



Monroe County Employee's Retirement System

125 East Second Street • Monroe, Michigan 48161-2197
Retirement Specialist: (734) 240-7264 • Secretary: (734) 240-7267
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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 July 22, 2013 in the Board of Commissioners Meeting Room at 125 East Second Street, Monroe, Michigan.

Roll call as follows:

PRESENT

Nancy Bellaire @ 5:05
James Davies @ 5:09
Michael Grodi
Joseph Hudson
George Jondro

ABSENT

Bobby Lambert @ 5:06
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 Hudson to approve the agenda as submitted. Supported by Trustee Jondro. Motion carried.

Motion by Trustee Jondro to approve the minutes of the June 24, 2013 regular meeting and waive the reading of the minutes. Supported by Trustee Morgan. Motion carried.

Citizens Time – None

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

Retirements

1. Ruth Lape, Sheriff's Office June 29
2. Barbara Southworth, Health Department July 1

Financial Reports

1. Boyd Watterson Asset Management Client Statement for the period ended June 30, 2013.
2. Comerica Bank Collateral Investment Summary as of June 28, 2013.
3. Comerica Bank Securities Lending Statement for May 2013.
4. Winslow Capital Monthly Statement for the period ended June 30, 2013.

Communication

1. Boyd Watterson Asset Management Quarterly Investment Outlook for July 2013.
2. Renaissance Investment Management Proxy Report for the Second Quarter of 2013.
3. Robbins Geller Rudman & Dowd Settlement Report for June 28, 2013
4. Robbins Geller Rudman & Dowd Portfolio Monitoring Report for June 28, 2013.

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Invoices

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

1. Invoice #393763 in the amount of \$3,397.66 from Comerica Bank for custodial services rendered for the period of January 1, 2013 – March 31, 2013.
2. Invoice #393764 in the amount of \$464.31 from Comerica Bank for custodial services rendered for the period of January 1, 2013 – March 31, 2013.
3. Invoice dated June 28, 2013 in the amount of \$1,840.56 from Comerica Commercial Card Service for MAPERS Spring educational seminar hotel costs.
4. Invoice #2425 dated July 16, 2013 in the amount of \$23.33 from County of Monroe Finance Department for July 2013 postage and federal express charges.
5. Invoice #2401 dated June 27, 2013 in the amount of \$8,850.24 from County of Monroe Finance Department for services rendered to the Retirement Board for April – June 2013.
6. Invoice dated June 24, 2013 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on Johnna Althouse.
7. Invoice dated June 24, 2013 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on David Diekman.
8. Invoice dated June 29, 2013 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on Shelly Romanowski.
9. Invoice dated June 24, 2013 in the amount of \$550.00 from Steven Dovitz, M.D. for an independent medical evaluation performed on Pamela Smith.
10. Invoice #402132 dated June 28, 2013 in the amount of \$4,713.00 from Gabriel Roeder Smith & Company for regular actuarial services performed for the Second Quarter 2013.
11. Invoice dated July 17, 2013 in the amount of \$52,835.62 from Morgan Stanley for management fees for the period of April 1, 2013 – June 30, 2013.
12. Invoice dated June 24, 2013 in the amount of \$647.50 from VanOverbeke, Michaud & Timmony for legal services rendered for the period of April 1, 2013 – April 30, 2013.
13. Invoice dated June 24, 2013 in the amount of \$857.50 from VanOverbeke, Michaud & Timmony for legal services rendered for the period of May 1, 2013 – May 31, 2013.

Roll call for approval of the bills as follows:

AYES

Nancy Bellaire
James Davies
Michael Grodi
Joseph Hudson

NAYS

George Jondro
Anne McCarthy
James Morgan

ABSENT

Bobby Lambert (excused)
Jerry Oley

Motion carried.

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Refunds

Motion by Vice Chairman McCarthy to approve the following refunds. Supported by Trustee Hudson. Motion carried.

1. Monroe County Road Commission \$47,093.12
C/O Joanne Aichler

Retirement Payments

Motion by Trustee Morgan to approve the following retirement payments. Supported by Trustee Jondro. Motion carried.

