

**OFFICIAL
MINUTES OF REGULAR MEETING OF THE
STERLING HEIGHTS
GENERAL EMPLOYEE'S RETIREMENT SYSTEM**

Thursday, April 21, 2016

Location: Room – City Directors Conference Room #202 40555 Utica Road, Sterling Heights, MI 48313
Telephone: (586) 446-2331

Chairperson Weiler called the meeting to order at 1:34 p.m.

BOARD MEMBERS PRESENT: Rich Weiler, Chairperson
Jennifer Varney, Acting Secretary / Treasurer
Paul Henig, Trustee
Todd Marsh, Trustee

BOARD MEMBERS ABSENT: Brian Baker, Secretary (Excused)

ALSO PRESENT: Walt Hessell, Pension Administrator; Thomas Michaud, Legal Counsel, VanOverbeke Michaud & Timmony, P.C.

APPROVAL OF AGENDA:

Motion by Marsh, supported by Henig, to approve the agenda as amended to include the approval of additional invoices for payment under Item I-D.

Ayes: All. Motion carried unanimously.

APPROVAL OF MINUTES:

Motion by Varney, supported by Marsh, to approve the minutes of the regular meeting held February 18, 2016 and the special meeting held March 2, 2016

Ayes: All. Motion carried unanimously.

COMMUNICATION FROM CITIZENS: None

REPORT FROM LEGAL COUNSEL – HOUSE BILL NO. 5438

Michaud briefed the Board regarding House Bill No. 5438 (known as the “public employee retirement benefit calculation act”) which was introduced by Representative Pat Somerville on March 9, 2016. The bill aims to limit the compensation used in the pension benefit formula calculations and virtually exclude all pay other than base pay. Trustee Marsh commented that he had telephoned Somerville and spoke to him about the proposed legislation. According to Marsh, Somerville stated that the bill’s intent was to curb perceived abuses in Police and Fire Retirement systems as many members receive pensions well in excess of their base pay.

Michaud stated that the bill has little likelihood of becoming law and would face many legal challenges even if it did. Michaud did caution that in a lame duck session of congress, bills of this nature have been

known to pass and become enacted. He said that the firm would continue to monitor the proposed legislation and keep the Board updated.

Motion by Marsh, supported by Henig, to receive and file the House Bill No. 5438 Memorandum from VanOverbeke, Michaud & Timmony, P.C.

Ayes: All. Motion carried unanimously.

CONSENT AGENDA:

Motion by Henig, supported by Varney, to receive and file consent items I A through I D-2.

Ayes: All. Motion carried unanimously.

I. RECEIVE AND FILE:

- A. Benefit register listing for April 1, 2016 from Comerica Bank showing 358 active retirees with a payout for March 2016 of \$891,805.47 and a year-to-date payout of \$3,710,633.99.

- B. Cash and Asset Statements as of March 31, 2016 from Comerica Bank and Morgan Stanley showing a total market value of \$107,488,317.24 comprised as follows:

<u>Desired Allocation</u>	<u>Asset Class / Percentage</u>				
0%	Cash	0.86%	Comerica Bank	\$	927,192.87
16%	Fixed Income	16.88%	Boyd Watterson		18,147,384.52
8%	Fixed Income	8.74%	WAMCO		9,390,493.79
15%	Small Cap	15.91%	Earnest Partners		17,097,553.87
6.8%	Large Cap Value	6.58%	Confluence		7,069,549.86
6.8%	Large Cap Value	7.02%	MFS		7,550,726.64
5%	Large Cap Growth	4.90%	AMI		5,271,382.95
5%	Large Cap Growth	4.45%	Winslow		4,779,156.33
3.4%	Large Cap Growth	3.45%	Janus Capital		3,711,594.84
8%	Large Cap Core	7.95%	London		8,540,557.35
5%	Large Cap Core	4.77%	S&P Index		5,132,152.76
8.5%	Large Cap Global	8.28%	INVESCO		8,897,684.74
8.5%	Large Cap Global	8.01%	Cambiar		8,608,310.78
4%	REITS	2.20%	Principal REIT		2,364,575.94

C. Correspondence

- 1. January 29, 2016 Settlement Report – securities litigation claims.
- 2. Letter and email correspondence with Morgan Stanley dated February 18, 2016 regarding the transfer of funds for the payment of the March 1st benefits.
- 3. Letter and email correspondence with Morgan Stanley dated February 18, 2016 regarding the authorization for the payment of money manager fees.
- 4. Notice received from Morgan Stanley dated February 22, 2016 – Private Wealth Advisor Information Update.
- 5. Notice received from Morgan Stanley dated February 24, 2016 – Update of Contact Information.

