

REGULAR MEETING MINUTES OF THE
STERLING HEIGHTS
POLICE AND FIRE RETIREMENT SYSTEM, ACT 345
MAY 19, 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 3:30 p.m.
2. Board Members Present: Lamerato Wellhausen, Schwarb, Maleszyk, Varney. Also present: Tim Brice, representing The Brice Group/Morgan Stanley Graystone Consulting; Denise Jones representing Rodwan Consulting Co.; Tom Michaud, Legal Counsel; and Nancy Duyck, Pension Technician.
3. APPROVAL OF CONSENT AND REGULAR AGENDAS

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

Ayes: All. The motion carried unanimously.

The following items were added to the regular agenda:

- 8 b 1 - Kenneth Solak - partial DROP distribution - discussion
- 8 b 2 - Anthony Byrd - refund of contributions - discussion
- 8 b 3 - Luke Drejewski - refund of contributions - discussion
- 9 e 2 - Conference call with Eagle Capital - discussion

Motion by Schwarb, supported by Maleszyk, to approve the regular agenda as amended.

Ayes: All. The motion carried unanimously.

4. APPROVAL OF MINUTES

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

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

Ayes: All. The motion carried unanimously.

5. CITIZEN PARTICIPATION

There was no Citizen participation.

6. REPORT FROM LEGAL COUNSEL

No formal legal report was presented. Mr. Michaud commented on items of new business as they were considered.

PRESENTATION- EXPERIENCE STUDY - RODWAN CONSULTING CO.

Denise Jones of Rodwan Consulting Company was in attendance to present the actuarial experience study for the Board's review. She recommended changes to the amortization period, salary increases, disability and mortality rate assumptions.

Motion by Schwarb, supported by Wellhausen, to approve the proposed changes in the assumptions as presented.

Ayes: All. The motion carried unanimously.

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	\$2,948.17	4/01/16
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CONSENT AGENDA

8. BILLS AND EXPENDITURES

- c. Checking Account Summary - cont.

Additions (1)

1.	4/05		\$ 5,000.00	
Subtractions (5)			\$ 2,097.94	
1.	4/26	Check 1997	31.51	AT & T phone bill - 4/16/16
2.	4/08	Check 5365	931.85	Contract Payment Nancy Duyck
3.	4/08	Check 5366	81.34	Contract fee - Gurin & Gurin
4.	4/21	Check 5367	121.40	St. of MI UIA
5.	4/22	Check 5368	931.84	Contract Payment Nancy Duyck
Electronic withdrawals (4)			\$1,338.94	
	1.	4/11	461.54	American Funds IRA contribution
	2.	4/13	385.28	IRS Fed. tax w/h
	3.	4/20	106.82	Michigan St. tax w/h
	4.	4/27	385.30	IRS Fed. tax w/h
Ending Balance			\$4,511.29	4/30/16

d. Transmittal of Checks

1. \$400.00 received from Deborah Duke for a deposit for an EDRO actuarial calculation.

9. FUNDS MANAGEMENT

- a. The current value of funds as of April 30, 2016 is detailed below:

Clearing account	\$	283,463.81
Intercontinental	\$	4,366,073.15
Rothschild	\$	7,351,504.12
Winslow	\$	15,035,553.32
Janus	\$	15,977,156.23
Eagle	\$	15,426,372.07
Confluence	\$	7,459,060.74
Earnest Partners	\$	13,799,074.46
Cambiar	\$	13,875,577.28
AIM/Invesco	\$	16,368,945.15
Western	\$	28,050,032.95
Met West	\$	25,879,922.84

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CONSENT AGENDA

9. FUNDS MANAGEMENT

- a. The current value of funds as of April 30, 2016 is detailed below: - cont.

London Co.	\$	29,661,623.35
MS Cash	\$	863.00
Checking account	\$	<u>4,511.29</u>
TOTAL FUNDS	\$	193,539,733.76

- 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 4/15/16. The System has received \$7,825,982.35 of the 2015/16 budget of \$7,986,312.00, leaving a balance of \$160,329.65.

- c. Benefit Register Listing as of May 1, 2016 from Comerica Bank showing 340 retirees/beneficiaries with a payout for May of \$1,419,413.99 and a year-to-date of \$7,441,974.46.
- d. The current Merrill Lynch Bond index for April 2016 is 2.03%.

10. BENEFITS & PLAN ADMINISTRATION

- a. Old Business - None.

