

**MINUTES**  
**WASHTENAW COUNTY EMPLOYEES' RETIREMENT COMMISSION**  
**Board of Commissioners Meeting Room 220 N. Main St., Ann Arbor, MI 48107**  
**February 26, 2013 9:00 am**

Scott Miller called the meeting to order at 9:01am

Monica Boote called the roll

MEMBERS PRESENT: Kelly Belknap, Nancy Heine, Scott Miller, Deb Schmitt, Verna McDaniel (9:05 am)

MEMBERS ABSENT: Dan Smith, Conan Smith

OTHERS PRESENT: Monica Boote, Retirement Office; Lisa Everton, Human Resources; Michael Holycross and Brian Green, Graystone Consulting; Tom Michaud, VanOverbeke Michaud & Timmony, Catherine McClary, Treasurer's office; Donna Schmidt, AWARE Representative

**Public Participation**

None

**Approval of Minutes - January 22, 2013**

Nancy Heine seconded by Kelly Belknap motion to approve the minutes of January 22, 2013as presented. All in favor. Motion carried.

**Approval of Consent and Regular Agenda**

Kelly Belknap seconded by Deb Schmitt motion to approve the Consent and Regular Agenda as presented. All in favor. Motion carried.

Scott Miller and Monica Boote introduced Lisa Everton as the new Human Resources Management Assistant for the WCERS Board and welcomed her.

**CONSENT AGENDA**

**A. Communications**

1. Washtenaw County Finance, STIF reports through 1.31.12
2. Bahl & Gaynor, Sector Review, The US Energy Boom
3. Munder, Market Review, 4Q12
4. Munder, Quarterly Strategy Commentary, 4Q12
5. Piedmont, Dividend Statement, 12.21.12
6. Santa Barbara, Dividend Growth Commentary, 4Q12
7. Systematic, Mid Cap Value Quarterly Report, 4Q12
8. WHV, Organizational Announcement, Departure of Jeff Romrell, 2.11.13

**B. Communications on File**

1. Alliance Bernstein, Account Summary, 1.31.13
2. Bahl & Gaynor, Portfolio Summary, Settled Trades, as of 12.31.12
3. Bahl & Gaynor, Performance Summary, as of 12.31.12
4. Earnest Partners, Monthly Statement, as of 1.31.13
5. Loomis Sayles, Monthly Reports, 1.31.13
6. Munder, Appraisal of Assets, 1.31.13
7. Penn Square, Investor Statement (unaudited), 3Q12
8. Robbins Geller Rudman & Dowd, LLP, Portfolio Monitoring Report, 12.28.12
9. Robbins Geller Rudman & Dowd, LLP, Portfolio Monitoring Report, 1.25.13
10. Robbins Geller Rudman & Dowd, LLP, Class Action Settlement due March 2013
11. Santa Barbara, Performance Summary, as of 12.31.12
12. Santa Barbara, Holdings Detail, as of 12.31.12
13. Santa Barbara, Transactions, 4Q12

**C. Payment of Bills**

Vendor	Description of Services	Amount Due	Invoice #
Bahl & Gaynor	Management Fee, 4Q12	10,771.11	WCERS 4Q12
Gallagher Risk Management Services	Fiduciary Liability Insurance Renewal	13,475.00	29114
JP Morgan Chase Bank	Management Fee, Core Bond, 4Q12	43,372.52	20121231-15197-A
JP Morgan Chase Bank	Management Fee, Strat Property, 3Q12	21,271.21	20120930-16974-A
JP Morgan Chase Bank	Management Fee, Special Sit Property, 3Q12	36,349.75	
Loomis Sayles	Management Fee, 4Q12	18,401.81	153409
WHV	Management Fee, 4Q12	12,500.00	WCERS 4Q12

**Invoices Processed requiring approval**

Bahl & Gaynor	Management Fee, Partial 3Q12	7,461.26	WCERS P3Q12
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**D. Service Retirement Application**

**E. Service Retirement Finals**

Name	Retirement Date	Employee Group	Type	FAC	Years of Service
Janis Bobrin	01/01/13	Elected	Normal	\$104,023.82	24Y
Jean Cecil	07/01/12	Retiree	Deferred	\$32,842.35	16Y 8M
Melinda Morris	01/01/13	Judges	Normal	\$27,434.40	24Y

