

**Minutes**

**Employees' Retirement System  
Board Meeting**

**May 13, 2015 at 12:00 PM  
City Council Board Room**

**Troy City Hall  
500 West Big Beaver  
Troy, Michigan 48084  
(248) 524-3330**

A meeting of the Employees' Retirement System Board of Trustees was held on **May 13, 2015** at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:00 p.m.

**Trustees Present:**

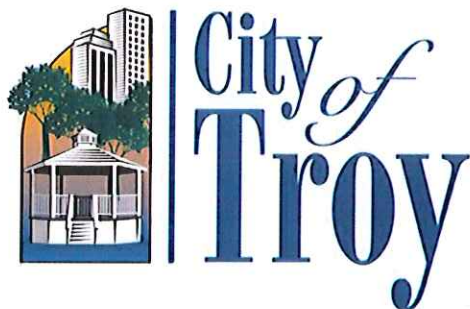
Thomas J. Gordon, II – Acting Vice Chair  
Steve Pallotta  
Brian Kischnick  
Milton Stansbury  
Dave Henderson

**Trustees Absent:**

Thomas Darling, CPA  
Mark Calice - Chairman  
William R. Need (Ex-Officio)

**Also Present:**

Kathy Kostopoulos



## Minutes

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#### Minutes:

##### **Resolution # ER – 2015-05-13**

Moved by: Brian Kischnick  
Seconded by: Steve Pallotta

RESOLVED, The Minutes of the March 11, 2015 meeting be approved.

Yeas: 5  
Absent: 2

#### Retirement Requests:

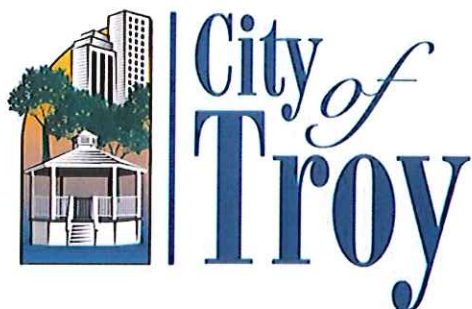
None

#### Investments:

- Graystone Consulting Services Presentation

Mr. Brian Green and Mr. Mike Holycross from Graystone, presented the 1st Quarter Performance Report, (pg. 38/428 pdf file). Shown were the combined assets of Morgan Stanley, UBS and assets managed by the board. Noted was the differences of the combined account and policy index. The 1<sup>st</sup> Qtr. 2015 was at 2.04% and the policy index 2.07% which is in line with investment policy statements. The "5 Yr. Trailing" column was used for illustration, the period March 2010 – March of 2015, comparing the 9.56% gain and actual dollar amounts. The cumulative net flow (\$50,467,977) was noted as the total pension pays, offset by employer contributions with an average net negative of approximately (\$10,000) per year. Clarification was requested from City Manager Brian Kischnick on Investment Income and what is included in the 9.56% increase of \$88,042,918. Brian Green clarified that it includes dividends, interest and price appreciation and that there are no cash inflows included. Mr. Kischnick also asked if the table had been used prior in other meetings, and stated that it was a great table for illustration purposes as it tells the whole story. Rebecca Sorensen of UBS agreed and stated they have used it in the past. Also reviewed was the Asset Class Manager Performance, Morgan





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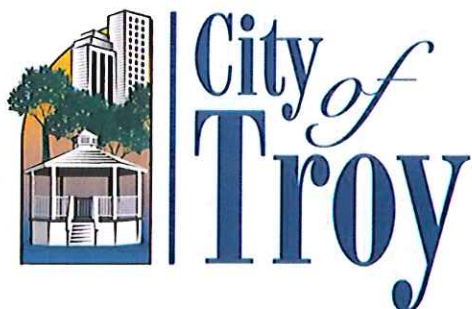
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Stanley/Graystone Report (pg. 41/428 of pdf), it was noted that no significant changes have occurred. The Graystone Portfolio was then referred to, Mr. Green felt it was overweight on stocks vs bonds and underweight on real estate allocations. He indicated that this was helpful in April - May 2015 as publically traded reits have traded off. At the bottom of (pg. 40/428 of pdf) the asset managers were listed and it was noted that 8/10 active managers outperformed. He stated Global Equities; Delaware and Hamlin had great performance although Winslow was a miss for the quarter. Earlier in quarter Graystone reduced Vanguard Total Market 4% and reallocated to TSW (small to midcap sector). Overall Mr. Green stated it was a great quarter and energy stocks are now rallying. Steve Pallotta requested Mr. Green's feedback on the International sector and the US dollar. He stated it was currently "bullish" within Europe and Japan. The bigger concern would be upon "exit" which is the unknown and a strong dollar would hurt.

