

REGULAR MEETING MINUTES OF THE  
STERLING HEIGHTS  
POLICE AND FIRE RETIREMENT SYSTEM, ACT 345  
AUGUST 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 3:32 p.m.
2. Board Members Present: Lamerato, Wellhausen, Schwarb, Varney. Absent: Maleszyk (excused). Also present: Tim Brice, representing The Brice Group/Morgan Stanley Graystone Consulting; Tom Michaud, Legal Counsel; and Nancy Duyck, Pension Technician.
3. APPROVAL OF CONSENT AND REGULAR AGENDAS

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

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk. The motion carried.

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

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk. The motion carried.

4. APPROVAL OF MINUTES

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

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

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk. The motion carried.

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.

CONSENT AGENDA

7. CORRESPONDENCE

a. Other correspondence received from:

1. Morgan Stanley - market value weekly updates
2. Robbins Geller Rudman & Dowd LLP

b. Magazines received:

1. Institutional Investor for August 2016
2. Pensions & Investments for July 25 and August 8, 2016.

8. BILLS AND EXPENDITURES

c. Checking Account Summary

|                   |            |         |
|-------------------|------------|---------|
| Beginning Balance | \$1,948.38 | 7/01/16 |
|-------------------|------------|---------|

Additions (1)

|         |             |
|---------|-------------|
| 1. 7/07 | \$ 5,000.00 |
|---------|-------------|

|                  |             |
|------------------|-------------|
| Subtractions (7) | \$ 1,631.71 |
|------------------|-------------|

|         |            |        |                              |
|---------|------------|--------|------------------------------|
| 1. 7/25 | Check 2000 | 343.00 | Accident Fund - WC Prem.     |
| 2. 7/22 | Check 2001 | 402.80 | ND - postage reimb.          |
| 3. 7/29 | Check 2002 | 54.48  | City of SH - printing        |
| 4. 7/27 | Check 2003 | 500.00 | MAPERS - 2 Fall reg.         |
| 5. 7/27 | Check 2004 | 250.00 | MAPERS - 1 Fall reg.         |
| 6. 7/06 | Check 5375 | 80.83  | Contract fee - Gurin & Gurin |
| 7. 7/25 | Check 5376 | 0.60   | St. of MI UIA                |

CONSENT AGENDA

8. BILLS AND EXPENDITURES

c. Checking Account Summary - cont.

|                            |            |
|----------------------------|------------|
| Electronic withdrawals (7) | \$3,289.14 |
|----------------------------|------------|

|    |                |         |            |        |                                 |
|----|----------------|---------|------------|--------|---------------------------------|
|    | 1.             | 7/05    |            | 461.54 | American Funds IRA contribution |
|    | 2.             | 7/06    |            | 385.30 | IRS Fed. tax w/h                |
|    | 3.             | 7/13    | DD 1003    | 953.59 | Contract Payment Nancy Duyck    |
| 4. | 7/14           |         |            | 34.00  | Stop payment service charge     |
|    | 5.             | 7/20    |            | 394.30 | IRS Fed. tax w/h                |
|    | 6.             | 7/20    |            | 106.82 | Michigan St. tax w/h            |
| 7. | 7/27           | DD 1004 |            | 953.59 | Contract Payment Nancy Duyck    |
|    | Ending Balance |         | \$2,027.53 |        | 7/31/16                         |

d. Transmittal of Checks

There were no checks received this month.

9. FUNDS MANAGEMENT

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

|                  |    |                 |
|------------------|----|-----------------|
| Clearing account | \$ | 1,330,013.95    |
| Intercontinental | \$ | 2,254,450.97    |
| Winslow          | \$ | 15,278,869.36   |
| Janus            | \$ | 15,681,656.09   |
| Eagle            | \$ | 15,947,298.91   |
| Confluence       | \$ | 7,608,929.97    |
| Rothschild       | \$ | 7,658,258.16    |
| Earnest Partners | \$ | 14,422,011.22   |
| Cambiar          | \$ | 13,924,390.82   |
| AIM/Invesco      | \$ | 16,423,494.41   |
| Western          | \$ | 28,197,321.90   |
| Met West         | \$ | 25,834,927.68   |
| London Co.       | \$ | 30,966,559.25   |
| MS Cash          | \$ | 794.00          |
| Checking account | \$ | <u>2,027.53</u> |
| TOTAL FUNDS      | \$ | 195,531,004.22  |

b. The Board received a copy of the Summary of Employer Contributions to the Police and Fire Retirement System for the 2016 tax year as of 7/29/16. The System has received \$892,100.00 of the 2016/17 budget of \$7,994,747.00, leaving a balance of \$7,102,647.00.

