

MINUTES
WASHTENAW COUNTY EMPLOYEES' RETIREMENT COMMISSION
Board of Commissioners Meeting Room 220 N. Main St., Ann Arbor, MI 48107
November 26, 2013 - 8:30 am

ORDER OF BUSINESS

Meeting Called to Order

Scott Miller called the meeting to order at 8:31 a.m.

Roll Call

Monica Boote called the roll

WCERS Members Present: Kelly Belknap, Nancy Heine (8:37), Scott Miller, Verna McDaniel, Deb Schmitt,

WCERS Members Absent: Conan Smith (excused), Dan Smith (excused)

Others Present: Monica Boote and Teresa Fox, Human Resources Retirement Office; Catherine McClary, Washtenaw County Treasurer; Tom Michaud, VanOverbeke, Michaud & Timmony; Michael Holycross, Graystone Consulting; Roberta Allen, AWARE Liaison

Public Participation Lloyd Powell introduced himself and indicated he plans to attend future meetings as an interested member to better understand the System, and Trustees administration of the Plan. He further explained he withdrew from the election process, because he didn't want to run against an incumbent that was doing a great job on behalf of the members.

Approval of Minutes

A. October 22, 2013 (WCERS Regular Meeting)

D. Schmitt seconded by K. Belknap motion to approve the minutes of October 22, 2013 (WCERS Regular Meeting) as presented. All in favor, motion carried.

Agenda

K. Belknap seconded by D. Schmitt motion to approve the Consent, Regular and Supplemental Agendas as presented. All in favor, motion carried.

CONSENT AGENDA

A. Communications

1. Washtenaw County Finance, Contribution/Distribution as of 10.31.13
2. J.P. Morgan, Strategic Property Fund 3Q2013 Snapshot
3. J.P. Morgan, Special Situation Property Fund 3Q2013 Snapshot
4. Robbins Gellar Rudman & Dowd, Portfolio Monitoring Report, 10.25.13
5. Robbins Gellar Rudman & Dowd, Litigation Report, 09.30.2013
6. Santa Barbara Asset Management, 3Q2013 Commentary

B. Communications on File

1. Brandywine Global, Monthly Report, as of 10.31.13
2. Common Sense, Monthly Statement, as 10.31.13
3. Cramer Rosenthal McGlynn, Portfolio Summary, as of 10.31.13
4. Earnest Partners, Monthly Statement, as of 10.31.13
5. J.P. Morgan, Core Bond Statement of Assets, as of 10.31.13
6. J.P. Morgan, Core Bond Statement of Transactions, as of 10.31.13
7. J.P. Morgan, SSPF Monthly Flash Report, as of 10.31.13
8. J.P. Morgan, SSPF Statement of Assets, as of 10.31.13
9. J.P. Morgan, SPF Monthly Flash Report, as of 10.31.13
10. J.P. Morgan, SPF Statement of Assets, as of 10.31.13
11. Loomis Sayles, Core Plus Fixed Income, Account Statement, as of 10.31.13
12. Manning & Napier, Investment Performance Review, as of 09.30.13

13. Research Affiliates, Monthly Statement, as of 10.31.13
 14. Santa Barbara Asset Management, Monthly Statement, as of 09.30.13

C. Payment of Bills

Vendor	Description of Services	Amount Due	Invoice #
Brandywine Global	3Q2013 Investment Mgmt.	\$12,017.88	20130930-225-3101-A
Cramer Rosenthal McGlynn	3Q2013 Investment Mgmt.	\$20,612.69	47349
J.P. Morgan – SPF / SSPF	2Q2013 Investment Mgmt.	\$63,585.95	20130630-16974-A
Loomis Sayles – Fixed Income	3Q2013 Investment Mgmt.	\$13,176.05	157698
Loomis Sayles – SMID	3Q2013 Investment Mgmt.	\$38,552.20	158208
Manning & Napier	3Q2013 Investment Mgmt.	\$16,307.30	1125720
Morgan Stanley – Graystone	3Q2013 Investment Consulting	\$20,000.00	10082013
Santa Barbara Asset Mgmt	3Q2013 Investment Mgmt.	\$15,335.45	20130402000930M
WHV	3Q2013 Investment Mgmt.	\$13,591.00	54172
Washtenaw County Risk Mgmt	Fiduciary Liability Premium	\$10,775.36	
Buck Consultants	Admin. System Implementation	\$1,366.67	2163454

