

REGULAR MEETING MINUTES OF THE
STERLING HEIGHTS
POLICE AND FIRE RETIREMENT SYSTEM, ACT 345
FEBRUARY 18, 2016
FIRE DEPARTMENT CONFERENCE ROOM
41625 RYAN ROAD
STERLING HEIGHTS, MI 48314

1. President Lamerato called the regular meeting of the Police and Fire Retirement System to order at 3:31 p.m.
2. Board Members Present: Lamerato Wellhausen, Schwarb, Maleszyk, Varney. Absent: Tom Michaud, Legal Counsel. Also present: Tim Brice, representing The Brice Group/Morgan Stanley Graystone Consulting; Denise Jones representing Rodwan Consulting Co.; and Nancy Duyck, Pension Technician.
3. APPROVAL OF CONSENT AND REGULAR AGENDAS

Motion by Wellhausen, supported by Schwarb, to approve the consent agenda as presented.

Ayes: All.

The motion carried.

Motion by Wellhausen, supported by Schwarb, to approve the regular agenda as presented.

Ayes: All.

The motion carried.

4. APPROVAL OF MINUTES

No corrections were made to the draft minutes of the regular meeting of January 21, 2016.

Motion by Maleszyk, supported by Schwarb, to approve the minutes as presented.

Ayes: All.

The motion carried.

5. CITIZEN PARTICIPATION

There was no Citizen participation.

6. REPORT FROM LEGAL COUNSEL

Legal Counsel was unable to attend this meeting.

CONSENT AGENDA

7. CORRESPONDENCE

- a. Correspondence to Walter Blessed, HR Director dated February 9, 2016 re: changes in employment status.
- b. Other correspondence received from:
 - 1. Morgan Stanley - market value weekly updates
 - 2. Robbins Geller Rudman & Dowd LLP
- c. Magazines received:
 - 1. Institutional Investor for February 2016
 - 2. Pensions & Investments for January 25 and February 8, 2016.

8. BILLS AND EXPENDITURES

c. Checking Account Summary

Beginning Balance	\$3,923.96	1/01/16
Additions (1)		
1. 1/20	\$ 5,000.00	
Subtractions (5)		
1. 1/26	Check 1991	77.75 Geisler Corp - date stamp
2. 1/26	Check 1992	32.48 AT & T phone bill - 1/16/16
3. 1/15	Check 5356	931.84 Contract Payment Nancy Duyck
4. 1/15	Check 5357	79.76 Contract fee - Gurin & Gurin
5. 1/29	Check 5358	931.85 Contract Payment Nancy Duyck

CONSENT AGENDA

8. BILLS AND EXPENDITURES

c. Checking Account Summary - cont.

Electronic withdrawals (4)	\$1,622.92
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1.	1/06	385.08	IRS Fed. tax w/h
2.	1/19	692.31	IRA contribution
3.	1/20	160.23	Michigan St. tax w/h
4.	1/20	385.30	IRS Fed. tax w/h

Ending Balance \$5,247.36 1/31/16

d. Transmittal of Checks

1. There were no checks received this month.

9. FUNDS MANAGEMENT

a. The current value of funds as of January 31, 2016 is detailed below:

Clearing account	\$	4,247,566.07
Intercontinental	\$	4,516,483.48
Winslow	\$	14,546,320.91
Janus	\$	15,299,514.87
Eagle	\$	14,762,466.45
Herndon	\$	13,718,860.06
Earnest Partners	\$	12,723,032.82
Cambiar	\$	13,508,359.24
AIM/Invesco	\$	15,423,715.77
Western	\$	27,252,978.32
Met West	\$	25,482,431.38
London Co.	\$	29,148,745.21
MS Cash	\$	403.00
Checking account	\$	<u>5,247.36</u>
TOTAL FUNDS	\$	190,636,124.94

b. The Board received a copy of the Summary of Employer Contributions to the Police and Fire Retirement System for the 2015 tax year as of 2/11/16. The System has received \$7,765,177.84 of the 2015/16 budget of \$7,986,312.00, leaving a \$221,134.16 balance.

c. Benefit Register Listing as of February 1, 2016 from Comerica Bank showing 337 retirees/beneficiaries with a payout for February of \$1,408,139.07 and a year-to-date of \$2,896,656.88.

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CONSENT AGENDA

9. FUNDS MANAGEMENT - cont.

d. The current Merrill Lynch Bond index for January 2016 is 2.25%.

10. BENEFITS & PLAN ADMINISTRATION

a. Old Business

1. Roger Mueller - Application for EROP retirement

Police Officer Roger Mueller has submitted an application for EROP retirement effective March 20, 2016. All required paperwork is on file in the Pension Office.

