

**Monroe County Employees Retirement
System Board of Trustees
MINUTES**

A regular meeting of the Monroe County Employees Retirement System Board of Trustees was held on April 25, 2011 in the Board of Commissioners Meeting Room at 125 East Second Street, Monroe, Michigan. The meeting was called to order by Chairman Colpaert at 5:00 P.M.

PRESENT: Nancy Colpaert, James Davies, Michael Grodi, Joseph Hudson, Henry Lievens, Anne McCarthy, James Morgan and William Sisk

ABSENT: William Myers (excused)

ALSO PRESENT: Sandy Calkins, Retirement Specialist, Royce Maniko, Secretary, Michael Cho and Michael Holycross, Investment Consultants and Thomas Michaud, Legal Counsel

Motion by William Sisk, supported by Michael Grodi to approve the minutes of the March 28, 2011 regular meeting. Motion carried.

Motion by William Sisk, supported by Anne McCarthy to approve the minutes of the April 4, 2011 special meeting. Motion carried.

Motion by James Davies, supported by Michael Grodi to approve the agenda as submitted. Motion carried.

Citizens Time – None

Presentations – Lazard – Emerging Markets, Frank Sposato

Mr. Sposato introduced himself as the Director for Lazard – Emerging Markets. He stated Lazard Asset Management’s company history dates back to 1848 and currently manages \$140.6 billion in assets with over 600 employees worldwide, including more than 250 investment personnel.

Next, Mr. Sposato discussed the period ended April 20, 2011. He stated the outlook fundamentals are good. The total portfolio is up .49% YTD and up 1.42% since inception. He discussed the holdings by country and stated 30.0% of the portfolio is in Latin America, 32.2% is in South/East Asia, 33.8% is in Europe/Middle East/Africa, and 4.0% is in Cash & Equivalents.

Finally, Mr. Sposato discussed the Holdings by Sector, Geographic Allocation, and Sector allocation. He stated he is confident with the current selections and believes Lazard should not be aggressive in emerging markets equities.

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Motion by James Davies, supported by James Morgan to approve the consent agenda as listed below.

A. Retirements

Karen Hudson, Sheriff's Office	April 1
Rebecca Head, Health Department	April 2

B. Financial Reports – On File with Retirement Specialist

1. Boyd Watterson Asset Management Client Statement for the period ended March 31, 2011.
2. Comerica Bank Securities Lending Statement for February 2011.
3. Lazard Asset Management Portfolio Review for the period ended March 31, 2011.
4. Morgan Stanley Smith Barney Client Statement for Anchor Capital Advisors, Eagle Global Advisors, Lazard Asset Management, NWQ Investment and International and Renaissance Advisors for the period ended March 31, 2011.
5. Renaissance Investment Management International Equity Portfolio for the First Quarter 2011.
6. Winslow Capital Large Cap Growth Quarterly Narrative for the First Quarter 2011.

C. Communication

1. Gabriel Roeder Smith & Company News Scan.
2. Robbins Geller Rudman & Dowd Settlement Report for the period ended April 2011.

Motion Carried.

Invoices

Motion by Michael Grodi, supported by William Sisk to approve for payment the following invoices, subject to house audit:

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1. Invoice dated March 31, 2011 in the amount of \$1,000.00 from Comerica Commercial Card Service for the 2011 Spring MAPERS educational seminar.
2. Invoice #372370 in the amount of \$2,911.96 from Comerica Bank for custodial services rendered for the period of January 1, 2011 – March 31, 2011.
3. Invoice #1898 dated March 25, 2011 in the amount of \$16,947.44 from County of Monroe Finance Department for services rendered to the Retirement System by Sandy Calkins for the period of January 1, 2011 – March 31, 2011.
4. Invoice #114789 dated April 11, 2011 in the amount of \$4,713.00 from Gabriel Roeder Smith & Company for actuarial services performed for the quarter from January 1, 2011 – March 31, 2011.
5. Reimbursement in the amount of \$214.40 to James Davies for flight expenses incurred for 2011 NCPERS educational seminar.
6. Reimbursement in the amount of \$200.00 to Michael Grodi for flight expenses incurred for 2011 NCPERS educational seminar.
7. Reimbursement in the amount of \$239.40 to James Morgan for flight expenses incurred for 2011 NCPERS educational seminar.
8. Reimbursement in the amount of \$214.40 to William Sisk for flight expenses incurred for 2011 NCPERS educational seminar.

Motion carried.

Refunds - None

Retirement Payments - None

Communications

Motion by James Davies, supported by Anne McCarthy to accept and place on file the following Application for Deferred Retirement:

1. Bruce Banning, District Court

Motion carried.

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Motion by James Davies, supported by Anne McCarthy to accept and place on file the following Applications for Service Retirement:

2. Rebecca Head, Health Department
3. Marian Sisung, Library
4. Terrie Vanderpool, Youth Center

Motion carried.