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CONSENT AGENDA

9. FUNDS MANAGEMENT - cont.

c. Benefit Register Listing as of August 1, 2016 from Comerica Bank showing 359 retirees/beneficiaries with a payout for August of \$1,521,805.18 and a year-to-date of \$13,416,746.64.

d. The current Merrill Lynch Bond index for July 2016 is 1.78%.

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 total amount of \$600.00 for actuarial services rendered for the Guerra EDRO calculation (\$300) and the L. LaBaere EDRO re-calculation (\$300).
  - 2. Disbursement to Comerica Bank in the total amount of \$1,773.60 for services rendered to the Clearing and Intercontinental accounts for the second quarter ended 6/30/16.
  - 3. Disbursement to Eagle Capital Management in the amount of \$31,726.56 for investment management fees for the second quarter ending 6/30/16.
  - 4. Disbursement to Morgan Stanley in the total amount of \$252,172.68 for investment management fees for the second quarter ending 6/30/16 for all eleven accounts.
  - 5. Disbursement to Metropolitan West Asset Management, LLC in the amount of \$22,443.83 for investment management fees for the second quarter ending 6/30/16.

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

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk. The motion carried.

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#### REGULAR AGENDA

#### 8. BILLS AND EXPENDITURES

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

- 1. Kenneth P. Durham - partial DROP distribution

Kenneth P. Durham of the Fire Department terminated his DROP retirement as of June 16, 2015. 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: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk. The motion carried.

#### 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, second 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 second quarter was 1.7%, ranking in the 97th percentile of the IM U.S. Broad Market Fixed Sample. It trailed the BC Aggregate Bond index (2.2%).
- b. Their total portfolio return was 2.6% since inception (4/1/15). This trailed the BC Aggregate Bond index (3.4%).
- c. The market value as of June 30, 2016 was \$25,555,747, which represented 13.6% of the total portfolio.

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REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

Western Asset Management

- a. The total portfolio return in the second quarter was 2.8%, ranking in the 29th percentile of the IM U.S. Broad Market Fixed Sample. It exceeded the BC Aggregate Bond index (2.2%).
- b. Their total portfolio return was 4.8% since inception (7/1/11). This exceeded the BC Aggregate Bond index (3.8%).
- c. The market value as of June 30, 2016 was \$27,915,203, which represented 14.8% of the total portfolio.

Intercontinental Real Estate

- a. The Intercontinental Real Estate return for the second quarter was 1.9%.
- b. Their total portfolio return was 13.5% since inception (7/1/04).
- c. The market value as of June 30, 2016 was \$1,896,441, which represented 1.0% of the total portfolio.

The London Company

- a. The total portfolio return in the second quarter was 4.9%, ranking in the 5th percentile of the IM U.S. Large Cap Core Equity. It exceeded the S & P 500 Index (2.5%).
- b. Their total portfolio return was 4.5% since inception (4/1/15). This exceeded the S & P 500 Index (3.4%).
- c. The market value as of June 30, 2016 was \$20,432,395, which represented 10.8% of the total portfolio.

The London Company - iShares Core SP 500 ETF

- a. The total portfolio return in the second quarter was 2.3%, ranking in the 45th percentile of the IM U.S. Large Cap Core Equity. It trailed the S & P 500 Index (2.5%).
- b. Their total portfolio return was 3.2% since inception (4/1/15). This trailed the S & P 500 Index (3.4%).
- c. The market value as of June 30, 2016 was \$9,777,361, which represented 5.2% of the total portfolio.

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## REGULAR AGENDA

### 9. FUNDS MANAGEMENT

#### e. Quarterly Performance Report

##### 1. The Brice Group

###### Confluence Investment Counsel

- a. The total portfolio return in the second quarter was 2.2%, ranking in the 55th percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value Index (4.6%).
- b. Their total portfolio return was 2.2% since inception (4/1/16). This trailed the Russell 1000 Value Index (4.6%).
- c. The market value as of June 30, 2016 was \$7,433,226, which represented 3.9% of the total portfolio.

###### Eagle Investment Counsel

- a. The total portfolio return in the second quarter was 1.8%, ranking in the 65th percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value Index (4.6%).
- b. Their total portfolio return was 12.8% since inception (10/1/12). This exceeded the Russell 1000 Value Index (12.6%).
- c. The market value as of June 30, 2016 was \$15,373,580, which represented 8.2% of the total portfolio.

