Refunds

Motion by Trustee Morgan to approve the following refunds. Supported by Trustee McCarthy.

1. Susan Cassada, Sheriff's Office \$29,344.74

All in favor. Motion carried.

9. Communications

Motion by Trustee Davies to receive and file the following communications. Supported by Trustee Bellaire.

1. **Application for Disability Retirement**
Bradd Crary, Sheriff's Office
2. **Application for Deferred Service Status**
James Williams, Mental Health
3. Laurie Breitner, Monroe County Library
4. **Medical Reports**
Keith Turner, General County
5. Communication dated August 27, 2015 from Alan D. Frank of Monroe County Central Dispatch concerning Reciprocal Retirement Act 88 of 1961.
6. Communication dated September 17, 2015 from Graystone Consulting regarding Brian Green.
7. Communication dated August 12, 2015 from Intercontinental Real Estate Corporation regarding U.S. Real Estate Investment Fund, LLC.

All in favor. Motion carried.

10. Resolutions

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

1. **Service Retirement**
Susan Cassada, Sheriff's Office
2. **Disability Retirant Re-examination**
Keith Turner, General

All in favor. Motion carried.

11. Presentations

1. Charles Schmidt and Gerald Seizert - Seizert Capital.

Mr. Seizert provided an overview of the economy and the current market conditions. Seizert reviewed the portfolio and discussed how the impact of oil prices influenced the portfolio's performance. Trustee McCarthy sought clarification as to the manager's investment plan of action. Seizert addressed the manager's strategy during economic downturns. Trustee Turner discussed the market. Mr. Schmidt reviewed the manager's approach to risk.

2. Alan Frank – Reciprocal Retirement Act

The Board discussed Mr. Frank's correspondence, dated August 27, 2015, seeking clarification as to the Reciprocal Retirement Act. Mr. Michaud provided an overview of the Reciprocal Retirement Act and stated in summary that the Reciprocal Retirement Act (Section 5) allows a member of the Retirement System (who has at least 30 months of credited service and who meets the age for a service retirement) to recognize service acquired (within 20 years) with another Michigan governmental unit towards meeting the service credit requirements of the Retirement System. While the retirement benefits would only be calculated on the service credit acquired in the Retirement System, the member would be able to commence receipt of service retirement benefits by recognizing the other governmental service. Mr. Michaud stated that the other Michigan governmental employer(s) would not have had to adopt the Reciprocal Retirement Act to be considered a governmental unit. Mr. Michaud responded to Mr. Bosanac's vesting question by indicating that the Reciprocal Retirement Act allows a member of a reciprocal unit to use other governmental service to become vested in the Retirement System after 30 months. Mr. Frank was directed to submit any further correspondence and documents to the Retirement Specialist for review as to eligibility for retirement benefits.

3. Larry Langer – Buck Consulting

Mr. Langer discussed the Reciprocal Retirement Act which is currently not considered in the annual actuarial valuation.

Mr. Langer presented the results of the Five Year Experience Review - January 1, 2010 through December 31, 2014 issued by Buck Consultants, dated September 21, 2015. Mr. Langer discussed in detail the actuarial valuation objectives, the actuarial valuation process, the experience review process, plan assumptions, funding policy and preliminary valuation results.

Motion by Trustee McCarthy to adopt the Actuary's recommendations contained within the Five Year Experience Review to be used for actuarial valuations beginning December 31, 2014 as follows:

- Assumptions
 - Increase life expectancy by implementing the unadjusted Blue Collar RP-2014 Mortality Table for males and females
 - Reflect future improvements in life expectancy by implementing Mortality Improvement Scale MP-2014
 - Update Retirement Rates to reflect more recent experience of the Retirement System
 - Update the Termination Rates to reflect more recent experience of the Retirement System
 - Update the Disability Rates to reflect more recent experience of the Retirement System
 - Decrease expected future salary increases
 - Maintain the current 7.00% investment return assumption

Supported by Trustee Davies.

All in favor. Motion carried.

Motion by Trustee Davies to adopt the Actuary's recommendations contained within the Five Year Experience Review to be used for actuarial valuations beginning December 31, 2014 as follows:

- Funding Policy
 - Maintain the use of the entry age normal cost method
 - Maintain the use of the current asset valuation method
 - Update amortization policy as follows:
 - 25 year closed amortization of UAAL
 - Use layered amortization, with new UAAL being amortized over 20 years regardless of source
 - Amortization payments increase at the rate of revenue growth. For purposes of this policy, we assume revenue grows at 2% per year
 - Minimum total contribution is no less than the normal cost in any given year; anticipate expense load of 0.50%

Supported by Trustee Turner.

All in favor. Motion carried.

12. Consultant's Report

Mr. Cho discussed the Morgan Stanley and Graystone consulting relationship.

Mr. Cho reviewed the Timeline memo regarding Intercontinental, dated September 21, 2015. The Board discussed with Mr. Cho the investment history and due diligence process. Mr. Michaud updated the Board regarding the conference call held August 25th with Intercontinental, Morgan Stanley and the Board's legal counsel relating to the deficiencies in the education credentials of an Intercontinental finance officer and the current status of the investment. Mr. Michaud confirmed that the facts contained in the Morgan Stanley memorandum are consistent with the discussions held on the conference call. The Board discussed the options contained in the Timeline.

Motion by Trustee Turner to redeem the Board's investment in Intercontinental. Supported by Trustee Hudson.

Roll call as follows:

AYES: Nancy Bellaire James Morgan
Joseph Hudson Jason Turner
George Jondro Michael Grodi

NAYS: James Davies
Anne McCarthy

ABSENT: Al Potratz (excused)

Motion carried.

Mr. Cho reviewed the valuation report for the month ending August 31, 2015, and advised that he will review real estate investment alternatives with the Board at its October meeting.

13. Old Business

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

Trustee Grodi advised that this issue is in the process of being reviewed.

2. Intercontinental Professional Staff

No additional discussion.

14. New Business

The Board discussed the Investment Consulting services and the adviser due diligence policy. Morgan Stanley is currently scheduled to be reviewed effective 2016.

Motion by Trustee Hudson to commence review of Morgan Stanley investment consulting services immediately. Supported by Trustee Davies.

Roll call as follows:

AYES: James Davies
Joseph Hudson
Anne McCarthy

NAYS: George Jondro
James Morgan
Jason Turner
Nancy Bellaire
Michael Grodi

ABSENT: Al Potratz (excused)

Motion failed.

15. Attorney's Report

1. Affidavit of Michael Grodi, Bruce Weeks

Mr. Michaud advised the Board that the Weeks hearing is scheduled for October 7, 2015.

Motion by Trustee McCarthy to receive and file Grodi Affidavit. Supported by Trustee Bellaire.

All in favor. Motion carried.

16. Trustee Comments

Board members discussed the Morgan Stanley due diligence process. Mr. Cho indicated that Michael Holycross of Greystone Consulting will be in attendance at the October meeting to answer trustee questions.

17. Administrative Calendar

October 26, 2015 Review of Investment Manager: Anchor Capital, Michael Serchen

Summary Annual Report to Members

November 23, 2015 Review of Investment Manager: Brandywine, Brian Giuliano

Investment Policy Review

December 14, 2015 **Trustee Election:**
 Michael Grodi, County
 James Davies, Citizen at Large
Set Meeting Schedule and Calendar
Adopt Training Budget

18. Adjourn

Motion by Trustee McCarthy to adjourn. Supported by Turner.

All in favor. Motion carried.

Meeting adjourned at 8:35 P.M.

Respectfully Submitted,
Michael Grodi, Chairman
Monroe County Employees Retirement System