City of Troy

Minutes

Employees' Retirement System Board Meeting

February 11, 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 **February 11, 2015** at Troy City Hall, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting was called to order at 12:06p.m.

Trustees Present:	Mark Calice Thomas Darling, CPA Steve Pallotta Thomas J. Gordon, II Brian Kischnick (Left at 12:45) Milton Stansbury
Trustees Absent:	William R. Need (Ex-Officio) Dave Henderson
Also Present:	Kathy Kostopoulos Maggie Hughes

Minutes:

Resolution # ER – 2015-02-03

Moved by: Pallotta
Seconded by: Kischnick

RESOLVED, The Minutes of the January 14, 2015 meeting be approved.
Yeas: 6
Absent: 1

Retirement Requests:

Name	Susan Lancaster
Pension Program	DC
Retirement Date	04/28/2015
Department	City Attorney's
Service Time	13 Yrs. 7 Mo

The Board of Trustees commended Susan Lancaster for outstanding service and dedication to the City of Troy. City Manager Brian Kischnick commented on what a wonderful person and employee Susan has been throughout the time she has worked for the City of Troy.

Resolution # ER – 2015-02-04

Moved by: Pallotta
Seconded by: Stansbury

RESOLVED, the retirement request be approved.

Yeas: 5
Nays: 1
Absent: 1

Regular Business:

- Gabriel Roeder Smith & Company (GRS) – Annual Actuarial Services - Employees Retirement System for the City of Troy for the year ended December 31, 2014..

The System Administrator added the above item to the agenda and provided an engagement letter and a stated fee of $15,200 for the annual actuarial valuation for the year ended

December 31, 2014. This is a 2.7% increase from the prior year of $14,800. GRS will use the current assumptions of 6.5% return on investments and use the most current Mortality Table that included Government Entities. This fee does not include additional work required if any under the new Government Accounting Standards Board Statements No. 67 & 68.

Resolution # ER – 2015-02-05

Moved by: Pallotta
Seconded by: Gordon

RESOLVED, The GRS Engagement Letter be accepted for the Annual Actuarial Valuation of the Employees Retirement System for the City of Troy for the year ended December 31, 2014 for a total fee of $15,200.

Yeas: 6
Absent: 1

- **Prior Government Service Credit**

  The Board of Trustees has noted the following individuals to be eligible for Prior Government Service Credit. Eligible in years of service. Note this impacts only eligibility to retire from the City of Troy. Pension Calculations and health care coverage is based on Troy Service only.

  - Sam Kalef – Employment Date 10/06/2004 - City of Birmingham - 4 years 1 month
  - Richard Shepler – Employment Date 10/02/2006 - City of Pontiac - 2 years 9 months

Investments:

- **Graystone Consulting Presentation**
  - Investment Review - Morgan Stanley Performance Report – 4th Qtr. Performance report 2014

Brain Green and Michael Hollycross of Greystone reviewed the consolidated 4th quarter financial results ending December 2014. Items of note included a 2.18% return for the quarter and 5.42% one year and calendar YTD. Mr. Green illustrated the comparison of the recommended "Policy Index" with the City of Troy's Employee Retirement System Fund Portfolio noting that the portfolio was within the policy guidelines. It was also noted that while still within policy guidelines, Global Equites are over weighted and fixed income is under weighted.

  - January 2015 review of Greystone managed assets

Brian Green reviewed performance for the month of January 2015 noting that returns were down 0.76% compared to the S&P down 3% and the NADSAQ Composite down 2.08%. In

addition he suggested a rebalancing between index funds to small caps in the amount of $3,500,000.

Recommendations:

Sell: Vanguard Total Market Index ETI $3,500,000
Buy: Small to Mid-Cap - TSW $3,500,000

Resolution # ER – 2015-02-06

Moved by: Pallotta
Seconded by: Gordon

RESOLVED, the sale of Vanguard Total Market Index ETI $3,500,000 and use funds to purchase Small to Mid-Cap - TSW $3,500,000.

Yeas: 5
Absent: 2

- **UBS Financial Services Presentation**
  - Investment Review - City of Troy Employees Retirement Systems Defined Benefit and NAIC - February 2015

Ms. Sorensen of UBS discussed the City of Troy Employee Retirement System, February 2014 "Market Review". Noting that 5% of the index holdings provided 50% of the S&P's return for 2014.

Mr. McBride of UBS has recommended the following changes. Overall he is comfortable with the current holding except for as noted. UBS feels the portfolio is well diversified.

Recommended sales of UBS and Chairman Calice:

Sell all Wells Fargo positions
Sell $500,000 Apple positions
Sell all Tyco positions
Sell all Strata Sys positions
Sell one half of General Electric positions
Sell one half of McDonalds positions
Sell Pentair Plc. positions
Sell all of the Knowles positions

Resolution # ER – 2015-02-07

Moved by: Calice
Second by: Darling,

RESOLVED, to execute sales transactions as recommended above.

Yeas: 5
Absent: 2

In addition UBS recommended a rebalancing between small cap mutual funds and international mutual funds.

Resolution # ER – 2015-02-08

Moved by: Pallotta
Second by: Stansbury

RESOLVED, to buy $1,500,000 in small cap ETF mutual funds from proceeds in selling $2,500,000 of international ETF mutual funds.

Yeas: 5
Absent: 2

- **Chairman Calice Buy Recommendations**

Chairman Calice shared with the Board the results of his investment research in regards to Cyber Security noting that this segment of the market has significant potential for growth. In particular Palo Alto which is a leader in this industry. In addition he shared his views in the social movement requiring body cameras for police officers. His research indicated that there is significant potential for growth in the storage of data acquired from the use of such technology. In particular the advancements of TASER Corp. in using cloud based storage.

Resolution # ER – 2015-02-09
Moved by: Calice
Second by: Stansbury

RESOLVED, UBS to buy 2,000 shares of TASER Corp. In addition, use any additional cash available in the UBS portfolio (with the exclusion of the NAIC account) to purchase even lots of Palo-Alto

Yeas: 5
Absent: 2

- **System Administrator Darling Request for City General Fund Reimbursement**

System Administrator Darling requested reimbursement from the Employee Retirement System to the City of Troy for reimbursement of pension and retiree healthcare benefits paid by the City on behave of the ERS system. This is a standard periodic request with proceeds coming from both the Morgan Stanley (Greystone) and UBS portfolios based on balances at December 31, 2014.

Resolution # ER – 2015-02-10
Moved by: Darling
Second by: Pallotta

RESOLVED, Direct Morgan Stanley (Greystone) to transfer the amount of $3,170,058 to the City of Troy and UBS to transfer the amount of $4,410,729 to the City of Troy which represents their proportionate share of reimbursable pension and retiree healthcare distributions made by the City of Troy on behave of the ERS System.

Yeas: 5
Absent: 2

Other Business:

- **MAPERS - One Day Seminar - Friday, March 13, 2015 - Somerset Inn, Troy, Michigan**

The System Administrator provided registration information to the Board regarding the seminar and requested that any interested Board members contact him to facilitate registrations.

- **Request for Financial Information**

On a separate note, Chairman Calice requested from the System Administrator for an expense breakdown of the pension fund. Such as legal, mailing expenses or a quarterly profit and loss. The System Administrator submitted that the quarterly profit and loss will be presented at the March Board meeting.

Public Comment:

None

The next meeting is Wednesday, March 11, 2015 at 12:00 p.m. at Troy City Hall, Council Board Conference Room, 500 W Big Beaver Rd, Troy, MI 48084.

The meeting adjourned at 2:20 p.m.

Mark Calice, Chairman

Thomas Darling, Pension Administrator