REGULAR AGENDA

8. BILLS AND EXPENDITURES

- a. Disbursements other than retiree benefit payments (bills)
 - 1. Disbursement to Rodwan Consulting Company in the amount of \$300.00 for actuarial services rendered for the Spence EDRO re-calculation.
 - 2. Disbursement to Eagle Capital Management in the amount of \$32,069.14 for investment management fees for the first quarter ending 3/31/16.
 - 3. Disbursement to Metropolitan West Asset Management, LLC in the amount of \$22,541.45 for investment management fees for the first quarter ending 3/31/16.
 - 4. Disbursement to Morgan Stanley in the total amount of \$256,928.06 for investment management fees for the first quarter 2016 for all twelve accounts.

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

Ayes: All. The motion carried unanimously.

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REGULAR AGENDA

8. BILLS AND EXPENDITURES - cont.

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

- 1. Kenneth Solak - partial DROP distribution

Kenneth Solak of the Police Department terminated his DROP retirement as of May 5, 2014. He is requesting a partial DROP distribution from his DROP account. All required paperwork is on file in the Pension Office.

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

Ayes: All. The motion carried unanimously.

- 2. Anthony Byrd - refund of contributions

Police Officer Anthony Byrd was hired on September 21, 2015 and terminated employment on January 22, 2016. He is requesting a refund of his contributions and interest. Walt Hessel has calculated the amount of the refund. All required paperwork is on file in the Pension Office.

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

Ayes: All. The motion carried unanimously.

3. Luke Drejewski - refund of contributions

Police Officer Luke Drejewski was hired on February 15, 2016 and terminated employment on May 3, 2016. He is requesting a refund of his contributions and interest. Walt Hessel has calculated the amount of the refund. All required paperwork is on file in the Pension Office.

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

Ayes: All. The motion carried unanimously.

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REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. 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, first quarter 2016 AIM Market Focus report.

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

The following manager specific comments were discussed:

MetWest

- a. The total portfolio return in the first quarter was 2.5%, ranking in the 87th percentile of the IM U.S. Broad Market Fixed Sample. It trailed the BC Aggregate Bond index (3.0%).
- b. Their total portfolio return was 1.2% since inception (4/1/15). This trailed the BC Aggregate Bond index (2.0%).
- c. The market value as of March 31, 2016 was \$25,783,209, which represented 13.4% of the total portfolio.

Western Asset Management

- a. The total portfolio return in the first quarter was 3.1%, ranking in the 40th percentile of the IM U.S. Broad Market Fixed Sample. It exceeded the BC Aggregate Bond index (3.0%).
- b. Their total portfolio return was 4.4% since inception (7/1/11). This exceeded the BC Aggregate Bond index (3.5%).
- c. The market value as of March 31, 2016 was \$27,820,915, which represented 14.4% of the total portfolio.

Intercontinental Real Estate

- a. The Intercontinental Real Estate return for the first quarter was -0.7%.
- b. Their total portfolio return was 13.6% since inception (7/1/04).
- c. The market value as of March 31, 2016 was \$3,970,273, which represented 2.0% of the total portfolio.

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REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

The London Company

- a. The total portfolio return in the first quarter was 2.0%, ranking in the 21st percentile of the IM U.S. Large Cap Core Equity. It exceeded the S & P 500 Index (1.3%).
- b. Their total portfolio return 0.6% since inception (4/1/15). This trailed the S & P 500 Index (1.8%).
- c. The market value as of March 31, 2016 was \$20,420,347, which represented 10.6% of the total portfolio.

The London Company - iShares Core SP 500 ETF

- a. The total portfolio return in the first quarter was 1.4%, ranking in the 31st percentile of the IM U.S. Large Cap Core Equity. It exceeded the S & P 500 Index (1.3%).
- b. Their total portfolio return 1.9% since inception (4/1/15). This exceeded the S & P 500 Index (1.8%).
- c. The market value as of March 31, 2016 was \$10,178,566, which represented 5.3% of the total portfolio.

Confluence Investment Counsel

- a. The market value as of March 31, 2016 was \$7,299,671, which represented 3.8% of the total portfolio.

Rothschild Investment Counsel

- a. The market value as of March 31, 2016 was \$7,289,180, which represented 3.8% of the total portfolio.