D. Service Retirement Application

Name	Department	Employee Group	Date	Type	Eligibility
Fleece, Richard	Public Health	Non Union	12.28.13	Service	Rule of 75, Minimum Age 50
Gibson, Phyllis	CSTS	2733A	12.28.13	Service	Age 60 with 8 Years
Sherman, Lorene	Public Def.	2733B	01.01.14	Service	Position Elimination
Moore, Henry L.	Public Health	Non Union	12.28.13	Service	Rule of 75, Minimum Age 50

E. Service Retirement Finals

None

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
Beadlescomb, Teresa	07.13.12	Yes	\$109,141.00
Norman, Kelly	7.30.13	Yes	\$81,666.16
Peer, Justin	8.11.13	No	\$12,070.51
Rajarethinam, Rajaprabakaran	6.10.13	No	\$7,673.11
Sims-Fujita, Megan	11.15.13	No	\$1,044.96
Tomlinsin, Andrew	9.22.13	No	\$15,660.98
Truax, Tara	1.4.13	Yes	\$40,280.37
Smith, Keda	11.01.13	No	\$2,461.93

I. Application for Deferred Retirement Benefit

None

J. Pension Benefit Changes

1. Termination of Benefits

None

2. Life Insurance – Death Benefit

None

3. Payment to Survivor

None

4. Pop up to Straight Life

None

L. EDRO / DRO

None

REGULAR AGENDA

Investment Consultant's Report – Michael Holycross / Brian Green

A. Market Commentary

B. Quarterly Performance Report – 3Q2013

Mr. Holycross presented the 2013 third quarter performance report, indicating US markets consistently outperformed international markets over the last year to year and a half, especially emerging markets. He reported the Plan has experienced positive market returns (10.27%) through September, as well as for the third quarter (4.49%), with expectations to continue through year end based on robust returns thus far in the fourth quarter. Following discussions by the Federal Reserve in the spring and early summer regarding the possibility of slowing down the quantitative easing fixed income markets responded with negative returns for the first time in almost a decade. Working with Graystone, the Board will need to continue to look for ways to mitigate risk in the fixed income asset class. Mr. Holycross reviewed the Plan's policy targets as a reminder as to where the System is moving. He further provided information regarding the anticipated rising interest rate market, and the discussions that will need to occur in the next eighteen months regarding how to taper quantitative easing by the Federal Reserve. In addition, he confirmed the decision to divest from Common Sense was the right move, and indicated the fund will likely close in the very near future.

C. Monthly Performance Report, as of 10.31.2013

Mr. Holycross provided a summary of performance through October 2013, indicating the Plan was up 13.24% year to date versus the policy index up 11.78%. Given the roster changes and the asset allocation, his firm is pleased with overall performance.

S. Miller asked for a brief summary regarding where Graystone suggests the Board focus in the next year regarding asset allocation and policy targets. Mr. Holycross indicated their recommendation would be to continue to explore private equity options compared to the longer term asset allocation targets. N. Heine asked for clarification regarding the recent presentation to VEBA and whether that would be a viable private equity option for WCERS. In response, Mr. Holycross indicated the most recent presentation for VEBA from Morgan was in relation to an infrastructure fund that provides an income stream to help offset the potential loss of fixed income opportunities going forward due to rising interest rates. This fund could be viable for WCERS, however his recommendation would be to look for a private equity allocation first.

D. Expense Summary and Comparison

Following Trustees' request to revisit fee structures; Graystone prepared a summary of the current manager fee schedules, a total cost analysis, and provided comparative information from a Greenwich study from 2012. Mr. Holycross discussed the concept of the effective rate, percent of assets, and ultimately the overall percentage of investment management costs. For example, some of the larger allocations such as Loomis (SMID) with 14% of the portfolio, is a larger percent of the fees, however the most expensive asset class would actually be the real estate allocations, but has been a large driver of performance returns over the last few years. So the plan is being rewarded for the costs associated with those fees. He noted, the Graystone fees are a flat dollar arrangement (\$80,000 annually) resulting in a fee structure of 3 basis points. Comparing other public plans of similar size, our current average of 46.3 basis points, is lower than the

average of 52.9 basis points as reported in the Greenwich study. Further he clarified and confirmed that Graystone receives no compensation from investment managers at any time, and is completely in compliance with Act 314 full disclosure requirements.