###### Rothschild Investment Counsel

- a. The total portfolio return in the second quarter was 2.5%, ranking in the 50th percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value Index (4.6%).
- b. Their total portfolio return was 2.5% since inception (4/1/16). This trailed the Russell 1000 Value Index (4.6%).
- c. The market value as of June 30, 2016 was \$7,472,181, which represented 4.0% of the total portfolio.

###### Winslow Investment Counsel

- a. The total portfolio return in the second quarter was 1.3%, ranking in the 33rd percentile of the IM U.S. Large Cap Growth Equity. It exceeded the Russell 1000 Growth Index (0.6%).
- b. Their total portfolio return was 10.1% since inception (4/1/12). This trailed the Russell 1000 Growth Index (12.1%).
- c. The market value as of June 30, 2016 was \$14,538,164, which represented 7.7% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

Janus Investment Counsel

- a. The total portfolio return in the second quarter was 1.9%, ranking in the 23rd percentile of the IM U.S. Large Cap Growth Equity. It exceeded the Russell 1000 Growth Index (0.6%).
- b. Their total portfolio return was 12.7% since inception (1/1/10). This trailed the Russell 1000 Growth Index (13.1%).
- c. The market value as of June 30, 2016 was \$14,843,460, which represented 7.9% of the total portfolio.

Earnest Partners

- a. The total portfolio return in the second quarter was 4.3%, ranking in the 7th percentile of the IM U.S. SMID Cap Core Equity. It exceeded the Russell 2500 Index (3.6%).
- b. Their total portfolio return was 8.7% since inception (10/1/06). This exceeded the Russell 2500 Index (7.5%).
- c. The market value as of June 30, 2016 was \$13,986,001, which represented 7.4% of the total portfolio.

Invesco Capital Management

- a. The total portfolio return in the second quarter was -2.8%, ranking in the 84th percentile of the IM International Equity. It trailed the MSCI AC World x US net (-0.6%).
- b. Their total portfolio return was 4.3% since inception (1/1/11). This exceeded the MSCI AC World x US net (0.8%).
- c. The market value as of June 30, 2016 was \$15,869,257, which represented 8.4% of the total portfolio.

Campiar

- a. The total portfolio return in the second quarter was -2.5%, ranking in the 80th percentile of the IM International Equity. It trailed the MSCI AC World x US net (-0.6%).
- b. Their total portfolio return was -5.6% since inception (1/1/16). This trailed the MSCI AC World x US net (-1.0%).
- c. The market value as of June 30, 2016 was \$13,360,926, which represented 7.1% of the total portfolio.

The following table details the Investment Performance Review for the second quarter ending June 30, 2016. Market value of the funds under management as of June 30, 2016 was \$188,453,941.

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9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

The total fund return for the second quarter was 1.6%, ranking in the 67<sup>th</sup> percentile of Public Plans < \$500 million, as summarized below:

|                    | 3/16<br><u>To 6/16</u> | 6/15<br><u>to 6/16</u> | 6/13<br><u>to 6/16</u> | 6/11<br><u>to 6/16</u> | 6/06<br><u>to 6/16</u> | 1/92   |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--------|
| <u>Total fund*</u> | 1.6/67                 | -0.4/71                | 7.8/16                 | 6.8/47                 | 5.0/94                 | 7.1/74 |

\*Ranked against Public Plans < \$500 million

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

|                    | 3/16<br><u>to 6/16</u> | 6/15<br><u>to 6/16</u> | 4/15<br><u>to 6/16</u> |
|--------------------|------------------------|------------------------|------------------------|
| MetWest            |                        |                        |                        |
| <u>Total Fund*</u> | 1.7/97                 | 5.4/72                 | 2.6/85                 |

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

|                    | 3/16<br><u>to 6/16</u> | 6/15<br><u>to 6/16</u> | 6/13<br><u>to 6/16</u> | 6/11<br><u>to 6/16</u> | 7/11<br><u>to 6/16</u> |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Western            |                        |                        |                        |                        |                        |
| <u>Total Fund*</u> | 2.8/29                 | 7.3/4                  | 5.3/8                  | 4.8/29                 | 4.8/29                 |

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

|                  | 3/16<br><u>to 6/16</u> | 6/15<br><u>to 6/16</u> | 6/13<br><u>to 6/16</u> | 6/11<br><u>to 6/16</u> | 6/06<br><u>to 6/16</u> | 7/04<br><u>to 6/16</u> |
|------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Intercontinental | 1.9                    | -1.2                   | 15.2                   | 8.1                    | 6.8                    | 13.5                   |

|                    | 3/16<br><u>to 6/16</u> | 6/15<br><u>to 6/16</u> | 4/15<br><u>to 6/16</u> |
|--------------------|------------------------|------------------------|------------------------|
| London Co.         |                        |                        |                        |
| <u>Total Fund*</u> | 4.9/5                  | 6.1/18                 | 4.5/18                 |

