

Taylor Police & Fire Retirement Board November 13, 2013 Meeting Minutes

The regular meeting of the Taylor Police & Fire Retirement Board was held at the Taylor Fire Department, 23345 Goddard Road, Taylor Michigan, on **Wednesday, November 13, 2013.**

Present: Chairman and Trustee Nicolas Hill, Trustee Gerry Taylor, Trustee Dan Bzura, Trustee Russ McNamee, Trustee Ed Bourassa

Also Present: Jack Timmony, of VanOverbeke, Michaud & Timmony, P.C., Legal Counsel; Chris Kuhn of Gray & Company, Investment Consultant; Kirk VanDagens, of PNC Bank; Linda Kemp, Plan Administrator; Retiree Ron McNamee

Chair Nicolas Hill called the meeting to order at 4:36 P.M.

Motion by Taylor, supported by Bzura.

Resolved: To approve the minutes of the regular meeting of the P&F Retirement System Board of Trustees held October 9, 2013.

Unanimously approved.

11.115-13

Motion by Taylor, supported by Bzura.

Resolved: To receive and file the following correspondence:

1. The October 2013 Police & Fire Retirees Medicare Reimbursement Report. Note 1 change this reporting period.
2. Letter dated October 18, 2013 from Marc Hardy, Chief Compliance Officer of Gray & Company.

Unanimously approved.

11-116.13

Motion by Bzura, supported by Taylor.

Resolved: To approve the following correspondence:

1. FOIA request dated October 17, 2013 submitted by retired Fire Chief Kenneth Costella.
2. FOIA extension request letter dated October 23, 2013 submitted via certified mail to Mr. Costella.
3. FOIA response letter dated October 31, 2013 submitted via certified mail to Mr. Costella with requested data.

Unanimously approved.

11-117-13

Motion by Taylor, supported by Bzura.

Resolved: To pay the following bills item D-1, 2, 3, and 5:

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1. Payment to Linda Kemp, Plan Administrator, for services during the periods ending October 6, 2013 through November 10, 2013 in the amount of \$3,210.
2. Payment to Brown Advisory for investment services rendered for billing period July 1, 2013 through September 30, 2013 in the amount of \$15,949.
3. Payment to NewSouth Capital Management, Inc. for management fees for the period July 1, 2013 through September 30, 2013 in the amount of \$12,922.
4. Payment to PNC Institutional Investments for account management fees from July 1, 2013 through September 30, 2013 in the amount of \$14,220.50
5. Payment to VanOverbeke Michaud & Timmony P.C. for legal services rendered to the Board of Trustees from July 1, 2013 through September 30, 2013 in the amount of \$8,575.

Unanimously approved.

11.118-13

Motion by Bzura, supported by Taylor.

Resolved: To amend item D-4 to pay PNC the amended amount of \$24,455.60.

Unanimously approved.

11.119-13

Late arrivals to payment of bills:

Motion by Bzura, supported by Taylor.

Resolved: To pay Herndon Capital Management for management services for the period July 1, 2013 through September 30, 2013 in the amount of \$17,699.08

Unanimously approved.

11.120-13

Motion by Taylor, supported by Bzura.

Resolved: To pay Gray & Company third quarter investment consultant retainer fees in the amount of \$13,361.52

Unanimously approved.

11.121-13

Mr. Timmony welcomed newly elected City Treasurer Ed Bourassa and advised him he will provide a Trustee packet at the next meeting.

Mr. Timmony advised the Board there has been no ruling as of yet from the Court of Appeals regarding the Costella case.

Mr. Kirk VanDagens advised the Board the long term care payment for Mr. Atkinson had been handled and that he had provided the pension office with the requested documents in order to fulfill a recent FOIA request. He further advised the Board the portfolio is doing well and the cash account is low; suggests a transfer of funds based on Mr. Kuhn's recommendation.

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Mr. Chris Kuhn provided the third quarter performance report along with an overview of same. The executive summary report/discussion included an equity manager review, index strategy; stating across the board ahead, performance is consistently out performing and Oaktree has had a benefit to the fund. Mr. Kuhn advised the Board compared to other public funds the P&F fund is ahead. Char Hill asked if a comparison could be done using only other Michigan funds. Mr. Kuhn suggests working with MAPERS to conduct a public fund survey comparison using only a Michigan comparison. Other discussion included fixed income, high yield, and current market values. Mr. Kuhn recommends a transfer to the cash account to provide liquidity for upcoming benefit payments.

Motion by Taylor, supported by McNamee.

Resolved: Request the sale of shares totaling 1,000,000 from SPY held in the Commingled Account and to sell shares totaling \$3,000,000 of the PNC Multi Factor Small Cap Core Fund from unconstrained to the cash account and upon settlement to transfer \$2,000,000 to the Administrative Account and to purchase shares totaling \$2,000,000 of the Scout Unconstrained Bond Fund in the Commingled Account.

Unanimously approved.

11.121-13

Mr. Kuhn provided the Board with the results of a Hedge Fund search conducted by Gray & Company. An in depth discussion followed which included a detailed description of each managers background, philosophy and strategy. A comparison between managers was also provided that included strategy comparison, fund terms, annualized returns, calendar year returns, rolling three year returns, risk/returns comparison and fees. Mr. Kuhn suggested the Board invite two or three managers to the next meeting.

Chair Hill expressed concern related to Optima's performance. A brief discussion followed related to Optima's low performance. It was suggested a letter be drafted for submission to Optima expressing concern over their performance.

Motion by Bzura, supported by Taylor.

Resolved: To authorize Mr. Kuhn to invite Graham and Millennium to the December meeting.

Unanimously approved.

11.122-13

Chair Hill advised the Board of errors reported by Rodwan on two of their previous calculations. A handout detailing the errors was provided to each Trustee for review. Discussion on this matter included the possibility of bringing Rodwan in to address these issues. The matter of collecting the overpayment was also discussed. Mr. Timmony suggested Chair Hill contact Sandra Rodwan directly to discuss the matter in greater detail.

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Item B-2 was also discussed under open business. The Board expressed concern with the responses provided by Gray & Company's Chief Compliance Officer and felt their questions from the October meeting had not been addressed in the response letter. The Board is concerned with recent news related to Gray & Company and the lack of disclosure to the Board. The Trustees agreed that it is their fiduciary responsibility to seek an alternate investment consultant. It was also noted at this meeting that Mr. Kuhn's service to the Police & Fire Retirement System has been outstanding and this decision has nothing to do with his dedicated service to the Board. Mr. Timmony was asked to conduct A Request for Information (RFI). Further discussion took place related to not having an investment consultant during the RFI.

Motion by Hill, supported by Taylor.

Resolved: To authorize Mr. Timmony to conduct an RFI with a 20 day response time.

Unanimously approved.

11.123-13

Chair Hill suggests postponing inviting managers to attend a Board meeting until the matter with Gray & Company is resolved.

Motion by Taylor, supported by McNamee.

Resolved: To strike the motion authorizing Mr. Kuhn to invited Graham and Millennium to the December meeting.

Unanimously approved.

11.124-13

Motion by McNamee supported by Taylor.

Resolved: To adjourn meeting at 6:48 P.M.

Unanimously approved.

10.114-13

The next meeting of the Board of Trustees of the Police & Fire Retirement System will be held Wednesday December 11, 2013.