REGULAR AGENDA

8. BILLS AND EXPENDITURES

- a. Disbursements other than retiree benefit payments (bills)
 1. Disbursement to Software Systems & Products Corporation in the amount of \$570.00 for custom modifications to the Membership Tracking Database.
 2. Disbursement to Eagle Capital Management in the amount of \$31,721.51 for investment management fees for the fourth quarter 2015.
 3. Disbursement to Morgan Stanley in the total amount of \$259,143.79 for investment management fees for the fourth quarter 2015 for all ten accounts.
 4. Disbursement to Metropolitan West Asset Management, LLC in the amount of \$22,150.86 for investment management fees for the fourth quarter 2015.

Motion by Wellhausen, supported by Maleszyk, to approve the bills as presented.

Ayes: All.

The motion carried.

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REGULAR AGENDA

8. BILLS AND EXPENDITURES

- b. Disbursements to retirees/members other than monthly benefit payments

1. Todd Rotter - partial DROP distribution - discussion

Todd Rotter of the Fire Department terminated his DROP retirement as of September 4, 2014. He requested a partial DROP distribution from his DROP account. All required paperwork is on file in the Pension Office.

Motion by Wellhausen, supported by Schwarb, to approve the disbursement as presented.

Ayes: All.

The motion carried.

2. Robert Ferguson - partial DROP distribution - discussion

Robert Ferguson of the Fire Department terminated his DROP retirement as of June 29, 2012. He requested a partial DROP distribution and a partial rollover from his DROP account. All required paperwork is on file in the Pension Office.

Motion by Wellhausen, supported by Schwarb, to approve the disbursements as presented.

Ayes: All.

The motion carried.

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. Intercontinental Real Estate

Devin Sullivan from Intercontinental Real Estate was unable to attend the meeting. He will be rescheduled to the March 17, 2016 meeting.

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REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

2. The Brice Group - quarterly report

Tim Brice reviewed the summary report of manager performance. Enclosed in this report was the Board's summary of investment policies and objectives, fourth quarter 2015 AIM Market Focus report.

Also included was an executive summary of the Composite, Campiar, Eagle, Earnest, Herndon, Intercontinental, Invesco, Janus, London, MetWest, Western and Winslow reports.

The following manager specific comments were discussed:

MetWest

- a. The total portfolio return in the fourth quarter was -0.4%, ranking in the 35th percentile of the IM U.S. Broad Market Fixed Sample. It exceeded the BC Aggregate Bond index (-0.6%).
- b. Their total portfolio return was -1.3% since inception (4/1/15). This trailed the BC Aggregate Bond index (-1.0%).
- c. The market value as of December 31, 2015 was \$25,170,057, which represented 13.0% of the total portfolio.

Western Asset Management

- a. The total portfolio return in the fourth quarter was 0.1%, ranking in the 4th percentile of the IM U.S. Broad Market Fixed Sample. It exceeded the BC Aggregate Bond index (-0.6%).
- b. Their total portfolio return was 3.9% since inception (7/1/11). This exceeded the BC Aggregate Bond index (3.0%).
- c. The market value as of December 31, 2015 was \$27,030,637, which represented 14.0% of the total portfolio.

Intercontinental Real Estate

- a. The Intercontinental Real Estate return for the fourth quarter was -3.3%.
- b. Their total portfolio return was 14.0% since inception (7/1/04).
- c. The market value as of December 31, 2015 was \$3,970,773, which represented 2.1% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

2. The Brice Group - cont.

The London Company

- a. The total portfolio return in the fourth quarter was 5.2%, ranking in the 70th percentile of the IM U.S. Large Cap Core Equity. It trailed the S & P 500 Index (7.0%).
- b. Their total portfolio return was -1.4% since inception (4/1/15). This trailed the S & P 500 Index (0.4%).
- c. The market value as of December 31, 2015 was \$30,188,219, which represented 15.6% of the total portfolio.

Herndon Investment Counsel

- a. The total portfolio return in the fourth quarter was 2.7%, ranking in the 92nd percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value Index (5.6%).
- b. Their total portfolio return was 8.1% since inception (10/1/12). This trailed the Russell 1000 Value Index (12.5%).
- c. The market value as of December 31, 2015 was \$14,871,398, which represented 7.7% of the total portfolio.

Eagle Investment Counsel

- a. The total portfolio return in the fourth quarter was 6.8%, ranking in the 19th percentile of the IM U.S. Large Cap Value Equity. It exceeded Russell 1000 Value Index (5.6%).
- b. Their total portfolio return was 15.6% since inception (10/1/12). This exceeded the Russell 1000 Value Index (12.5%).
- c. The market value as of December 31, 2015 was \$15,741,858, which represented 8.1% of the total portfolio.