Eagle Investment Counsel

- a. The total portfolio return in the first quarter was -3.7%, ranking in the 98th percentile of the IM U.S. Large Cap Value Equity. It trailed Russell 1000 Value Index (1.6%).
- b. Their total portfolio return was 13.1% since inception (10/1/12). This exceeded the Russell 1000 Value Index (12.1%).
- c. The market value as of March 31, 2016 was \$15,148,632, which represented 7.9% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

Winslow Investment Counsel

- a. The total portfolio return in the first quarter was -5.2%, ranking in the 90th percentile of the IM U.S. Large Cap Growth Equity. It trailed the Russell 1000 Growth Index (0.7%).
- b. Their total portfolio return was 10.4% since inception (4/1/12). This trailed the Russell 1000 Growth Index (12.7%).
- c. The market value as of March 31, 2016 was \$15,001,491, which represented 7.8% of the total portfolio.

Janus Investment Counsel

- a. The total portfolio return in the first quarter was -3.0%, ranking in the 66th percentile of the IM U.S. Large Cap Growth Equity. It trailed the Russell 1000 Growth Index (0.7%).
- b. Their total portfolio return was 12.9% since inception (1/1/10). This trailed the Russell 1000 Growth Index (13.6%).
- c. The market value as of March 31, 2016 was \$16,107,187, which represented 8.3% of the total portfolio.

Earnest Partners

- a. The total portfolio return in the first quarter was 1.7%, ranking in the 33rd percentile of the IM U.S. SMID Cap Core Equity. It exceeded the Russell 2500 Index (0.4%).
- b. Their total portfolio return was 8.4% since inception (10/1/06). This exceeded the Russell 2500 Index (7.3%).
- c. The market value as of March 31, 2016 was \$13,887,650, which represented 7.2% of the total portfolio.

Invesco Capital Management

- a. The total portfolio return in the first quarter was 1.2%, ranking in the 33rd percentile of the IM International Equity. It exceeded the MSCI AC World x US net (-0.4%).
- b. Their total portfolio return was 5.1% since inception (1/1/11). This exceeded the MSCI AC World x US net (0.9%).
- c. The market value as of March 31, 2016 was \$16,360,216, which represented 8.5% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

Campiar

- a. The total portfolio return in the first quarter was -3.3%, ranking in the 83rd percentile of the IM International Equity. It trailed the MSCI AC World x US net (-0.4%).
- b. Their total portfolio return was -3.3% since inception (1/1/16). This trailed the MSCI AC World x US net (-0.4%).
- c. The market value as of March 31, 2016 was \$13,727,000, which represented 7.1% of the total portfolio.

The following table details the Investment Performance Review for the first quarter ending March 31, 2016. Market value of the funds under management as of March 31, 2016 was \$192,954,336.

The total fund return for the first quarter was -0.1%, ranking in the 92nd percentile of Public Plans less than \$500 million, as summarized below:

	12/15 to 3/16	3/15 to 3/16	3/13 to 3/16	3/11 to 3/16	3/06	1/92
<u>Total fund*</u>	-0.1/92	-2.4/70	7.0/22	6.6/46	4.7/90	N.A.

*Ranked against Public Plans less than \$500 million

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

	12/15 to 3/16	4/15 to 3/16
MetWest	2.5/87	1.2/77

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

	12/15 to 3/16	3/15 to 3/16	3/13 to 3/16	7/11 to 3/16
Western	3.1/40	2.2/26	3.3/9	4.4/31

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

	12/15 to 3/16	3/15 to 3/16	3/13 to 3/16	3/11 to 3/16	3/06	7/04
<u>Intercontinental</u>	-0.7	-3.6	15.3	9.1	7.0	13.6

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9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

	12/15 to 3/16	4/15 to 3/16
London Co.	2.0/21	0.6/41

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

12/15 4/15

London Co. iShares to 3/16 to 3/16
Total Fund* 1.4/31 1.9/26
 *Ranked against the IM U.S. Large Cap Core Equity

1/16
 Confluence to 3/16
Total Fund* N.A.
 *Ranked against the IM U.S. Large Cap Value Equity

12/15 3/15 3/13 10/12
 Eagle to 3/16 to 3/16 to 3/16 to 3/16
Total Fund* -3.7/98 -2.9/57 10.8/35 13.1/40
 *Ranked against the IM U.S. Large Cap Value Equity

1/16
 Rothschild to 3/16
Total Fund* N.A.
 *Ranked against the IM U.S. Large Cap Value Equity

12/15 3/15 3/13 4/12
 Winslow to 3/16 to 3/16 to 3/16 to 3/16
Total Fund* -5.2/90 -2.6/75 11.9/64 10.4/79
 *Ranked against the IM U.S. Large Cap Growth Equity