- **UBS Financial Services Presentation**

Rebecca Sorensen of UBS reviewed the stock holdings of the City of Troy Employees Retirement Systems Defined Benefit and NAIC April 2015 Portfolio. The board decided that content reviewed today at the current meeting will be revisited again next month.

NAIC continues to perform well overall holdings are up 4%, NAIC outperformed their Large Cap Managers. In regards to the ERS portion, Ms. Sorensen noted that back in 2008 – 2009, the Banking/Financial sector was not of interest due to the market conditions at that time and the board may want to revisit looking at this sector in the future. Mr. McBride stated that The City of Troy is 12.5% off the benchmark currently, and the Board agreed it should be reviewed. Mr. Pallotta asked UBS about McDonalds as an investment option, however Ms. Sorensen rejected the investment at this time. Mutual Fund categories were reviewed and Mr. McBride, stated that Consumer Discretionary is only overweight by 2.8%. Next reviewed were the Suggested Buys & Sells, Small Positions (pg. 113/428 of pdf shown below.)



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In the Sell Category, all performed well except Clean Energy and Cliffs Natural Resources, as they continue to drop and UBS recommends that these be sold. In addition based on their holding size these are very immaterial to the overall holdings. Suggested Buys were then reviewed. Taser has had a good run up, Ms. Sorensen recommends that the Board make these positions more meaningful (pg. 113/428 of pdf). Ms. Sorensen noted that the Board may want to reduce Proctor & Gamble holdings at this time due to earnings slowing and thus far the holding have obtained substantial growth (pg. 108/428 of pdf). At a later time, a list will be reviewed for further changes to be presented by UBS.

Mr. Henderson, questioned the decision making process on these small positions, concerned about timing of meetings perhaps being moved to a quarterly meeting vs. monthly review. Ms. Sorensen explained that communication with the System Administrator takes place as needed when necessary and Mr. McBride reiterated that the weight of the positions is immaterial to the overall holdings. Mr. Henderson asked if there is a mechanism in place for UBS to make decisions on small holdings, Ms. Sorensen stated there is currently not, however the System Administrator is contacted as necessary.

Resolution # ER – 2015-05-14

Moved by: Tom Gordon  
Seconded by: Steve Pallotta

RESOLVED, Sell Proctor & Gamble Shares (approximately 8,000 shares) to reduce holdings to \$1,000,000 at fair market value. Execute all buy and sell recommendations as proposed by UBS and attached to the minutes of this meeting.

Yeas: 5  
Absent: 2





## City of Troy

### Suggested Stock Buys and Sells (small positions)

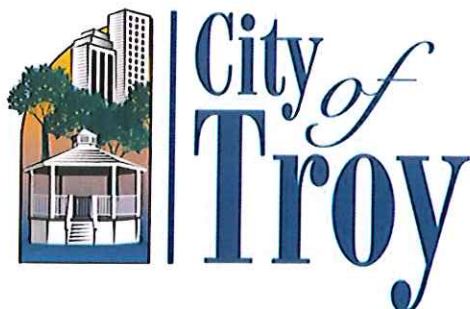
Sells	Company	Appr Value	Gain/Loss	
	ADT Corp	51,000	(5,800)	Stock considered overvalued at current price
	American Science Eng	151,000	(109,000)	PE Ratio 98
	Bed Bath & Beyond	113,000	32,000	Competition becoming greater
	Clean Energy	26,000	(75,000)	Long time poor performance - industry out of favor
	Cliffs Natural Resources	57,000	(406,000)	Long time poor performance - industry out of favor
	Fabrinet	93,000	(1,000)	Shares also held in NAIC - continue to hold in NAIC
		<u>491,000</u>		
Buys	Company	Appr Value	Addition to \$100,000	Unrealized Gain/Loss
	Abbott Labs	47,000	53,000	32,000
	AbbVie Inc	58,000	42,000	41,000
	Corning Inc.	68,000	32,000	(20,000)
	Dover Corp	70,000	30,000	35,000
	Samsung	64,000	36,000	(4,000)
	Taser	48,000	52,000	(5,000)
		<u>355,000</u>	<u>245,000</u>	

Values as of Monday March 30, 2015

May want to add larger positions to the Buy recommendations to make the positions more material and meaningful to the portfolio.

*The information contained herein has been obtained from sources believed to be reliable, but we cannot guarantee its accuracy or completeness.*

**EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES MINUTES – Final– May 13, 2015**



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**Other Business:**

None

**Public Comment:**

None

The next meeting is Wednesday, June 10, 2015 at 12:00 p.m. at Troy City Hall, Council Board Conference Room, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 12:35 p.m.

Mark Galice, Chairman

Thomas Gordon, Vice-Chair

Thomas Darling, Pension Administrator