City of Troy

Minutes

Employees' Retirement System
Board Meeting

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

The meeting was called to order at 1:35 p.m.

Trustees Present:

Mark Calice
Thomas Darling, CPA
Brian Kischnick
Thomas Gordon II
Dave Henderson

Trustees Absent:

Steve Pallotta
Milton Stansbury

Also Present:

Kathy Kostopoulos

Minutes:

Resolution # ER – 2015-11-25

Moved by: Henderson
Seconded by: Darling

RESOLVED, that the Minutes of the October 14, 2015 meeting be approved.

Yeas: - 5 -
Absent: - 2 -

Retirement Requests:

None

Regular Business:

- Resignation of Ex-Officio William Need

Resolution # ER – 2015-11-26

Moved by: Gordon
Seconded by: Henderson

RESOLVED, that the Members of the Board formally acknowledged the resignation of William Need (Ex- Officio) from the City of Troy Employees Retirement System Board be approved.

Yeas: - 5 -
Absent: - 2 –

Chairman Calice requested that a formal letter of appreciation and commendation be prepared. In addition, The System Administrator suggested that a newsletter be prepared and mailed out informing the City of Troy Retirees of Mr. Need's resignation. The letter should include a statement that the City of Troy Employees Retirement System Board and the City of Troy Retiree Health Care Benefit & Trust Board of Trustees would like to receive recommendations from the retirees of candidates to fill the newly open position, preferably a member from the Defined Benefit Plan. The Board Members and the System Administrator agreed that a list of the candidate names will be compiled and reviewed at a regular monthly Employees Retirement System Board meeting. After such review, the Employee Retirement System Board Members would present their recommendation to Mayor Pro Tem Pennington for discussion.

Investments:

- Graystone Consulting Presentation

Mr. Robert Alati of Morgan Stanley presented the Board with a presentation of "The Golden Cross vs. The Death Cross Graph" and the "Market % Performance Each Day of The Month". The Board thanked Mr. Alati for sharing this interesting data.

Mr. Holycross continued and provided an additional handout illustrating the performance of the City of Troy's Employees Retirement System as of 11/9/2015. He noted that the MS/Graystone Composite Qtr. to date was 5.02% and Year to date of 0.40% was higher than the Policy Indexes' Qtr. to date 2.85% and Year to date -2.21%.

The Chairman indicated that he appreciated this analysis of good results in time but prefers to see quarterly reports. Chairman Calice inquired why the Morgan Stanley managed accounts for the quarter ended September 30, 2015 was down 6% in the Total Fund Performance portfolio. Also, noting the Year to date combined account was down 4.15%, Morgan Stanley was down 4.4%Year to date and the Trailing 1 year portfolio down 2.16%.

Mr. Holycross stated that this was due to the Templeton and Loomis funds in negative territory, Fixed Income was hurt by currency fluctuation and the volatility in high yield bonds which makes up the vast majority of loss. Mr. Holycross continued with review of Morgan Stanley managed accounts for the month and quarter ended September 30, 2015 indicating that currently, 4th Qtr. October and November are in positive territory.

In closing, The System Administrator thanked Mr. Holycross for the fast turnaround on additional information requested for the June 30, 2015 financial statements relating to rates of return based on the investment policy as requested by the auditors.

- UBS Financial Services Presentation

Rebecca Sorensen and Darin McBride of UBS briefly reviewed the stock holdings for the City of Troy Employees Retirement Systems Defined Benefit and NAIC portfolios for September 31, 2015, noting cash and fixed income a little above 30%, equities held around 69.5%. In addition noting the following UBS returns for the 3rd Qtr. and percentages as follows: a Net Time-Weighted decrease of 5.87%, Year to Date was down 3.7% and the 1 Year Trailing down 1.34%.

City Manager Brian Kischnick inquired as to what UBS might disagree with regarding the outlook on market commentary and expected returns as discussed by Graystone Consultants. Mr. McBride felt that the 6 month target is not seen as robust and is projecting that the economy will not allow them to achieve the gains Graystone is projecting. In addition City Manager Brian

Kischnick inquired as to if UBS would be considered to be more conservative than Graystone Consulting in the market place. Rebecca Sorensen and Darin McBride of UBS felt both firms are highly regarded and have very qualified analysts but with different target outlooks and did not feel they were more conservative.

Ms. Sorensen briefly reviewed the October market commentary, City of Troy ERS Investment Review October 2015, The Wild Ride that Went Nowhere (pg. 83/255 of pdf).

UBS continuing with recommendations as follows: Sell: Darling Inc. Small position, 8000 shares, value as of Nov. 3rd, approximately $84,000. Gain approximately 59%. Trading in $10 per share range. Very little research. The company manufactures edible and inedible ingredients for food, feed, and fuel industries. In addition, sell: FactSet Research Systems 2000 shares, value approximately $346,000 as of Nov 3rd. Gain approximately 452%. Provides integrated financial information and application to the investment industry. Stock considered approximately 17% overvalued based on current price, earnings, and growth prospects. Use proceeds from stock sales and transfers from American Funds – Euro Pacific Growth Fund to generate $1 Million to purchase American Funds – New World Fund. UBS recommends greater exposure to equity – emerging markets. The Members of the Board discussed and agreed with the recommendations.

Resolution # ER – 2015-11-27

Moved by: Kischnick
Seconded by: Gordon

RESOLVED, that the Members of the Board supported the UBS stock sell recommendation of Darling Inc. 8000 shares. Sell recommendation of FactSet Research Systems 2000 shares, and transfer of funds from American Funds – Euro Pacific Growth Fund to generate $1 Million in proceeds to purchase American Funds – New World Fund be approved.

Yeas: - 5 -
Absent: - 2 –

Other Business:

A discussion of the upcoming December 09, 2015 meeting took place. Chairman Calice and The System Administrator agreed the starting time will be 1:30 pm. A special meeting notice will be required for time change. Luncheon location TBD.

Public Comment:

None

The next meeting is Wednesday, December 09, 2015 at 1:30 p.m. at Troy City Hall, Council Board Conference Room, 500 W. Big Beaver Road, Troy, MI 48084.

The meeting adjourned at 2:54 p.m.

(Mark A Calice)

Mark Calice, Chairman

Thomas Darling

Thomas Darling, Pension Administrator