

REGULAR MEETING MINUTES OF THE
STERLING HEIGHTS
POLICE AND FIRE RETIREMENT SYSTEM, ACT 345
SEPTEMBER 15, 2016
CITY HALL CONFERENCE ROOM #201
40555 UTICA ROAD
STERLING HEIGHTS, MI 48313

1. President Lamerato called the regular meeting of the Police and Fire Retirement System to order at 2:45 p.m.
2. Board Members Present: Lamerato, Wellhausen, Schwarb, Maleszyk (arrived at 3:50), Varney. Also present: Tim Brice, representing The Brice Group/Morgan Stanley Graystone Consulting; John Johnson of Eagle Capital via Conference Call; Tim Scanlan and Libby Toudouze representing Cushing Asset Management; Jeff Jorgensen representing Center Coast Capital; Tom Michaud, Legal Counsel; and Nancy Duyck, Pension Technician.

3. APPROVAL OF CONSENT AND REGULAR AGENDAS

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

Ayes: All. The motion carried unanimously.

The following items were added to the regular agenda:

8 a 1 - Bill from VanOverbeke, Michaud & Timmony, PC

9 f - MLP Presentations

Motion by Schwarb, supported by Wellhausen, 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 August 18, 2016.

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

Ayes: All. The motion carried unanimously.

5. CITIZEN PARTICIPATION

Members of the General Employees Retirement System and Walt Hessel were in attendance to hear the money manager presentations.

6. REPORT FROM LEGAL COUNSEL

This item was taken up after Item 11.

CONSENT AGENDA

7. CORRESPONDENCE

- a. Other correspondence received from:
 - 1. Morgan Stanley - market value weekly updates
 - 2. The Pomerantz Monitor newsletter
 - 3. Robbins Geller Rudman & Dowd LLP
 - 4. Rothschild - Form ADV Part 2B
- b. Magazines received:
 - 1. Institutional Investor for September 2016
 - 2. Pensions & Investments for August 22 and September 5, 2016.

8. BILLS AND EXPENDITURES

c. Checking Account Summary

Beginning Balance	\$2,027.53	8/01/16
Additions (1)		
1. 8/05	\$ 5,000.00	
Subtractions (4)		
1. 8/04	Check 2005	26.31 AT & T phone bill - 7/16/16
2. 8/08	Check 2006	116.04 Office Depot - supplies
3. 8/25	Check 2007	42.22 AT & T phone bill - 8/16/16
4. 8/15	Check 5377	120.54 Contract fee - Gurin & Gurin

CONSENT AGENDA

8. BILLS AND EXPENDITURES

c. Checking Account Summary - cont.

Electronic withdrawals (7)	\$3,945.16
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1.	8/03		394.30	IRS Fed. tax w/h
2.	8/10	DD 1005	953.59	Contract Payment Nancy Duyck
3.	8/15		692.31	American Funds IRA contribution
4.	8/17		394.30	IRS Fed. tax w/h
5.	8/22		162.77	Michigan St. tax w/h
6.	8/24	DD 1006	953.59	Contract Payment Nancy Duyck
7.	8/31		394.30	IRS Fed. tax w/h
Ending Balance			\$2,777.26	8/31/16

d. Transmittal of Checks

There were no checks received this month.

9. FUNDS MANAGEMENT

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

Clearing account	\$	626,676.92
Intercontinental	\$	2,290,596.97
Winslow	\$	15,285,199.30
Janus	\$	15,562,464.63
Eagle	\$	16,057,843.86
Confluence	\$	7,575,781.82
Rothschild	\$	7,662,195.03
Earnest Partners	\$	14,534,115.53
Cambiar	\$	14,001,326.57
AIM/Invesco	\$	16,419,087.08
Western	\$	28,241,988.33
Met West	\$	25,798,754.97
London Co.	\$	30,787,261.40
MS Cash	\$	750.00
Checking account	\$	<u>2,777.26</u>
TOTAL FUNDS	\$	194,846,819.67

b. The Board received a copy of the Summary of Employer Contributions to the Police and Fire Retirement System for the 2016 tax year received 9/6/16. The System has received \$5,166,600.00 of the 2016/17 budget of \$7,994,747.00, leaving a balance of \$2,828,147.00.