Legal Advisor's Report – Tom Michaud

None

Other Advisor's Comments

None

Unfinished Business

A. Disability Retirement Application – K. Bain

As reported by the medical examiner, K. Bain meets the requirements for disability retirement but does not meet the requirements for duty disability. N. Heine second by K. Belknap motion to approve the disability retirement for K. Bain. All in favor, motion carried.

B. Administrative Services Proposal – County Treasurer

Report not available for this meeting, item will remain unfinished business for next meeting.

C. Member Trustee Election – Update

General seat for Member Trustee Election received two self nominations. One of the members requested to withdraw their self nomination after realizing an incumbent was still interested and running for re-election. The member was allowed to withdraw because there were only two members vying for the seat. At this time Scott Miller is the only remaining nominee for the upcoming vacancy (2014-2016). V. McDaniel second by D. Schmidt motion to re-appoint Scott Miller as the General Member Trustee for the three year term beginning January 1, 2014. All in favor, motion carried.

New Business

A. Disability Retirement Application – A. Wilde

M. Boote indicated the Retirement Office is in receipt of a disability retirement application from A. Wilde, and requested authorization to proceed with the medical evaluation process. V. McDaniel seconded by K. Belknap motion to approve proceeding with the medical evaluation review process for A. Wilde. All in favor, motion carried.

B. Communication from M. Ekern re: New trial against The Talbots Inc.

In accordance with the legal status of the Talbots class action lawsuit, and evaluation of the cost effectiveness of pursuing this dismissed claim, T. Michaud recommends receiving and filing the communication received from M. Ekern.

Schmidt seconded by V. McDaniel motion to take no further action. All in favor, motion carried.

Trustees requested communication be send from legal and/or the Retirement Office to Mr. Ekern indicating the System is not pursuing this securities litigation claim at this time.

Retirement Administrator's Report – Monica Boote

M. Boote introduced Teresa Fox, the new Management Assistant for Human Resources/Retirement Administration. Ms. Fox came from the Sheriff's Office where she worked 5 years as an Office Specialist and 2.5 years as an Account Clerk, and received a number of employee recognition awards during her tenure.

Following the distribution of the supplemental agenda, the Retirement Office received notification regarding the death of Curtis Morton. Ms. Boote requested authorization to discontinue payment to the retiree, begin payment to the beneficiary based on a 50% joint and survivor option, and disbursement of the death benefit (\$2,000) following receive of the certified death certificate.

V. McDaniel seconded by K. Belknap motion to approve death benefit payment. All in favor, motion carried.

M. Boote provided general information regarding the Human Resources' implementation of a new retirement program for employees hired on or after January 1, 2014. Current WCERS members may voluntarily transfer to the new defined

contribution plan during a negotiated transfer period, January 1, 2014 through February 28, 2014. She detailed the communication and education strategy that will be utilized by Human Resources. Trustees asked if copies of the education materials could be provided for their reference, and indicated an interest in attending one or more of the education sessions.

Discussion regarding the possible distribution of assets and any coordination that may need to occur with Graystone was held.

Report of the Chair

Issues, Concerns and Trustee Comments

D. Schmitt acknowledged that she has thought more about the Administrative Services Agreement that was discussed last month. She clarified that she still supports the agreement, however wanted to express concern regarding the Finance piece. Specifically she was surprised to learn that various positions within Finance were slated for upgrades as part of the budget process, and felt she was misled regarding the need to eliminate positions should the agreement not be supported. K. Belknap clarified the positions that are targeted for reclassification are not the same positions that support the Retirement System, and she made other accommodations within her budget to compensation for the reclassifications.

Adjournment

V. McDaniel seconded by K. Belknap motion to adjourn at 9:52 am. All in favor, motion carried.

Upcoming Board Meeting

- Regular Meeting, December 17 2013 at 8:30 am
BOC Conference Room,
220 North Main Street, Ann Arbor, MI.