Winslow Investment Counsel

- a. The total portfolio return in the fourth quarter was 8.3%, ranking in the 24th percentile of the IM U.S. Large Cap Growth Equity. It exceeded the Russell 1000 Growth Index (7.3%).
- b. Their total portfolio return was 12.7% since inception (4/1/12). This trailed the Russell 1000 Growth Index (13.4%).
- c. The market value as of December 31, 2015 was \$15,845,651, which represented 8.2% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

2. The Brice Group - cont.

Janus Investment Counsel

- a. The total portfolio return in the fourth quarter was 7.6%, ranking in the 41st percentile of the IM U.S. Large Cap Growth Equity. It exceeded the Russell 1000 Growth Index (7.3%).
- b. Their total portfolio return was 14.0% since inception (1/1/10). This trailed the Russell 1000 Growth Index (14.1%).
- c. The market value as of December 31, 2015 was \$16,625,771, which represented 8.6% of the total portfolio.

Earnest Partners

- a. The total portfolio return in the fourth quarter was 5.2%, ranking in the 15th percentile of the IM U.S. SMID Cap Core Equity. It exceeded the Russell 2500 Index (3.3%).
- b. Their total portfolio return was 8.4% since inception (10/1/06). This exceeded the Russell 2500 Index (7.4%).
- c. The market value as of December 31, 2015 was \$13,675,753, which represented 7.1% of the total portfolio.

Campiar

- a. The market value as of December 31, 2015 was \$14,221,136, which represented 7.3% of the total portfolio.

Invesco Capital Management

- a. The total portfolio return in the fourth quarter was 5.0%, ranking in the 38th percentile of the IM International Equity. It exceeded the MSCI AC World x US net (3.2%).
- b. Their total portfolio return was 5.1% since inception (1/1/11). This exceeded the MSCI AC World x US net (1.1%).
- c. The market value as of December 31, 2015 was \$16,197,916, which represented 8.4% of the total portfolio.

The following table details the Investment Performance Review for the fourth quarter ending December 31, 2015. Market value of the funds under management as of December 31, 2015 was \$193,539,169.

The total fund return for the fourth quarter was 3.9%, ranking in the 10th percentile of Public Plans less than \$500 million, as summarized below:

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9. FUNDS MANAGEMENT

e. Quarterly Performance Report

2. The Brice Group - cont.

9/15	12/14	12/12	12/10	12/05	1/92
<u>To 12/15</u>					

<u>Total fund*</u>	3.9/10	0.5/31	8.9/18	7.4/39	5.0/84	n/a
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*Ranked against Public Plans less than \$500 million

The following manager specific return information is detailed separately from the other long-term data:

	9/15	4/15
MetWest	<u>to 12/15</u>	<u>to 12/15</u>

<u>Total Fund*</u>	-0.4/35	-1.3/64
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*Ranked against the IM U.S. Broad Market Fixed

	9/15	12/14	12/12	7/11
Western	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>
<u>Total Fund*</u>	0.1/4	0.6/52	2.4/12	3.9/30

*Ranked against the IM U.S. Broad Market Fixed

	9/15	12/14	12/12	12/10	12/05	7/04
<u>Intercontinental</u>	<u>to 12/15</u>					
	-3.3	5.2	16.2	9.1	7.5	14.0

	9/15	4/15
London Co.	<u>to 12/15</u>	<u>to 12/15</u>

<u>Total Fund*</u>	5.2/70	-1.4/64
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*Ranked against the IM U.S. Large Cap Core Equity

	9/15	12/14	12/12	10/12
Herndon	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>
<u>Total Fund*</u>	2.7/92	-4.7/74	8.8/95	8.1/96

*Ranked against the IM U.S. Large Cap Value Equity

	9/15	12/14	12/12	10/12
Eagle	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>
<u>Total Fund*</u>	6.8/19	2.1/12	16.2/13	15.6/14

*Ranked against the IM U.S. Large Cap Value Equity

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9. FUNDS MANAGEMENT

e. Quarterly Performance Report

2. The Brice Group - cont.

	9/15	12/14	12/12	4/12
Winslow	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>	<u>to 12/15</u>
<u>Total Fund*</u>	8.3/24	7.0/36	17.3/40	12.7/60

*Ranked against the IM U.S. Large Cap Growth Equity

	9/15	12/14	12/12	12/10	1/10
Janus	<u>to 12/15</u>				
<u>Total Fund*</u>	7.6/41	12.1/7	17.6/35	13.9/34	14.0/44