6. Confirmation of the transfer of funds received from Morgan Stanley dated February 24, 2016 for the payment of the March 1st benefits.
7. February 26, 2016 Settlement Report – securities litigation claims.
8. Letter and email correspondence with Morgan Stanley dated March 7, 2016 regarding the change in a money manager for the Large Cap Value Equity allocation.
9. Email correspondence and cancellation of the March 17, 2016 GERS regular meeting notice.
10. Confirmation of account change received from Morgan Stanley dated March 8, 2016 regarding new Large Cap Value Equity asset manager.
11. Email correspondence received from Morgan Stanley dated March 15, 2016 regarding drawdown targets and IPS asset allocation.
12. Letter and email correspondence with Morgan Stanley dated March 17, 2016 regarding the transfer of funds for the payment of the April 1st benefits.
13. Confirmation of the transfer of funds received from Morgan Stanley dated March 22, 2016 for the payment of the April 1st benefits
14. March 25, 2016 Settlement Report – securities litigation claims.
15. Notice received from Morgan Stanley dated March 28, 2016 regarding updated fee information.
16. Form ADV documentation for Herndon Capital dated March 30, 2016.
17. Letter sent to Comerica Bank dated April 8, 2016 regarding the deposit of a check for a securities litigation settlement recovery.
18. “Pension & Investments” magazines dated February 22, March 7, March 21 and April 4, 2016.

D. 1. Payable from System Assets

Quarterly management fees from Victory Capital in the amount of \$2,021.00 and \$12,057.00 for the quarters ending March 31 and June 30, 2015 respectively (final). Quarterly management fees from Boyd Watterson in the amount of \$6,808.00 (corrected invoice replacing voided invoice previously approved on January 21st) for the quarter ending March 31, 2016.

2. Payable from City Assets for the period ending March 31, 2016

Quarterly custodian banking fees from Comerica Bank in the amount of \$4,835.26.

REGULAR AGENDA:

II. OLD BUSINESS:

A. Retirement Information for Mary Newton, Librarian, City Library

Motion by Varney, supported by Marsh, to approve the service retirement for Mary Newton, Librarian, City Library effective April 2, 2016 with service credit of 14 years and five months with the monthly pension amount of \$1,856.72 under straight life without annuity withdrawal based on a monthly final average compensation of \$5,670.10.

Ayes: All. Motion carried unanimously.

NEW BUSINESS

A. Processing of Pop-Up Election for Patricia Hassar

Motion by Henig, supported by Varney, to approve the processing of the pop-up election for retiree Patricia Hassar, effective February 25, 2016 (spouse/beneficiary date of death) with a revised monthly benefit of \$1,692.35.

Ayes: All. Motion carried unanimously.

B. Pension Administration Comments

1. Draft Agenda June 1, 2016 Special Meeting

Motion by Marsh, supported by Varney, to approve the change in date of the meeting and the agenda for the June 1, 2016 special meeting as amended.

Ayes: All. Motion carried unanimously.

1. Update of Disability Retiree Medical Exams and Income Verification

Motion by Marsh, supported by Varney, to receive and file the status report for the Disability Retiree Medical Exams and Income Verification.

Ayes: All. Motion carried unanimously.

C. Trustee Comments - None

ADJOURN:

Motion by Henig, supported by Varney, to adjourn the meeting at 2:05 p.m.

Ayes: All. Motion carried unanimously.

Respectfully Submitted,

Jennifer Varney, Acting Secretary / Treasurer