**F. Intent to Purchase Prior Public / Military Service**

1. Prior Public
2. Prior Military

**G. Final Purchase Approval Resolutions – Prior Public / Military Service**

1. Prior Public
2. Prior Military

**H. Application for Refund of Contributions & Termination of Membership**

Name	Termination Date	Vested	Approximate Distribution Amount
Anne O Akinfenwa	2/19/13	No	\$34,734.81
Becky M Alexander	01/02/13	No	\$1,125.78
Pamela S Barron	02/01/13	No	\$2,151.90
Tracee S Brookins	12/14/12	No	\$1,976.56
Angela J Davis	02/22/13	No	\$240.40
Dione B Gulley	01/11/13	No	\$2,041.06
Belinda K LeBlanc	11/24/12	No	\$53,484.20
Heather E Mooney	01/04/13	No	\$24,878.57
Thomas P Payne	11/09/12	No	\$9,884.44
Daryl Tanski	12/31/12	Yes	\$182,677.15

**I. Application for Deferred Retirement Benefit**

**J. Pension Benefit Changes**

1. **Termination of Benefits**  
Arlene West, deceased 01.24.13, retired 04.15.91, Option: Straight Life
2. **Life Insurance – Death Benefit**  
Arlene West, deceased 01.24.13, beneficiary James West

**3. Payment to Survivor**

**4. Popup to Straight Life**

Linda L Brown, Survivor Beneficiary Brian Brown deceased 01.24.13, Option III – Pop Up to Straight Life

**K. EDRO / DRO**

**REGULAR AGENDA**

**Investment Consultant's Report – Michael Holycross / Brian Green**

**A. All Cap Equity Interview Follow Up**

Brian Green led a follow up discussion regarding the All Cap Equity Interviews of December 3, 2012. The firms interviewed were Cramer Rosenthal McGlynn (CRM), Manning & Napier and Tradewinds. Tradewinds is no longer a viable candidate since their assets under management has significantly declined with their new parent company.

Cramer Rosenthal McGlynn is 2/3bank owned and 1/3 employee/family owned; with 48 stocks in portfolio, at the time of the interview; and their top 10 stocks make up 28% of their portfolio. Their fee schedule is 1% on first \$25 million.

Manning & Napier is a much larger firm that is publicly traded with 86% majority of stocks owned by family and employees, a broader and more diversified portfolio of 73 stocks, at the time of the interview; and their top 10 stocks make up 30% of their portfolio. Their fee schedule is 1% on the first \$2 million, 0.75% on next \$48 million, assuming \$14 million a 0.79% effective rate would be experienced.

Scott Miller led a discussion, polling all Board members about the interview recommendations. Deb Schmitt, who attended the interviews, did not like Tradewinds. She liked Manning & Napier because it felt as if they were investing in themselves. If the Board was only choosing one she would recommend Manning/Napier. Kelly Belknap, who attended the interviews, seconds Deb's thoughts and would lean towards hiring Manning/Napier and questioned if it was possible to hire both firms and split the investment monies. Brian said that would be acceptable, even though there may be a \$10 million minimum investment amount with CRM, Brian felt they would waive the requirement with a \$7 million investment. Verna McDaniel is in favor of splitting and discussed performance and return with both firms. Nancy Heine is also in favor of an allocation split between the firms. Scott Miller who was also attended the interviews preferred CRM. He favored their presentation and believed their overall performance was better. Mr. Green reported that Manning & Napier currently has 80 holdings, about ten more than an at the interview and asked if there were any concerns regarding the current number of holdings. Scott expressed concern that the portfolio may be diluted with too many names and be over-diversified. Brian explained that there is no real risk of over-diversification with only four domestic managers possibly five, with small cap; all cap portfolios that are passive, liquid and economical. Monica Boote, Retirement Administrator, preferred CRM at the interview as well. Monica appreciated that there were five dedicated research oriented staff and was fond of the three person decision process approach. She also appreciated the analysis of down side risk before the purchase is executed.