Proposed Resolutions

Motion by Michael Grodi, supported by William Sisk to accept and place on file the following Application for Deferred Retirement resolution:

1. Bruce Banning, District Court

Motion carried.

Motion by Michael Grodi, supported by William Sisk to accept and place on file the following Applications for Service Retirement resolutions:

2. Rebecca Head, Health Department
3. Marian Sisung, Library
4. Terrie Vanderpool, Youth Center

Motion carried.

Motion by Michael Grodi, supported by William Sisk to accept and place on file the following Purchase of Universal Service Credit resolutions:

5. Karen Hudson, Sheriff's Office
6. Ina (Jan) Arnold, Employment & Training

Motion carried.

Attorney Report

Mr. Michaud discussed the overpayment of Willard Rucker and the Road Commission employees receiving a COLA. He stated the errors need to be corrected and the assets need to be recuperated. They may elect repayment by means of a short-term payment arrangement or a single lump-sum. A letter will need to be sent to notify the retirees of the error and intent to recuperate the assets.

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Motion by Henry Lievens, supported by Michael Grodi to correct the overpayment errors and request repayment from Willard Rucker and the Road Commission employees receiving a COLA. Motion carried.

Henry Lievens stated the Board of Trustees has a fiduciary responsibility to try and recuperate the overpayment of assets. If the retirees contact the appropriate bargaining body it is up to the Road Commission to write a letter of understanding.

Consultant Report

Mr. Cho reviewed the valuation report for month ending March 31, 2011. The fund is valued at \$178,662,129.82 down \$585,089.27 from the previous month.

The Total Fund was down .09%. The current asset allocation includes 42.88% in fixed income, 52.15% in equity, and 4.96% in cash.

Mr. Cho and Mr. Holycross reviewed Diamond Hill Long/Short. Stating the concept of Long/Short investing is quite simple – after undergoing research of a stock, and determining the fair value of the company, you are left with 2 choices. If your research suggests the current market price is below fair value, purchase the stock. If research suggests the market price is above fair value, short the stock, selling stock you do not own to profit from a decline in the stock price. Morgan Stanley agrees with the idea of a long/short fund, and encourages all of their clients to utilize this style of investing. However, rather than utilizing a long biased manager like Diamond Hill, they would instead prefer to see a manager with a more active focus on hedging market risk, as opposed to simply shorting stocks they feel are overvalued. Therefore, Mr. Cho and Mr. Holycross recommend terminating Diamond Hill, and searching for a replacement within the asset class.

Motion by Henry Lievens, supported by Anne McCarthy to begin investigating possible alternatives to Diamond Hill. Motion carried.

Old Business

- Fiduciary Liability Insurance

Mr. Michaud discussed the Fiduciary Liability Insurance. Chubbs insurance did not cover Trustees, Retirement Specialist or Retirement Secretary. They also allowed for Arbitration. Chartis, the prior underwriter was willing to extend coverage until April 29 and extend the same coverage. Chartis was also willing to reduce the premium with no lapse in coverage.

Motion by Michael Grodi, supported by Joseph Hudson to continue coverage with Chartis. Motion carried.

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- Set Interest Rate for 2011

Mr. Michaud distributed a Policy Resolution for Crediting of Interest on Accumulated Member Contribution Account Balances. The interest rate will be determined in January of each year based on the U.S. Ten Year Treasury Rate for the prior calendar year ending December 31st.

Motion by Joseph Hudson, supported by William Sisk to adoption the Policy Resolution as presented. Motion carried.

New Business

- Investment Consultant Request for Proposal

The deadline to submit a Request for Proposal was April 25, 2011 at 4:00 p.m. Chairman Colpaert recommends the Investment Policy Committee review and provide the full board with a summary. Mr. Michaud will provide an evaluation sheet.

Motion by William Sisk, supported by James Davies to refer the Investment Consultant Request for Proposals to the Investment Policy Committee to review, provide the full board with a summary and make a recommendation. Motion carried.

- Disability Re-examinations for 2011

Motion by Anne McCarthy, supported by Michael Grodi to go into closed session. A roll-call vote was taken on the motion with Nancy Colpaert, James Davies, Michael Grodi, Joseph Hudson, Henry Lievens, Anne McCarthy, James Morgan and William Sisk voting in favor. William Myers was excused. Motion carried.

Motion by William Sisk, supported by Henry Lievens to go into open session. Motion carried.

Motion by William Sisk, supported by James Davies to postpone Disability Re-examinations for 2011 until the May 16, 2011 meeting to further review the medical reports and decide which retirees it is necessary to send. Motion carried.

- Annual Certification of Earnings for Disability Retirees

Motion by Michael Grodi, supported by William Sisk to send out the Annual Certification of Earnings for Disability Retirees. Motion carried.

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Trustee Comments - None

Motion by James Morgan, supported by Anne McCarthy to adjourn. Motion carried. Meeting adjourned at 6:45 P.M.

Respectfully Submitted,

Nancy Colpaert, Chairman
Monroe County Employees Retirement System
Board of Trustees