Regular Meeting Minutes - September 15, 2016
Page Four

CONSENT AGENDA

9. FUNDS MANAGEMENT - cont.

c. Benefit Register Listing as of September 1, 2016 from Comerica Bank showing 359 retirees/beneficiaries with a payout for September of \$1,512,640.93 and a year-to-date of \$15,095,379.93.

d. The current Merrill Lynch Bond index for August 2016 is 1.87%.

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 VanOverbeke, Michaud & Timmony, PC in the total amount of \$3,960.00 for legal services rendered for the period of 1/1/16 through 6/30/16.

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

Ayes: All. The motion carried unanimously.
- b. Disbursements to retirees/members other than monthly benefit payments
 - 1. Joseph Tharrett - partial DROP distribution

Joseph Tharrett of the Police Department terminated his DROP retirement as of September 15, 2016. He requested a partial DROP rollover 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.

Regular Meeting Minutes - September 15, 2016
Page Five

REGULAR AGENDA

9. FUNDS MANAGEMENT

- e. Quarterly Performance Report
 - 1. Eagle Capital - conference call - discussion

A conference call was held with John Johnson of Eagle Capital. He discussed the first quarter performance and answered Board Member's questions.
- f. Master Limited Partnerships (MLPs) presentations

Along with the General Employees Retirement Board and Walt Hessel, the Board heard presentations from MLP Managers as follows:
 - 1. Cushing Asset Management

Tim Scanlan and Libby Toudouze represented Cushing Asset Management at this meeting. They presented a detailed report regarding MLPs. They reviewed the written report in detail and also responded to individual Board Members' questions.
 - 2. Center Coast Capital

Jeff Jorgensen represented Center Coast Capital at this meeting. He presented a detailed report regarding MLPs. He reviewed the written report in detail and also responded to individual Board Members' questions.

The General Employees Board and Walt Hessel departed the meeting.

After discussion, the following motion was made:

Motion by Wellhausen, supported by Schwarb, to allocate 5% from Large Cap equities to Cushing Asset Management, based on the recommendation from the Consultant.

Ayes: All. The motion carried unanimously.

Regular Meeting Minutes - September 15, 2016
Page Six

REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

1. Joseph Tharrett - DROP termination retirement - discussion

Sgt. Joseph Tharrett of the Police Department terminated his DROP retirement as of September 15, 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 \$6,321.05 as presented, and process the retirement certificate.

Ayes: All. The motion carried unanimously.

2. Kenneth Pappas - EDRO resolution - discussion

The Board is in receipt of an Eligible Domestic Relation Order dated June 30, 2016 that purports to grant Alternate Payee Kelly Pappas part of the monthly pension benefit normally payable to Kenneth Pappas.

Legal Counsel has opined that the EDRO is consistent with the provisions of the Retirement System and applicable law.

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

Ayes: All. The motion carried unanimously.

3. Electronic purchase update and Computer Use Policy - discussion

Mr. Wellhausen gave an update on the purchase of electronic devices. Also, Legal Counsel supplied a draft Computer Use Policy for the Board's review.

11. TRUSTEE COMMENTS
None.

6. REPORT FROM LEGAL COUNSEL

Mr. Michaud requested that the Board go into closed session to discuss litigation.

Motion by Schwarb, supported by Maleszyk, to go into closed session to discuss securities litigation.

Ayes: Lamerato, Wellhausen, Schwarb, Maleszyk, Varney.

The motion carried.

Motion by Wellhausen, supported by Schwarb, to exit closed session.

Ayes: Lamerato, Wellhausen, Schwarb, Maleszyk, Varney.

The motion carried.

The following motion was considered:

Motion by Schwarb, supported by Wellhausen, to authorize Legal Counsel to pursue litigation regarding Corrections Corporation of America.

Ayes: All. The motion carried unanimously.

12. ADJOURNMENT

Motion by Varney, supported by Wellhausen, to adjourn at 4:50 p.m.

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

Mark Wellhausen
Secretary