

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

Thursday, June 16, 2016

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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 1:32 p.m.

**BOARD MEMBERS PRESENT:** Rich Weiler, Chairperson  
Brian Baker, Secretary  
Jennifer Varney, Treasurer  
Paul Henig, Trustee  
Todd Marsh, Trustee

**BOARD MEMBERS ABSENT:** None.

**ALSO PRESENT:** Walt Hessel, 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 presented.

Ayes: All. Motion carried unanimously.

**APPROVAL OF MINUTES:**

Motion by Henig, supported by Marsh, to approve the minutes of the regular meeting held May 19, 2016 and the special meeting held June 1, 2016.

Ayes: All. Motion carried unanimously.

**COMMUNICATION FROM CITIZENS:** None

**REPORT FROM LEGAL COUNSEL – VARIOUS CASE UPDATES**

Michaud reviewed recent legal decisions of interest to Michigan public retirement systems compiled from the MAPERS Spring 2016 Conference general reference handout. He cautioned that the case update be viewed as a status report as many cases may be appealed and the decisions reversed in time. While no system can insulate itself from lawsuits, a Board that routinely and consistently follows policy and procedures while providing due process to members will go a long way toward minimizing litigation.

Motion by Baker, supported by Henig to receive and file the MAPERS Recent Legal Issues and Decisions summary from VanOverbeke, Michaud & Timmony, P.C.

Ayes: All. Motion carried unanimously.

Motion by Baker, supported by Henig to receive and file the legal opinion letter from MERS general counsel Patricia J. Tarini in regard to the William J. Lang Asset / Liability Transfer Issue.

Ayes: All. Motion carried unanimously.

Michaud also commented on items as they appeared on the agenda.

**CONSENT AGENDA:**

Motion by Varney, supported by Marsh, to receive and file consent items I A through I C-7.

Ayes: All. Motion carried unanimously.

**I. RECEIVE AND FILE:**

- A. Benefit register listing for June 1, 2016 from Comerica Bank showing 359 active retirees with a payout for May 2016 of \$894,862.33 and a year-to-date payout of \$5,499,530.26.
- B. Cash and Asset Statements as of May 31, 2016 from Comerica Bank and Morgan Stanley showing a total market value of \$107,999,611.97 comprised as follows:

<u>Desired Allocation</u>	<u>Asset Class / Percentage</u>				
0%	Cash	0.85%	Comerica Bank	\$	916,046.44
16%	Fixed Income	16.86%	Boyd Watterson		18,210,277.98
8%	Fixed Income	8.75%	WAMCO		9,447,808.92
15%	Small Cap	16.25%	Earnest Partners		17,555,444.67
6.8%	Large Cap Value	6.69%	Confluence		7,220,734.89
6.8%	Large Cap Value	6.96%	MFS		7,514,358.31
5%	Large Cap Growth	5.00%	AMI		5,395,858.93
5%	Large Cap Growth	4.51%	Winslow		4,874,574.11
3.4%	Large Cap Growth	3.58%	Janus Capital		3,866,585.04
8%	Large Cap Core	7.54%	London		8,148,139.43
5%	Large Cap Core	4.59%	S&P Index		4,955,685.30
8.5%	Large Cap Global	8.22%	INVESCO		8,876,345.83
8.5%	Large Cap Global	8.03%	Cambiar		8,672,757.22
4%	REITS	2.17%	Principal REIT		2,344,994.90

**C. Correspondence**

- 1. Litigation report as of March 31, 2016 – Caterpillar, Prudential & SanDisk (confidential)..
- 2. Email correspondence and letter dated May 19, 2016 sent to Morgan Stanley regarding the transfer of funds for the payment of benefits.
- 3. Email correspondence and letters dated May 19, 2016 sent to Morgan Stanley for the authorization to pay money manager fees.
- 4. Fee information update dated May 20, 2016 received from Morgan Stanley.
- 5. Email correspondence reply dated May 25, 2016 sent to Preqin regarding Real Estate holdings.
- 6. Wire transfer confirmation dated May 26, 2016 from Morgan Stanley regarding the transfer of funds to pay benefits.
- 7. “Pension & Investments” magazines dated May 16 & 30, 2016.

**REGULAR AGENDA:**

## **II. OLD BUSINESS:**

### **A. Revisions to Actuarial Assumptions – Investment Rate of Return**

Discussion ensued with regard to making the downward revision in the nominal rate of investment rate of return used in the annual actuarial valuation process. Hessel noted that the revised rate of 7.75% as recommended by the system's actuarial firm GRS was supported by the secular study presented at the last special quarterly meeting by the system's investment consultant Tim Brice –Morgan Stanley Graystone Consulting. As long as the secular (long-term) projected rate of return either met or exceeded the recommendation by the actuary then the Board had justification for revising to a more conservative rate of return. New guidance under Actuarial Standards of Practice (ASOP) No. 27 tightens the range of reasonable assumptions with regard to the investment rate of return. Primarily the historically lower interest rates on fixed income investments and the impact of the FED eventually normalizing rates have both brought into question the sustainability of the prior 8.0% rate of return.

Motion by Baker, supported by Henig, to approve and adopt the revised economic assumption – nominal rate of investment return from 8.0% to 7.75% as recommended by the system actuary Gabriel Roeder Smith & Company effective with the June 30, 2016 valuation.

Ayes: All. Motion carried unanimously.

## **NEW BUSINESS**

### **A. Change in Retiree Status – Terry Paul (Deceased)**

Motion by Baker, supported by Marsh to approve Dawn Paul (survivor/retiree) to receive Option A benefits equal to 100% that of the deceased retiree Terry Paul in the monthly gross amount of \$6,676.70.

Ayes: All. Motion carried unanimously.

### **B. Pension Administration Comments – None.**

### **C. Trustee Comments – None.**

## **ADJOURN:**

Motion by Marsh, supported by Weiler, to adjourn the meeting at 1:55 p.m.

Ayes: All. Motion carried unanimously.

Respectfully Submitted,

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Brian Baker, Secretary