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

|                    | 3/16<br><u>to 6/16</u> | 6/15<br><u>to 6/16</u> | 4/15<br><u>to 6/16</u> |
|--------------------|------------------------|------------------------|------------------------|
| London Co. iShares |                        |                        |                        |
| <u>Total Fund*</u> | 2.3/45                 | 3.8/29                 | 3.2/29                 |

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

|                    | 3/16<br><u>to 6/16</u> |
|--------------------|------------------------|
| Confluence         |                        |
| <u>Total Fund*</u> | 2.2/55                 |

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

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REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group - cont.

|                    | 3/16<br><u>to 6/16</u> | 6/15<br><u>to 6/16</u> | 6/13<br><u>to 6/16</u> | 10/12<br><u>to 6/16</u> |
|--------------------|------------------------|------------------------|------------------------|-------------------------|
| Eagle              |                        |                        |                        |                         |
| <u>Total Fund*</u> | 1.8/65                 | -2.7/67                | 10.0/38                | 12.8/40                 |

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

Rothschild 3/16  
to 6/16  
Total Fund\* 2.5/50  
 \*Ranked against the IM U.S. Large Cap Value Equity

Winslow 3/16 6/15 6/13 4/12  
to 6/16 to 6/16 to 6/16 to 6/16  
Total Fund\* 1.3/33 -2.0/65 11.8/59 10.1/77  
 \*Ranked against the IM U.S. Large Cap Growth Equity

Janus 3/16 6/15 6/13 6/11 1/10  
to 6/16 to 6/16 to 6/16 to 6/16 to 6/16  
Total Fund\* 1.9/23 2.7/23 14.3/14 13.2/14 12.7/44  
 \*Ranked against the IM U.S. Large Cap Growth Equity

Earnest Part. 3/16 6/15 6/13 6/11 10/06  
to 6/16 to 6/16 to 6/16 to 6/16 to 6/16  
Total Fund\* 4.3/7 -0.3/38 11.7/32 11.2/34 8.7/54  
 \*Ranked against the IM U.S. SMID Cap Core Equity

Invesco 3/16 6/15 6/13 6/11 1/11  
to 6/16 to 6/16 to 6/16 to 6/16 to 6/16  
Total Fund\* -2.8/84 -7.7/46 4.7/30 3.7/36 4.3/35  
 \*Ranked against the IM International Equity

Campiar 3/16 1/16  
to 6/16 to 6/16  
Total Fund\* -2.5/80 -5.6/84  
 \*Ranked against the IM International Equity

Mr. Brice discussed the second quarter performance of the total portfolio. He suggested that Eagle and Cambiar be requested to attend a future meeting to discuss performance. He will also provide the Board with an article about MLPs. He will provide a percentage of cash on the money managers.

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REGULAR AGENDA

9. FUNDS MANAGEMENT

f. Review of Service Providers

1. Comerica

The services of the Board's custodian were reviewed. Also discussed were their new updates to the pension program. Their service continues to be satisfactory.

2. VanOverbeke, Michaud & Timmony

The Board noted that it's Legal Counsel, VanOverbeke, Michaud, and Timmony, LC continues to provide excellent service at reasonable fees.

3. The Brice Group

The services of the Board's performance consultant were reviewed. Their service continues to be satisfactory.

4. Rodwan Consulting Company

The services of the Board's actuary were reviewed. Their service continues to be satisfactory.

5. Gurin & Gurin

Gurin & Gurin provides payroll services for the Pension Technician, with associated tax withholding, payments to the IRA provider, etc. related to payroll. Their service continues to be satisfactory.

6. Pension Technician

The services of the Board's Pension Technician were reviewed. Her service continues to be satisfactory.

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REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

1. New electronic purchase - discussion

The Board discussed purchasing either tablets or I Pads for the receipt of the monthly agenda packages instead of paper copies.

Motion by Wellhausen, supported by Schwarb, to approve the purchase of six (6) tablets at a cost not to exceed \$1,500.00

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk. The motion carried.

Wellhausen will discuss the purchase with the City IT department. Legal Counsel will provide an electronic policy for the Board's review.

11. TRUSTEE COMMENTS

None.

12. ADJOURNMENT

Motion by Wellhausen, supported by Varney, to adjourn at 5:11 p.m.

Ayes: Lamerato, Wellhausen, Schwarb, Varney.

Absent: Maleszyk.

The motion carried; the meeting is hereby adjourned.

Mark Wellhausen  
Secretary