1. Debra Haskins, EDRO Mark Haskins \$ 1,326.02
**May 391.82, June \$467.10
2. Mark Haskins, Mental Health (deferred) \$ 3,977.82
**May \$1,175.20, June \$1,401.31
3. Monroe County Road Commission \$ 5,347.07
C/O Joanne Aichler
**April \$1,088.36, May \$1,419.57, June \$1,419.57

Communications – Board Action

Motion by Trustee Hudson to accept and place on file the following Retirement System Financial Statements. Supported by Vice Chairman McCarthy. Motion carried.

1. Monroe County Employees Retirement System Financial Statement for years ended December 31, 2012 and 2011.

Motion by Trustee Hudson to accept and place on file the following Communication from Chairman Grodi. Supported by Vice Chairman McCarthy. Motion carried.

2. Communication dated June 27, 2013 from Chairman Grodi regarding termination of the Professional and Clerical Services Agreement.

Motion by Trustee Hudson to accept and place on file the following Communication from Pacific Income Advisers. Supported by Vice Chairman McCarthy. Motion carried.

3. Communication dated June 27, 2013 from Pacific Income Advisers regarding Citigroup Class Action.

Motion by Trustee Hudson to accept and place on file the following Communication from Tradewinds Global Investors. Supported by Vice Chairman McCarthy. Motion carried.

4. Communication dated June 20, 2013 from Tradewinds Global Investors regarding an updated 2012 Fourth Quarter factsheet.

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

5. Medical report dated June 21, 2013 from Steven Dovitz, M.D. regarding an independent medical evaluation performed on Johnna Althouse.

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

6. Medical report dated June 22, 2013 from Steven Dovitz, M.D. regarding an independent medical evaluation performed on David Diekman.

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

7. Medical report dated June 29, 2013 from Steven Dovitz, M.D. regarding an independent medical evaluation performed on Shelly Romanowski.

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

8. Medical report dated June 21, 2013 from Steven Dovitz, M.D. regarding an independent medical evaluation performed on Pamela Smith.

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

9. Margaret Schilling, Register of Deeds

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

10. Teresa Schotte, County Clerk

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

11. Jonelle Michael, Employment & Training

Motion by Trustee Hudson to accept and place on file the following Disclosure Forms. Supported by Vice Chairman McCarthy. Motion carried.

12. Boyd Watterson Asset Management
13. Brandywine Global Investment Management
14. Franklin Templeton Portfolio Advisors
15. Gabriel, Roeder, Smith & Company
16. Morgan Stanley
17. Pacific Income Advisers

Proposed Resolutions

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

1. Margaret Schilling, Register of Deeds

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

2. Teresa Schotte, County Clerk

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

3. Joanne Aichler, Road Commission
4. Mark Haskins, Mental Health

Motion by Trustee Hudson to accept and place on file the following Disability Retirement resolution. Supported by Trustee Jondro. Motion carried.

5. David Diekman, County Agency

Motion by Trustee Hudson to accept and place on file the following Disability Retirant Re-examination resolutions. Supported by Trustee Jondro. Motion carried.

6. Johnna Althouse, Register of Deeds
7. Shelly Romanowski, Sheriff's Office
8. Pamela Smith, Youth Center

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

9. Vincent Badalamente, Sheriff's Office
10. Petrina Terrell Blunt, Friend of the Court
11. John Carrabino, Sheriff's Office
12. Bradd Crary, Sheriff's Office
13. Jamie Dean, Health Department
14. Denise Erving, County Clerk
15. Robert Gelardi, Sheriff's Office
16. Edwin Gillman, Emergency Management
17. Bridget Haines, Animal Control
18. Richard Haller, Sheriff's Office
19. James Hamilton, County Agency
20. Amara Hunter, Prosecuting Attorney
21. William Joly, Sheriff's Office
22. Denine Kamprath, Treasurer
23. Laura Keehn, County Clerk
24. Dolores Mandujano, Register of Deeds
25. Carol O'Dell, Circuit Court
26. Jeffrey Pauli, Sheriff's Office
27. Dawn Rafko, Youth Center
28. Richard Raymo, County Agency