Nancy Heine questioned if there was any cost to split the allocation to which Mr. Green responded that the only cost would be the set fee schedules as presented which was at 1% for CRM and a blended rate of 0.82% for Manning & Napier for our investment of approximately \$7.5 million. Brian Green recommends consolidating the Munder (\$7.4 million) and Systematic (\$7.3 million) portfolios to fund an All Cap Allocation.

Verna McDaniel seconded by Deb Schmitt motion to split the All Cap Allocation between Cramer Rosenthal McGlynn and Manning Napier as recommended. All in favor. Motion carried.

**B. Performance Report Q412**

Brian Green focused on Bahl & Gaynor and WHV International. Bahl & Gaynor's long term performance for the last seven years has outperformed the benchmark while being consistently ranked in the fourth quartile. The goal is to have money managers consistently above median. WHV International has been wildly successful with their past record, and with only one exception has been in the top quartile. Overall fund performance is up 10.9%

**C. January 2013 Performance Update**

Mr. Green reported that our January 2013 performance is up 2.83%. Does the performance in January predict for the remainder of year? Not necessarily a good projection, Common Sense, Earnest Partners and Fixed Income are in

negative territory. The portfolio requires further diversity and is dependent upon global vs. domestic interest rates. The cash balance has increased with the DE Shaw rebalance from the last meeting.

Scott Miller inquired about the portfolio's lineup and targets. Michael Holycross clarified where market environment are currently and reminded Trustees of the standard market cycle of 3-5 years. Mr. Holycross further explained emerging market equities and what the current market outlook is. Current corporate balances are healthy. Mr. Miller inquired if we were in a market bubble to which Mr. Holycross responded that market reactions have been positive with input from the Federal Reserve and it will likely continue until there is a rise in interest rates and inflation begins moving against those rates.

Brian Green added that with the current Loomis, Brandywine and solid real estate allocations that there will be new changes in Michigan state law allocations from 10 – 20% in next year regarding hedge funds and private equity that will decrease reliance on US equity market which is 30% of portfolio. This provides us with options and opportunities for more stable returns. Brian reminded the members of the old adage "Don't fight the feds."

Nancy Heine inquired about the federal budget sequester and new fiscal cliff deadline to which Michael Holycross addressed that the markets have been looking past the 3/1/13 deadline on spending cuts with little pullback and are more concerned about International news, the Italian election results, European Union (EU), bonds, and the Italian debt being spread across the EU.

Scott Miller questioned the National debt. The fear is possible rising interest rates impact on the federal government and the national debt. The United States has a spending problem, but interest rates continue to be at their lowest rate ever and as a matter of fact interest rates have never been this low.

Nancy Heine had some reservation about the health of the fund since the Actuarial report states the fund is currently only financed at 65%. The employer, Washtenaw County, continues to fund their obligation and in the long term will be stable. WCERS still has the ability to fund further from the employer which could be a warning flag considering the number of changes from a demographic standpoint only. It will be a slow grind out of the hole created by the losses in 2008 but the County is currently in good fiscal health. When compared to other clients of Graystone, Mr. Holycross was confident of WCERS standing in the middle of the pack.

#### **Legal Advisor's Report – Tom Michaud**

##### **A. Legislative Update**

Tom Michaud reported that there has been a change to State of Michigan law regarding Special Meeting notification requirements. Special Meeting notification must now also be posted online in a conspicuous place on the web page at least 18 hours prior to the meeting. There has also been a tweak to the state tax laws for non contributions to Social Security during employment limited exception to exclude income for state tax purposes dependent on birth date for a limited group of employees most of which are public safety officers. Tom and his staff will work the Human Resources staff and investment counselors to implement these statutory changes.

#### **Other Advisor's Comments**

None

#### **Unfinished Business**

##### **A. 2013 Calendar**

Monica Boote researched the options presented in the hopes of finding an amicable solution for all members. Monica pointed out that the start time of 9:00 am was not the best for the County Commissioners to maintain attendance. Non-monthly Options D through L would require a motion allowing the Retirement Office to work with the Chair and/or the Vice Chair to conduct operations. Members were polled on their preference. Most members preferred Option A. A few Trustees felt there was an expectation to have monthly meetings and all appointees were aware of the meeting dates and times. This should have been taken into consideration when accepting their position.

Deb Schmitt seconded by Kelly Belknap to revise the WCERS meeting calendar to Option A as presented. Monica shared a Commissioner request to start as early as possible if a monthly schedule was to be maintained.

