

## **Taylor Police & Fire Retirement Board October 9, 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, October 9, 2013.**

**Present:** Chairman and Trustee Nicolas Hill, Trustee Gerry Taylor, Trustee Dan Bzura, Trustee Lynn Cleary

**Also Present:** Jack Timmony, of VanOverbeke, Michaud & Timmony, P.C., Legal Counsel; Chris Kuhn of Gray & Company, Investment Consultant; Craig Hayne, of PNC Bank; Linda Kemp, Plan Administrator; Retiree Nicholson; Larry Gray of Gray & Company via conference call; Brad McClintock and Adrain Schultes of Reams Asset Management

**Excused:** Trustee McNamee

**Chair Nicolas Hill called the meeting to order at 4:32 P.M.**

**Motion by Taylor, supported by Cleary.**

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

*Unanimously approved.*

10.106-13

**Motion by Taylor, supported by Cleary.**

Resolved: To receive and file the following financial correspondence:

1. Letter to Ms. Barbara Citizen of PNC Bank dated September 24, 2013 requesting the sale of shares totaling approximately \$100,000 of SPY held in the Commingled Account and to transfer all cash from the Commingled Account on or before September 30, 2013 to the Administrative Account and in the future to transfer any residual cash in the Commingled Account to the Administrative Account.

*Unanimously approved.*

10.107-13

**Motion by Bzura, supported by Cleary.**

Resolved: To receive and file the following correspondence:

1. The September 2013 Police & Fire Retirees Medicare Reimbursement Report. Note 3 changes this reporting period.
2. Letter dated September 24, 2013 from Police Chief Sclabassi.
3. Letter dated September 25, 2013 from Mr. Laurence Gray of Gray & Company.
4. Letter from the United States Department of Commerce U.S. Census Bureau.
5. Letter dated October 2, 2013 from Investment Consultant, Christopher Kuhn submitted to Mr. Brad McClintock of Scout Investments on behalf of the Police & Fire Retirement System's Board of Trustees.

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*Unanimously approved.*

10-108.13

### **Motion by Taylor, supported by Bzura.**

Resolved: To decline completing U.S. Census Bureau annual survey as is past practice.

*Unanimously approved.*

10-109.13

### **Motion by Taylor, supported by Cleary.**

Resolved: To approve the following correspondence:

1. Wayne County Friend of the Court Income Withholding for Support notice referencing case number 910160315.
2. FOIA submitted by Mr. Herman Ramik to the City Clerk's office on September 10, 2013.
3. Letter to Mr. Herman Ramik requesting a ten day extension to respond to FOIA submitted September 10, 2013. Response sent via certified mail to Mr. Ramik.
4. FOIA response letter dated September 26, 2013 sent via certified mail to Mr. Ramik.

*Unanimously approved.*

10-110-13

### **Motion by Taylor, supported by Cleary.**

Resolved: To pay the following bills:

1. Payment to Linda Kemp, Plan Administrator, for services during the periods ending September 15, 2013 through October 6, 2013 in the amount of \$2,445.
2. Payment to Rodwan Consulting for normal actuarial and consulting services rendered to the City of Taylor Police & Fire Retirement System for the quarter ended September 30, 2013, pursuant to the Actuarial Services Agreement in the amount of \$1,990.

*Unanimously approved.*

10.111-13

**Mr. Larry Gray of Gray & Company** was available via conference call to address item B-3. A very lengthy discussion took place that included the following: Chair Hill acknowledged Mr. Gray was on the line for a group discussion relating to the letter submitted to the Board of Trustees by Mr. Gray on September 25<sup>th</sup>.

Chair Hill asked Mr. Gray why this matter was just now being brought to their attention. Mr. Gray responded that while the IRS considers this matter resolved, there are political issues in Atlanta that he believes have brought this to light. Mr. Gray was asked if there are any other issues which need to be disclosed to the Board; Mr. Gray stated there are no other issues and further he does not believe they are in violation of any laws. Chair Hill asked if Gray & Company has stepped down as a consultant from any of their retirement systems or if he intends to do so as a result of this latest development. Mr. Gray says other than the Atlanta General Employee System, they have not been asked to step down.