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29. Aaron Socha, Sheriff's Office
30. Kelly Stiles, Sheriff's Office
31. David Thompson, Drain Commission
32. Heath Velliquette, Sheriff's Office
33. Dean Walters, District Court
34. Chad Zeunen, Sheriff's Office

Presentations – Michael Fedorovich, Renaissance Investment Management

Mr. Fedorovich introduced himself as the Vice President, Regional Manager for Renaissance Investment Management. He stated Renaissance Investment Management manages approximately \$3.5 billion in assets and is based in Cincinnati, Ohio. Renaissance employs 22 employees that average 14 years of service, partners average 21 years of service and portfolio managers average 24 years of service.

Mr. Fedorovich discussed the investment philosophy. He stated Renaissance believes that a disciplined process of constructing portfolios that exhibit good fundamental growth characteristics, strong earnings momentum and reasonable valuations will result in rates of return significantly better than comparable benchmarks over time.

Next, Mr. Fedorovich discussed the investment performance results as of June 30, 2013. He stated the total portfolio YTD is up 6.5% versus the benchmark up 4.1% and since inception the portfolio is up 13.1% versus the benchmark up 11.1%. He stated the portfolio outperformed the benchmark by a solid margin due to solid stock selection in the Information Technology and the Industrials sectors.

Finally, Mr. Fedorovich discussed the portfolio sector attribution, sector weights and portfolio characteristics. He stated growth rates are not as strong as they once were and there is always a risk in emerging markets compared to developed markets, but Renaissance is still confident emerging markets will be the industry leader.

Consultant's Report

Mr. Cho reviewed the valuation report for the month ending June 30, 2013. The fund is valued at \$176,722,513.99 down \$3,858,711.55 from the previous month. Mr. Cho stated July has been a good month and the loss is almost absorbed. The current asset allocation includes 50% in Equities, 46% in Fixed Income, and 4% in Cash. The Total Fund was down 2.14% for the month and up 2.54% YTD.

Trustee Hudson inquired on the average maturity for bonds.

Mr. Cho stated for Boyd Watterson and Pacific Income the average is five years. The majority are between three and seven years.

Trustee Oley asked what previous months have a loss.

Mr. Cho stated the only previous month with a loss this year is May. All previous months provided a gain to the fund with the exception of May.

Mr. Cho stated the market has taken a severe temporary hit due to Ben Bernanke announcing an interest rate increase in 2015.

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Mr. Cho expressed his concern with Anchor Capital. He is concerned that Anchor Capital may be too conservative. At times Anchor Capital has up to 30% in cash. Mr. Cho stated Anchor has been a good money manager for the Retirement System. Anchor Capital's current allocation is approximately 8% of the portfolio. Mr. Cho would like to see more diversification, growth, and small cap in the portfolio. Therefore, Mr. Cho's recommendation is to reduce Anchor Capital's allocation to 5%.

Next, Mr. Cho expressed his concern with Eagle Global. He stated Eagle Global is not consistently outperforming the benchmark.

Vice Chairman McCarthy asked why the Retirement System should keep them. She questioned if there is a better option.

Mr. Cho stated yes, there are other money managers that have demonstrated consistent outperformance. Mr. Cho recommends placing Eagle Global on watch to terminate.

Motion by Vice Chairman McCarthy to follow the recommendation from Mr. Cho to consider reducing Anchor Capital's allocation to 5% and place Eagle Global on watch and allow Mr. Cho time to conduct an asset allocation study. Supported by Trustee Davies. Motion carried.

Mr. Cho addressed Boyd Watterson's request to purchase between 30% and 40% of the current allocation for Limited Duration Mid-Grade Bonds. He stated they are corporate bonds with purchase quality range of B- to BBB-. He stated the change will help Boyd Watterson preserve capital in the portfolio.

Motion by Vice Chairman McCarthy to allow Boyd Watterson to purchase up to 30% of the current allocation for Limited Duration Mid-Grade Bonds. Supported by Trustee Davies. Motion carried.

