MINUTES
WASHTENAW COUNTY EMPLOYEES' RETIREMENT COMMISSION
Board of Commissioners Meeting Room 220 N. Main St., Ann Arbor, MI 48107
September 17, 2013 – 8:30 am

Scott Miller called the meeting to order at 8:36 am

Monica Boote called the roll.

MEMBERS PRESENT: Kelly Belknap, Verna McDaniel, Scott Miller, Deb Schmitt, Dan Smith

MEMBERS ABSENT: Nancy Heine (excused), Conan Smith (excused)

OTHERS PRESENT: Monica Boote and Lisa Everton, Human Resources; Brian Green, Graystone Consulting; Tom Michaud, VanOverbeke Michaud & Timmony; Kirsten Osborn, Treasurer's Office; Roberta Allen, AWARE Representative

Public Participation
None

Approval of Minutes
- **A.** August 27, 2013 (WCERS Regular Meeting)
- **B.** August 27, 2013 (WCERS Closed Meeting)

Verna McDaniel seconded by Deb Schmitt motion to approve the minutes of August 27, 2013 (WCERS Regular Meeting) and August 27, 2013 (WCERS Closed Meeting) as presented. All in favor, motion carried.

Agenda
Dan Smith seconded by Kelly Belknap to approve the Consent, Regular and Supplemental Agendas as presented. All in favor, motion carried

CONSENT AGENDA

A. Communications
1. Washtenaw County Finance, STIF report through 8.30.13
2. Robbins Gellar Rudman & Dowd, Litigation Update, Avid Technology, 6.30.13
3. Robbins Gellar Rudman & Dowd, Litigation Update, Celera Corporation, 6.30.13
4. Robbins Gellar Rudman & Dowd, Litigation Update, Talbots, 6.30.13
5. Brandywine Global, Monthly Commentary, 8.2013

B. Communications on File
1. CRM, Portfolio Summary, as of 8.30.13
2. J.P. Morgan, Monthly Market Value Statement, Acct# 133290, as of 8.31.13
3. J.P. Morgan, Monthly Transaction Statement, Acct# 133290, as of 8.31.13
4. J.P. Morgan, Monthly Flash Report, Acct# 256880, as of 8.31.13
5. J.P. Morgan, Monthly Market Value Statement, Acct# 256880, as of 8.31.13
6. J.P. Morgan, Monthly Transaction Statement, Acct# 256880, as of 8.31.13
7. J.P. Morgan, Monthly Flash Report, Acct# 256890, as of 8.31.13
8. J.P. Morgan, Monthly Market Value Statement, Acct# 256890, as of 8.31.13
9. J.P. Morgan, Monthly Transaction Statement, Acct# 256890, as of 8.31.13
10. J.P. Morgan, Core Bond Fund, Summary Prospectus, 7.1.13
11. Morgan Stanley, Prospectus Supplement , AmeriCredit Financial Services, 8.20.13
12. Brandywine Global, Monthly Statement, 8.2013
13. Common Sense, Monthly Statement, as of 8.31.13
14. Loomis Sayles, Core Plus Fixed Income, Account Statement, as of 8.31.13
15. Loomis Sayles, Monthly Reports, as of 8.31.13
16. SEI Trust Company, Monthly Statement, 7.31.13

C. Payment of Bills
None

D. Service Retirement Application

Name	Department	Employee Group	Date	Type	Eligibility
Ziegler, Cinthia A.	Head Start	2733B	10.1.13	Service	Position Elimination

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
Meadows, Cassandra M.	8.10.12	No	$2,570.24
Pritzel, Daniel N.	6.5.12	No	$1,640.62
Penny, Debra	7.12.13	No	$386.94

I. Application for Deferred Retirement Benefit

Name	Termination Date	Department	Employee Group	Required Service for Vesting
Gavin, Ellen M.	9.6.13	CSTS	2733A	8 or more years credited service

J. Pension Benefit Changes

1. **Termination of Benefits**
None
2. **Life Insurance – Death Benefit**
None
3. **Payment to Survivor**
None
4. **Popup to Straight Life**
None

L. EDRO / DRO
None

<u>REGULAR AGENDA</u>

Investment Consultant's Report – Brian Green
A. August 2013 Performance Update

Because this month's meeting is earlier than normal and money managers are still reporting their August information, the performance update is incomplete. Brian Green will electronically send the update as soon as it is available.

B. Common Sense, Jim Bisenius Letter, 9.4.13

Mr. Green led the discussion of the letter of apology from Common Sense CEO, Jim Bisenius. The immediate termination of Common Sense is being recommended due to the nature of the allegation, the implications and potential leadership issues. Common Sense offers the opportunity to tender 25% of the investment each March, June and September as well as the opportunity for 100% liquidity in December. If action is taken by December 31, 2013, 100% of the proceeds will be refunded by early February 2014. The next opportunity for withdrawal would be March 2014 and limited to 25%.

Trustees discussed the portfolio's performance and what percentage of our portfolio is invested with Common Sense. The fund began in December of 2010 and has grown to over $11 M, just short of 5% of the portfolio. This fund has performed well but nothing outstanding compared to their peers and benchmark.

