

EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES MINUTES – Final – February 12, 2014

A meeting of the Employees' Retirement System Board of Trustees was held on **Wednesday February 12, 2014** at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:05 p.m.

Trustees Present:

Mark Calice
Thomas J. Gordon, II
Thomas Darling, CPA
William R. Need (Ex-Officio)
Steve Pallotta
Dave Henderson

Trustees Absent:

Brian Kischnick
Milton Stansbury

Also Present:

Brenda Carter

Minutes

Resolution # ER – 2014-02-3

Moved by Pallotta
Seconded by Gordon

RESOLVED, The Minutes of the January 15, 2014 meeting be approved.

Yeas: 5

Absent: 2

Retirement Requests

Resolution # ER – 2014-02-4

Moved by Gordon
Seconded by Pallotta

RESOLVED, that the following retirement request be approved.

Name	George Zielinski
Pension Program	DC
Retirement Date	02/28/2014
Department	Police
Service Time	32 yrs 11 mo.

Yeas: 5

Absent: 2

Other Business – Graystone Asset Allocation Review

Michael Holycross and Brian Green from Graystone Consulting presented an asset allocation review and recommendation for asset allocation for the portfolio under the Graystone Agreement. The allocation recommendation was developed upon return goals and risk tolerance as communicated by the ERS Board using a building block approach.

Chairman Calice requested Graystone to provide a 10 period seven year rolling average comparison to facilitate review of prior performance.

Consensus was reached by the Board for Graystone to draft investment policy using recommended asset allocations and return draft back to Board review and approval. Graystone Consulting will begin fixed income investment manager search. The Board will have the following options in the search and procurement of the fixed income manager.

- Option 1: Graystone will provide short list of candidates for Board interview. The Board selects manager.
- Option 2: Graystone will provide short list of candidates. Graystone provides specific recommendation for Board interview and hire.
- Option 3: Graystone provides specific recommendation. The Board hires manager.

Other Business – Letter from Gabriel Roeder Smith

Resolution # ER – 2014-02-5

Moved by Pallotta

Seconded by Gordon

RESOLVED, The Board directs Administrator to accept the terms of the letter from Gabriel Roeder Smith to perform actuarial services for the plan year ending December 31, 2013 using a 6.5% rate of return assumption and current mortality tables.

Yeas: 5

Absent: 2

Other Business – Clarification of Asset Mobility between ERS and OPEB

The System Administrator confirmed with legal counsel that assets restricted in the Employee Retirement System for retiree healthcare benefits cannot be transferred to the Retiree Healthcare Trust System. This is principally due to the Employee Retirement System being a "Qualified" plan under current IRS regulations and the Retiree Healthcare Trust being an "Unqualified" plan under current IRS regulations.

INVESTMENTS REVIEW OF ERS PORTFOLIO AS OF DECEMBER 31, 2013

Representatives from UBS reviewed the quarterly financial performance report.

INVESTMENTS NAIC FEBRUARY RECOMMENDATIONS

Reviewed NAIC February report noting that the ERS system could not invest in the buy recommendations without increasing the disparity in the target and actual assets allocations for equity positions.

The System had no positions in the NAIC sell recommendations.

INVESTMENTS ADMINISTRATIVE BOOK KEEPING ON POSITION DETAIL BASES

The System Administrator reported that once asset positions are transferred to the 2 approved custodians of Morgan Stanley and UBS Financial Services, the accounting and tracking of individual positions will not be maintained but rather use and aggregate basis method to increase efficiency. Individual positions will be reported on custodial monthly and quarterly statements that will detail individual positions on both a cost and market value basis.

INVESTMENTS - UBS BUY / SELL RECOMMENDATIONS

Resolution # ER-2014-02-6

Moved by Pallotta

Seconded by Calice

Yeas: 5

Absent: 2

RESOLVED, The Board directs the System Administrator to SELL \$2 million in the Lord Abbott Floating Rate Fund and use the proceeds to BUY \$2 million in Blackrock Strategic Income Fund, and

Exercise option strategies as recommended by UBS Financial Services.

INVESTMENTS - UBS BUY / SELL RECOMMENDATIONS

Resolution # ER-2014-02-7

Moved by Darling

Seconded by Pallotta

Yeas: 5

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Absent: 2

RESOLVED, The Board directs the System Administrator to liquidate all directly held investments to accumulate resources for the reimbursement to the City for benefits paid to ERS members. These investments include positions in:

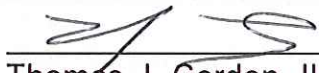
- Duke Energy
- Spectra Energy
- Sentinel
- Value Line
- RS Investments (Guardian)
- Fidelity
- Waddell & Reed (Vanguard)

Public Comment


None

The next meeting is Wednesday March 12, 2014 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 3:40 p.m.



Thomas J. Gordon, II, Acting Vice Chairman



Thomas Darling, Pension Administrator