Finally, Mr. Cho discussed Brandywine Global. He stated currently Brandywine Global is custodied at Comerica Bank. The investment management fee arrangement is .45% of Brandywine Global's market value. The Retirement System also pays Comerica Bank a fee of .02% and \$25 per transaction. Mr. Cho stated there would be a cost savings if Brandywine Global is transferred to a commingled fund. The management fee would remain the same, but it would eliminate Comerica Bank's fee and all transaction costs. Mr. Cho's recommendation is to transfer the Brandywine Global securities in-kind held at Comerica Bank to Brandywine's commingled fund.

Trustee Oley asked if this is the best move.

Mr. Cho stated it offers the best return and best value because of Comerica Bank's fees and transaction costs. Brandywine will be the custodian instead of Comerica Bank.

Trustee Bellaire questioned where the commingled fund came from.

Mr. Cho stated several months ago the Retirement Board requested alternatives to Comerica Bank.

Trustee Oley asked if Legal Counsel has reviewed the documents.

Mr. Michaud stated he is familiar with the documents.

Motion by Trustee Lambert to follow the recommendation of the Investment Consultant and transfer the Brandywine Global securities in-kind held at Comerica Bank to Brandywine's commingled fund. Supported by Vice Chairman McCarthy. Motion carried.

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Attorney’s Report

Motion by Trustee Lambert to go into closed session to discuss Johnna Althouse, Shelly Romanowski and Pamela Smith’s medical reports. Supported by Vice Chairman McCarthy.

Roll call for closed session as follows:

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

Motion carried. Closed session at 6:23 P.M.

Motion by Trustee Lambert to go into open session. Supported by Vice Chairman McCarthy. Motion carried. Open session at 6:34 P.M.

Motion by Vice Chairman McCarthy to certify the medical reports of Johnna Althouse, Shelly Romanowski and Pamela Smith and do not place them on the permanent and medically disabled listing at this time. Supported by Trustee Hudson. Motion carried.

Next, Mr. Michaud discussed the legislative update. The update would affect Eligible Domestic Relations Orders, amend the Freedom of Information Act and the Open Meetings Act and prohibit re-hiring retirees.

Finally, Mr. Michaud discussed portfolio monitoring. The securities litigation document is intended for educational purposes. The document details specifics on how it relates to the Retirement Board and the responsibility to preserve and protect assets of the Retirement System.

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

Colleen Hinzmann, the Information Technology Director has submitted suggestions that other boards are pursuing.

Trustee Lambert stated he is more supportive of moving to a tablet, but the Board of Commissioners are also reviewing new desktop computers as a possible option. If the Board of Commissioners chooses a desktop computer he would like the Retirement Board to share the cost. Continue on old business.

3. Retirement Board Meeting Locations

Vice Chairman McCarthy requested providing a map along with the agenda if the Retirement Board will be changing meeting locations.

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Trustee Davies believes there is no reason to change meeting locations.

Trustee Oley wanted to verify that there are no costs incurred for the locations.

Chairman Grodi stated there are no costs to the Road Commission or Library. Both sites have meeting rooms available. The Road Commission's meeting room seats five so an additional table may be necessary. The Library has plenty of room.

Trustee Davies would like to know the purpose of changing the meeting locations.

Trustee Grodi stated to make the Retirement Board more accessible.

Motion by Vice Chairman McCarthy to follow the administrative calendar set for the July 22, 2013 Retirement Board meeting schedule. Supported by Trustee Morgan.

Roll call to change meeting locations as follows:

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

Motion carried.

4. 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 Oley agrees that other options need to be reviewed. He suggests a very detailed request for proposals.

Trustee Davies agreed that securities lending is an issue, but he acknowledged that there will be a savings after three years.

Chairman Grodi stated a request for proposals can be conducted, but he doesn't want to pay for custodial services twice. He stated every month the Retirement Board does not take action it is losing money.

Trustee Oley would like to see a fair analysis. He stated good decisions are based on research and due diligence.

Vice Chairman McCarthy does not want the Retirement Board to spend time or money on a request for proposals if it is not necessary.

This item is tabled until the next Retirement Board meeting.