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**Trustee Taylor** asked Mr. Gray about the allegation made by Mr. Clark that Gray had borrowed money from him, more specifically if he had commingled those funds with his own. Mr. Gray said the money from Mr. Clark was not commingled with his own money. Trustee Taylor asked a series of questions regarding the ADV form and questioned why certain questions were answered no when it appears they should have responded yes. Mr. Gray responded that his compliance team assured him his responses on the ADV form were in compliance at the time, but in hindsight perhaps he would have been more forthcoming with information. Trustee Taylor went on to inquire about state document form U4. Trustee Taylor asked why they stated there were no disclosureable events on that form. Mr. Gray stated his legal team believes the document is correct. Trustee Taylor went on to ask very direct questions related to licensing, the ADV form responses, the U4 form and allegations being made against Gray & Company. Mr. Gray told the Board he never had any intention of hiding anything when completing those documents, but again, in hindsight he perhaps might have disclosed information that was not disclosed.

**Mr. Timmony** asked Mr. Gray how long he has been required to file an annual ADV Part II. Mr. Gray stated he believes he has done so since the start of his company. Mr. Timmony noted that Mr. Gray's answers to the questions regarding the disclosures at issue were annually not disclosure, and Mr. Gray confirmed that. Mr. Timmony asked if the tax lien issue/Clark lawsuit was pending in December of 2007 when Gray & Company responded to the Police & Fire Retirement System's RFP. Mr. Gray responded the tax lien issue was 2005; the Perry Clark allegations were in 2008. Mr. Timmony asked why the information was not disclosed in the RFP response, to which Mr. Gray said that his advisors told him that he was not legally obligated to make such disclosure. Mr. Timmony asked Mr. Gray what additional issues exist that the Board should be made aware of. Mr. Gray responded there is nothing else out there at all and went on to say that, in the matter of the tax lien they lost a primary founder (who passed away) and the company fell on tough financial times, that he had to make tough decisions and that he made the wrong decisions. He also stated there have been three separate SEC reviews/audits since 2005 with no issues.

A meeting will take place with Mr. Gray, his compliance team as well as his legal team on Friday. Mr. Gray assures the Board he will then provide a written response to all questions he was unable to answer at this meeting.

**Mr. Craig Hayne** provided the Board with a very brief review of the quarter ended September 30, 2013 that included a financial market review, economic review as well as an account status review.

**Mr. Chris Kuhn** introduced Mr. Adrain Schultes and Mr. Brad McClintock of Reams Asset Management who gave the Board a detailed presentation that included an overview of their firm. Discussion included team members, client list, fixed income products, investment philosophy, Reams definition of risk, investment process, sector discussion, bond selection, risk analysis and control, unconstrained products, historical ranges, strategy performance.

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Mr. Timmony asked if Reams was GIPS compliant (yes), if there are any SEC related audit issues (no), or any pending litigation or recent litigation involving the firm or portfolio (no). Mr. Timmony will finish his review of investment contract documents and will offer the Trustees his opinion at a later meeting.

Mr. Kuhn gave brief review of market values, as well as a review of the account status. The Board was advised there is no need to transfer funds to the cash account at this time. Manager selection policy was briefly discussed. Mr. Kuhn was requested to put together a list of potential managers for the next meeting. Chair Hill asked if there are any low performers that need to be re-evaluated. Mr. Kuhn is watching closely and will keep the Board advised.

**Mr. Timmony** advised the Board he has reviewed the letter from Chief Sciabassi regarding the possible return to work of a recent retiree. It is Mr. Timmony's opinion that such a request is possible; however, the Board would need to adopt a policy on the matter because Act 345 is silent regarding the issue. The Board would first need approval from the Administration in order to proceed.

**Chair Hill** advised the Board that payment has been received from Retiree Tompos to purchase the allowable number of service credit years per his Personal Services Contract. A recalculation of his pension benefit has been recalculated.

Chair Hill requested the September 2013 employee contributions and payment to Fred Alger be taken under open business as they were provided after the agenda had been prepared.

### **Motion by Cleary, supported by Bzura.**

Resolved: To approve employee contributions received from the City of Taylor for the Police & Fire Retirement System for September 2013 in the amount of \$61,743.51

*Unanimously approved.*

10.112-13

### **Motion by Cleary, supported by Taylor.**

Resolved: To approve payment to Fred Alger for investment advisory fees for the period of July 1, 2013 through September 30, 2013 in the amount of \$13,604.57

*Unanimously approved.*

10.113-13

On behalf of the Board of Trustees, Chair Hill presented Trustee Cleary with a proclamation thanking her for her dedicated service to the Police & Fire Retirement System.

### **Motion by Cleary supported by Taylor.**

Resolved: To adjourn meeting at 6:38 P.M.

*Unanimously approved.*

10.114-13

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**The next meeting of the Board of Trustees of the Police & Fire Retirement System will be held Wednesday November 13, 2013.**