12/15 3/15 3/13 3/11 1/10
 Janus to 3/16 to 3/16 to 3/16 to 3/16 to 3/16
Total Fund* -3.0/66 0.8/37 14.6/19 12.8/22 12.9/48
 *Ranked against the IM U.S. Large Cap Growth Equity

12/15 3/15 3/13 3/11 10/06
 Earnest Part. to 3/16 to 3/16 to 3/16 to 3/16 to 3/16
Total Fund* 1.7/33 -5.9/62 10.1/54 9.6/58 8.4/65
 *Ranked against the IM U.S. SMID Cap Core Equity

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9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

12/15 3/15 3/13 3/11 1/11
 Invesco to 3/16 to 3/16 to 3/16 to 3/16 to 3/16
Total Fund* 1.2/33 -5.0/37 5.3/28 4.7/31 5.1/30
 *Ranked against the IM International Equity

1/16
 Campiar to 3/16
Total Fund* -3.3/83
 *Ranked against the IM International Equity

Mr. Brice discussed the first quarter performance of the total portfolio. He suggested that Winslow be requested to supply monthly updates. A future asset allocation study will be performed with alternative investments (AI) including REITS, private equity, MLPs, and private real estate to the mix.

2. Eagle Capital - conference call - discussion

A conference call was held with Will Hyland of Eagle Capital. He discussed the first quarter performance and answered Board Member's questions.

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

1. James Spence Jr. - DROP retirement termination - discussion

Officer James Spence Jr. of the Police Department terminated his DROP retirement on May 17, 2016. All required paperwork is on file in the Pension Office.

Motion by Schwarb, supported by Wellhausen, to approve the regular pension disbursement, subject to the EDRO, in the gross monthly amount of \$4,186.57 as presented and process the retirement certificate.

Ayes: All. The motion carried unanimously.

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REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

1. James Spence Jr. - DROP retirement termination - discussion - cont.

Motion by Schwarb, supported by Wellhausen, to approve the revised alternate payee retirement benefit for Joann Spence, effective May 18, 2016 with the gross monthly pension benefit of \$1,702.85, under the EDRO straight life option as presented.

Ayes: All. The motion carried unanimously.

2. Roger Mueller - EROP and annuity withdrawal information - discussion

Officer Roger Mueller has applied for EROP from the Police Department effective March 20, 2016. He requested the annuity withdrawal. The Board is now in receipt of the final actuarial calculation. All required paperwork is on file in the Pension Office.

Motion by Schwarb, supported by Wellhausen, to approve the EROP regular straight life pension amount of \$4,940.57 with annuity withdrawal with service credit of 25 years and 6 days based on annual final average compensation of \$90,342.95 and process the annuity withdrawal as presented.

Ayes: All. The motion carried unanimously.

3. Resolution 13 - amendment - discussion

At last month's meeting, there was a request to amend Resolution 13 changing the number of signatures on disbursements from three (3) members to two (2) members.

Motion by Wellhausen, supported by Schwarb, to approve the amended Resolution 13 as presented to be effective on June 1, 2016.

Ayes: All. The motion carried unanimously.

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REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business - cont.

4. G & E Document letter - discussion

Legal Counsel requested Board authorization to process the G&E Document letter for electronic monitoring of the portfolio. .

Motion by Schwarb, supported by Varney, to authorize the Secretary to sign on behalf of the Board the G&E Document letter.

Ayes: All. The motion carried unanimously.

5. Account transfer for June 2016 benefit payments - discussion

As of May 16, 2016, the Clearing Account had a balance of \$205,347.00. An additional \$1,460,000.00 is needed for the June 1, 2016 pension benefit payments and bills from the Clearing Account. The Brice Group has forwarded an e-mail that the additional amount needed should be taken from: \$600,000 from the Janus Capital account; \$600,000 from The London Company account; and \$260,000 from the Earnest Partners account, based on asset allocation targets.

Motion by Wellhausen, supported by Varney, to approve the transfers of the appropriate amount of funds from the accounts noted, based on the asset allocation targets, to provide for pension benefit payments and other disbursements on June 1, 2016.

Ayes: All. The motion carried unanimously.

11. TRUSTEE COMMENTS

None.

12. ADJOURNMENT

Motion by Wellhausen, supported by Schwarb, to adjourn at 5:25 p.m.

Ayes: All. The motion carried unanimously; the meeting is hereby adjourned.

Mark Wellhausen
Secretary