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

A meeting of the Employees' Retirement System Board of Trustees was held on **November 12, 2014** 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:

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

Trustees Absent:

Also Present:

Jeanette Menig
Brooke Insana
Kathy Kostopoulos

Minutes

Resolution # ER – 2014-11-27

Moved by: Pallotta
Seconded by: Gordon

RESOLVED, The Minutes of the September 10, 2014 meeting be approved.

Yeas: All - 7
Absent: 0

Retirement Requests

Name	Carl Barton
Pension Program	DB
Retirement Date	09/26/2014
Department	Police
Service Time	26 Yrs. 7 Mo

Resolution # ER – 2014-11-28

Moved by: Gordon
Seconded by: Stansbury

RESOLVED, the retirement request be approved.

Yeas: All - 7
Absent: 0

Regular Business

- GRS 50th Annual Actuarial Valuation for year ended December 31, 2013.

Jeff Tebeau of GRS reviewed the 50th Annual Actuarial Valuation for year ended December 31, 2013. He commended the City of Troy and the Board on an outstanding financial positon as the pension is adequately funded due to prudent investing on the part of the Board. GRS anticipates and expects $0 contribution for June 30, 2017 fiscal year. Mr. Tebeau stated that the City of Troy is in the Top 5% compared to other plans in regards to funding levels.

The purpose of GRS' valuation is to measure the System's funding progress, to determine the employer contribution rate for the fiscal year ending June 30, 2016, and to determine the Actuarial information for reporting purposes. The assumed contribution rate to be utilized is 6.5% of covered payroll or a city contribution of $314,025.

It is GRS' opinion that the required contribution determined by the most recent actuarial valuation is sufficient to meet the Retirement System's funding objective. In addition, to ensure that the Retirement System maintains the ability to pay retiree benefits when due, and to reduce the likelihood of future required contribution amounts increasing from the current level, continued timely receipt of annual computed contributions is essential.

- GRS GASB Statement No. 67 Reporting and Accounting Schedules for year ended June 30, 2014.

Mr. Tebeau's recap of GRS' letter to the Board, states that the GRS report provides information required by the Retirement System in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67 "Financial Reporting for Pension Plans." The information provided was prepared for the purpose of assisting the City of Troy Employees Retirement System to comply with the financial reporting and disclosure requirements of GASB Statement No. 67. The calculation of the liability associated with the benefits described in GRS' report was performed for the purpose of satisfying the requirements of GASB Statement No. 67 and is not applicable for purposes of funding the Retirement System. A calculation of the Retirement System's liability for other purposes may produce significantly different results. Based on actuarial assumptions required under GASB Statement No. 67 the system had a net pension asset of $36,646,726 or was 123.92% funded as of June 30, 2014.

Investments – Graystone Consulting, a business of Morgan Stanley

- Graystone Consulting's review of Market Value Update & Fee Analysis September 2014.

Graystone's Michael Holycross and Brian Green reviewed September 2014 Fee Analysis, page 5, with the Board. The management fees are standard fees charged across the industry. The overall average charge to the system for management fees is 0.52% of covered assets.

Upon Graystone's review of additional Fee Analysis, page 8, Chairman Calice requested to receive a comparison Fee Analysis Report for the Morgan Stanley Account of the prior year to be made available for the next meeting.

- Morgan Stanley October 2014 Performance Report.

Reviewed Morgan Stanley October 2014 Performance Report noting ending market value of assets of $89,410,900. Also, noting a return of 1.68% compared to the benchmark (50% S&P 500, 15% EAFE, 30% Barclays Aggregate of 1.30%).

- City of Troy Performance Report - 3rd Quarter 2014.

Graystone's Michael Holycross and Brian Green reviewed the City of Troy Performance Report - 3rd Quarter 2014. Total system assets were $209,544,743 noting a loss of 1.37% due to adjustments in the equity markets. This compares to the policy index loss of 1.15% (50% Russell 3000, 10% MSCI EAFE, 30% Barclays Aggregate Bond, and 5% 90 day T-Bills).

Investments – UBS Consulting

- Cost Analysis Defined Benefit and NAIC Portfolio Review October 2014.

Rebecca Sorensen, Darin McBride and John Bush of UBS Financial Services reviewed the Portfolio Value and Investments as of September 30, 2014, page 2 with the Board noting total ending market value of $121,655,453 a decline of 0.86% due to equity market adjustments.

Recommendations:

Rebecca Sorensen recommended that the Board sell all Pimco Investments currently held due to China market concerns and exchange with Metropolitan West Funds. A Morningstar Analysis handout was brought in and reviewed with the Board for Metropolitan West Funds Performance as of September 30, 2014.

It was then agreed, and the Board directed the System Administrator to sell Pimco Unconstrained and all other Pimco funds currently owned and exchange for Metropolitan West Funds.

Resolution # ER – 2014-11-29

Moved by: Darling
Seconded by: Gordon II

RESOLVED, all Pimco Investments held be liquidated and Metropolitan West Funds purchased in exchange be approved.

Yeas: All - 7
Absent: 0

UBS reviewed the recommendation to sell Cliff Natural Resources (CLF) with the Board. Due to the dividend payout schedule the Board decided to wait and discuss at the next meeting.

Other Business – Reporting

Discussed were the upcoming events:

- City of Troy Holiday Party Thursday, December 4th, 2014

The System Administrator extended the invitation to all Board Members.

- Holiday lunch location

The Holiday lunch location will be at PF Chang's located on the ground floor at Somerset Mall on the South Side of Big Beaver Road, Wednesday December 10, 2014 at 11:30 a.m.

Public Comment

None

The next meeting is Wednesday, December 10, 2014 at 1:30 p.m. at Troy City Hall, Council Board Conference Room, 500 W Big Beaver Rd, Troy, MI 48084.

The meeting adjourned at 2:25 p.m.

Mark Calice, Chairman

Thomas Darling, Pension Administrator