Trustees discussed other types of issues where an investment manager's behavior would be cause for concern. It is Mr. Green's opinion that this letter can be indicative of a larger problem that may reflect poorly on the fund. Mr. Bisenius' behavior was reckless for an investment administrator who has signing authority of fund transfers, etc. The second element that Tom Michaud verified is that Mrs. Bisenius has the majority interest in the company. Beyond the nature of the allegation, Deb Schmitt stated that Mr. Bisenius knew it was illegal and made the decision to make a proposition anyway.

Monica Boote inquired whether or not WCERS would likely receive 100% liquidation if Common Sense receives a larger than normal number of full liquidation requests, or could there be a prorated liquidation schedule. Green indicated because this is an equity fund only about 99% of the portfolio is currently liquid. A majority of the $11M would be available in January 2014 and the remainder or "holdback" available late in the 1st Quarter or early in the 2nd Quarter or 2014 after a final audit which is indicative of traditional practices. There is no indication that there will be any issues with this request.

Dan Smith seconded by Deb Schmitt motion to authorize the termination of the Common Sense Investment Management, LLC fund as recommended. Motion carried. Scott Miller opposed.

C. September 2013 Action Items

Mr. Green led a discussion regarding the JP Morgan Core Bond fixed income portfolio valued at approximately $50 M or about 22% of the portfolio. The recommendation is to convert this separately managed account to a comingled fund with JP Morgan. Because this will be a fund to fund transfer there will be no change in processes, the team or fee structure. As interest rates rise and fixed income becomes more volatile, this change in funds will allow more flexibility in the amount of assets that can be invested lowering the account size minimum to $15 M from the current $50 M minimum.

Trustees discussed the idea of group management of the fund, much like a mutual fund, compared to the individual bond management that this Board has experienced with JP Morgan. Mr. Green assured Trustees that the risks would continue to be the same and this transfer would only solidify and secure the Boards relationship with JP Morgan and nothing would be sold. JP Morgan will process the transfer in-kind.

Dan Smith seconded by Verna McDaniel motion to convert the current JP Morgan Core Bond Fixed Income portfolio from a separately managed account to a comingled fund with JP Morgan, as recommended. All in favor, motion carried.

Scott Miller asked Mr. Green to bring forth some recommendations for the potential replacement of the hedge fund to the upcoming Board meeting to which Mr. Green agreed to provide.

Legal Advisors Report – Tom Michaud
None

Other Advisors Comment
None

Unfinished Business

A. December 31, 2012 Actuarial Valuation Report
December 31, 2012 Actuarial Valuation Resolution

Dan Smith seconded by Deb Schmitt motion to accept and file the December 31, 2012 Actuarial Valuation Report. All in favor, motion carried

WASHTENAW COUNTY EMPLOYEES RETIREMENT SYSTEM
RESOLUTION

RE: Approval of Actuarial Valuation as of December 31, 2012 Adopted: September 17, 2013

WHEREAS, the Board of Trustees is in receipt of the Actuarial Valuation dated July 23, 2013, which has been submitted by the actuary to the Board for consideration and approval, and

WHEREAS, the Board has the legal and fiduciary obligation to assure that employer contributions are in accordance with Article 9 Section 24 of the State of Michigan Constitution, and

WHEREAS, Section 14 of the Retirement System provisions requires the Board to certify to the governing body the amount to be contributed by the employer, and

WHEREAS, the Board has the duty (1) to approve the Actuarial Valuation dated July 23, 2013, and (2) to certify to the employer-county the amount of employer contribution required for the fiscal year beginning January 1, 2014, therefore be it

RESOLVED, that the Board hereby approves the Actuarial Valuation as of December 31, 2012, dated July 23, 2013, as submitted by the actuary, and further

RESOLVED, that the Board hereby certifies to the employer-county the amount of employer contribution required for the fiscal year beginning January 1, 2014, and further

RESOLVED, that a copy of this resolution and the Actuarial Report as of December 31, 2012, dated July 23, 2013, be forwarded to the employer-county.

B. Washtenaw County Finance Department Reimbursement Request

Monica Boote updated Trustees regarding this request. A conversation has been had between the HR and Finance departments and an agreement has been made to offer this Board a consolidated agreement incorporating all costs associated with services provided by the County for plan administration.

New Business
None

Retirement Administrator's Report – Monica Boote

A. Proposed Election Schedule

Ms. Boote led the discussion regarding the election schedule. The three year term general seat currently held by Scott Miller is scheduled for reelection this year. Ms. Boote recommends using the same nomination and voting methods that has served this Board well in the past utilizing an internal survey tool in coordination with Linda Wicks. This election will be done administratively.

B. Database Update

Ms. Boote provided Trustees with a brief update on the new Buck database update. The Retirement office is making strides in the testing phase and plans to go live within the next week and a half. There has been some frustration but, overall it is going well.

Report of the Chair

Mr. Miller would like to revisit the education policy under unfinished business at next month's meeting in October. Mr. Miller requested that discussion originator, Conan Smith, bring forth a resolution or policy language changes to open the floor for discussion and resolution.

Issues, Concerns and Trustee Comments
None

Adjournment
Dan Smith seconded by Deb Schmitt motion to adjourn at 9:08 am. All in favor, motion carried.

Upcoming Board Meeting

- Regular Meeting, October 22, 2013 at 8:30 am
  BOC Conference Room,
  220 North Main Street, Ann Arbor, MI.