*Ranked against the IM U.S. Large Cap Growth Equity

	9/15	12/14	12/12	12/10	10/06
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Earnest Part.	<u>to 12/15</u>				
<u>Total Fund*</u>	5.2/15	-2.4/71	13.0/68	11.2/60	8.4/61

*Ranked against the IM U.S. SMID Cap Core Equity

	6/15	12/14	12/12	12/10	1/11
Invesco	<u>to 12/15</u>				
<u>Total Fund*</u>	5.0/38	-2.7/57	5.9/44	5.1/38	5.1/38

*Ranked against the IM International Equity

	10/15
Campiar	<u>to 12/15</u>
<u>Total Fund*</u>	n/a

*Ranked against the IM International Equity

Mr. Brice discussed with the Board the performance of Herndon Capital. They reviewed candidates to be interviewed at the March 17, 2016 meeting.

Mr. Maleszyk left the meeting at 4:40 p.m.

PRESENTATION - Experience Study by Rodwan Consulting Company

Denise Jones of Rodwan Consulting Company was in attendance to present the actuarial experience study for the Board's review. She suggested changes to some of the assumptions for the Board's consideration.

No formal motion was made.

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REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

2. Tommy Burtwell - survivor benefit - discussion

Retired Police Lieutenant Tommy Burtwell passed away on January 24, 2016. At retirement, Lt. Burtwell chose a Regular retirement with the automatic 60% to his wife, Gayle Burtwell. An application for survivor benefits has been received. A copy of Mr. Burtwell's death certificate has also been received.

Motion by Schwarb, supported by Wellhausen, to approve the automatic 60% survivor benefit for Gayle Burtwell, wife/beneficiary of Tommy Burtwell, in the gross monthly amount of \$2,714.51 as presented.

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk.

The motion carried.

3. Thomas Fett - DROP termination - discussion

Captain Thomas Fett of the Police Department terminated his DROP retirement on January 29, 2016. All required paperwork is on file in the Pension Office.

Motion by Schwarb, supported by Wellhausen, to approve the regular pension disbursement in the gross monthly amount of \$7,240.63 as presented and process the retirement certificate.

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk.

The motion carried.

4. David Stanley - DROP termination - discussion

Officer David Stanley of the Police Department terminated his DROP retirement on February 18, 2016. All required paperwork is on file in the Pension Office.

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REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

4. David Stanley - DROP termination - discussion - cont.

Motion by Schwarb, supported by Wellhausen, to approve the regular pension disbursement in the gross monthly amount of \$4,256.41 as presented and process the retirement certificate.

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk.

The motion carried.

5. 2016/17 Proposed Budget - discussion

The Secretary reviewed a mid-year spreadsheet for actual expenditures with percentages of budget spent. He also reviewed recommendations for the 2016/17 budget.

During discussion, the following budget center amounts were considered:

2016/17 PROPOSED BUDGET

ITEM		BUDGET 2015/16	PROPOSED 2016/17	
<u>SUPPLIES</u>				
729.000	Postage	650	650	(No change)
730.000	Publications	0	0	(No change)
751.000	Operating Supplies	160	200	(25.0% change)
758.000	Computer Software	0	0	(No change)
Total Supplies		810	850	(4.94% change)
<u>OTHER CHARGES</u>				
802.000	Audit/accounting	25,000	25,000	(No change)
806.000	Legal Services	12,000	12,000	(No change)

807.000	Medical Services	1,000	2,000	(100.0% change)
826.000	Other Contracted	1,460,000	1,400,000	(-4.11% change)
903.000	Printing	200	200	(No change)
922.000	Telephone	360	420	(16.67% change)
956.000	Local Meetings	0	0	(No change)
957.000	Memberships	100	100	(No change)
959.000	Education/Training	<u>7,550</u>	<u>8,000</u>	(5.96% change)
		1,506,210	1,447,720	(-3.88% change)

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REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

5. 2016/17 Proposed Budget - discussion - cont.

TOTAL ACTIVITY	1,507,020	1,448,570	(-3.88% change)
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CAPITAL EQUIPMENT

979.000	Computer Equipment	<u>0</u>	<u>0</u>	(No change)
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Motion by Schwarb, supported by Varney, to approve the 2016/17 budget as presented.

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk.

The motion carried.

11. TRUSTEE COMMENTS

None.

12. ADJOURNMENT

Motion by Schwarb, supported by Wellhausen, to adjourn at 5:15 p.m.

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk.

The motion carried; the meeting is hereby adjourned.

Mark Wellhausen
Secretary