5. Professional and Clerical Services Agreement

Chairman Grodi stated the Retirement Board voted last month to terminate the agreement. He asked the Retirement Board to suggest options. He received three options and they are included in the Retirement Board packet. Chairman

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Grodi was able to meet with the Library and Road Commission leadership to preview the available spaces, and he was impressed with both facilities. Trustee Jondro was able to locate local office space for rent as another possible option. Chairman Grodi stated he and the County administration would like the process expedited with a smooth, seamless transition.

Trustee Jondro sat down with a realtor to discuss parameters. Most facilities were around 300-1,000 square feet with a small waiting room, office space and a small conference room. They range from \$500-\$650 per month and the tenant is responsible for utilities.

Trustee Morgan was able to discuss potential options with the Road Commission. The Road Commission does have office space available that is handicap accessible, but there is no security. His concern is the Road Commission's summer schedule. They are closed every Friday, but the Road Commission is willing to work with the Retirement System.

Trustee Bellaire has contacted the Library's Finance Committee and Facilities Committee about the Library as a possible option. She stated the Library has offered services to providers over the years and these services are not foreign to the Library. The Library has downsized considerably so they have office space available. She stated it is a wonderful space, turn-key ready. It is located on the ground floor and is approximately 15 feet x 15 feet. There is a reception area, security, parking and the Library is very interested in helping.

Trustee Lambert asked what has preempted this change.

Chairman Grodi stated the agreement was not upheld to the Retirement Board's expectations. He does not want to rehash last month's meeting. There were various concerns addressed last month and they are detailed in the minutes. The Retirement Board has decided to move in a different direction.

Trustee Lambert asked what and who will be housed at this new location.

Chairman Grodi stated all retirement matters and the Retirement Specialist will be housed at the new location.

Trustee Oley stated as the Chairman of the Board of Commissioners he was not notified of any issues with the position. He stated if he was notified the issues could have been addressed.

Mr. Bosanac addressed financial reporting. He stated the County is the main entity and they currently cover the cost of the audit. The Comprehensive Annual Financial Report is currently completed on time and done correctly. He asked what the plan was going forward. Next, he discussed section 3.12 of the Retirement Ordinance. He would like clarification on what his role will be going forward.

Chairman Grodi stated the Administrative Policy Committee will establish detailed plans. He stated this decision was not an easy decision to make, but it was the best decision for the Retirement System. He would like to continue a positive relationship with the entities. The Retirement System has no intent of severing the relationship with the County; they are just moving the office. Finally, Chairman Grodi addressed Trustee Oley's comment. He stated for Trustee Oley to say the County Board of Commissioners had no idea what was going on is a communication issue with County administration.

Trustee Lambert stated the Retirement Board can do what it wants, they have that right. He is concerned with increased costs, audit support and payroll.

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Chairman Grodi stated he has some tentative numbers, but needs direction from the Retirement Board. He will be able to provide detailed information once he knows the pleasure of the Retirement Board. He is comfortable with the office space offered at the Library and Road Commission. He likes that the Library office space is on the first floor, offers information technology support with a phone system in place, has a website and a nice meeting room. Chairman Grodi would like to pursue the Library as the new location.

Trustee Oley stated he would like to see a cost analysis.

Chairman Grodi stated he will provide a cost analysis, but he does not view this matter as a cost issue. It is a way for the Retirement System to run as efficient and effective as possible.

Trustee Morgan agrees with Chairman Grodi about the Library as the new location. It shows better potential than the Road Commission. He is comfortable with the Library as it offers a better environment and is a better fit for the Retirement System.

Chairman Grodi is requesting direction from the Retirement Board. The County has made it perfectly clear that they would like to move forward quickly.

Trustee Oley stated as the Chairman of the Board of Commissioners he would like to try and resolve the issues.

Motion by Vice Chairman McCarthy to direct Chairman Grodi to begin negotiations with the Library. Supported by Trustee Hudson.

Roll call to direct Chairman Grodi to begin negotiations 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 - None

Trustee Comments - None

Motion by Vice Chairman McCarthy to adjourn. Supported by Trustee Morgan. Motion carried. Meeting adjourned at 7:37 P.M.

Respectfully Submitted,

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