Deb Schmitt seconded by Kelly Belknap to revise the motion to adopt WCERS Calendar Option A and change the meeting start time to 8:30 am with the expectation that member attendance will improve. All in favor. Motion carried.

Retirement Office will implement calendar changes.

**New Business**

**A. Authorized Signatory Resolution**

The list presented needs to be updated with to include new members. Lisa Everton will amend the list removing Peter Collinson and adding Kelly Belknap.

Deb Schmitt seconded by Verna McDaniel to update the signatory list, removing Peter Collinson and adding Kelly Belknap and adopts the Authorized Signatory Resolution. All in favor. Motion carried

**WASHTENAW COUNTY EMPLOYEES RETIREMENT COMMISSION**

**POLICY RESOLUTION**

**Adopted: February 26, 2013**

**Re: Authorized Signatory Resolution**

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**WHEREAS**, the Retirement Commission is vested with the authority administration, management and operation, of the Retirement System, and

**WHEREAS**, the following Board Representatives are authorized to act on the Retirement System behalf, therefore be it

**RESOLVED**, that the Chair, Vice Chair or Retirement Administrator are authorized to execute all contracts, documents and legal papers issued on behalf of the Washtenaw County Employees' Retirement Commission, and further

**RESOLVED**, the signatures represented below shall be authorized signatories of the Retirement System:

Scott Miller, Chair

\_\_\_\_\_  
Signature

Dan Smith, Vice Chair

\_\_\_\_\_  
Signature

Kelly Belknap

\_\_\_\_\_  
Signature

Nancy Heine

\_\_\_\_\_  
Signature

Verna McDaniel

\_\_\_\_\_  
Signature

Deb Schmitt

\_\_\_\_\_  
Signature

Conan Smith

\_\_\_\_\_  
Signature

Monica L. Boote,  
Retirement Administrator

\_\_\_\_\_  
Signature

**RESOLVED**, the copies of this resolution shall be provided to the appropriate parties.

**B. MAPERS Spring Conference, June 2-4, 2013, Shanty Creek Resort, Bellaire, MI**

This is the first of two in state conference opportunities. An informal poll of the members was taken to determine interest in attending. This conference has been traditionally attended by the WCERS Board.

Verna McDaniel seconded by Kelly Belknap motion to authorize attendance for those members and staff who would like to attend the MAPERS Spring Conference, June 2 -4, 2013 at the Shanty Creek Resort in Bellaire, MI. All in favor. Motion carried.

Lisa Everton will send out a communication to all trustees with information to gauge specific interest including registration deadlines. The Board has requested that the attending trustees provide an informal presentation at the Board meeting following the conference.

### **C. VEBA Appointment: WCERS Employee Representative**

The WCERS Board current employee representative that serves on the VEBA Board is Nancy Heine and her three year term has expired. The member must be an employee representative on the WCERS Board for eligibility. Nancy Heine self nominates for the appointment. All in favor. Nomination carried.

### **Retirement Administrator's Report – Monica Boote**

Monica updated the Board. Annual active member statements have been distributed and the office is currently compiling inactive statements to be mailed. GRS is compiling historical data as part of their last duties of their contract. The Retirement Office has continued the weekly conference calls with the new actuary Buck who has been working diligently with the office. Members questioned Buck's actuarial report and online capability deadlines. It is Buck's expectation to have their actuarial report ready to review in May and available at the June meeting. Buck is also anticipating the online retirement options to be available to employees within the 3<sup>rd</sup> quarter.

### **Report of the Chair**

Scott Miller requested an addition to next month's agenda under New Business regarding the Investment Consultant schedule. Mr. Miller would like to alter the current schedule to be a longer rotation of 4 or 5 years rather than the current 3 year schedule. Monica Boote will prepare a draft proposal to extend the review schedule and report back to the Board next month.

### **Issues, Concerns and Trustee Comments**

None

### **Adjournment**

Verna McDaniel seconded by Deb Schmitt to adjourn at 10:33 am. All in favor. Motion carried.

### **Upcoming Board Meeting**

- Regular Meeting, 8:30 am, March 26, 2013  
BOC Conference Room,  
220 North Main Street, Ann Arbor, MI