



Board of Trustees  
**Police and Fire  
Retirement System**  
**Act 345**



*A Pension Plan and Trust Fund*  
41625 Ryan Rd.  
Sterling Heights, Michigan 48314-3945

John Lamerato  
President

VanOverbeke, Michaud & Timmony, P.C.  
Legal Counsel

Kelly Burgan  
Secretary

REGULAR MEETING MINUTES OF THE  
STERLING HEIGHTS  
POLICE AND FIRE RETIREMENT SYSTEM, ACT 345  
MAY 16, 2019  
FIRE DEPARTMENT CONFERENCE ROOM  
41625 RYAN ROAD  
STERLING HEIGHTS, MI 48314  
586-446-2958

Randall Schwarb  
Trustee

Robert Maleszyk  
Trustee

Mary Jaganjac  
City Treasurer

1. President Lamerato called the regular meeting of the Police and Fire Retirement System to order at 3:31pm.
2. Board Members present: Lamerato, Burgan, Schwarb, Maleszyk, Jaganjac. Also present: Tom Michaud, Legal Counsel; Tim Brice, representing The Brice Group/Morgan Stanley Graystone Consulting; Ryan Clark, Treasury Services Coordinator; Kerrie Dzwonkowski, Pension Technician.
3. APPROVAL OF CONSENT AND REGULAR AGENDAS  
Motion by Burgan, supported by Schwarb, to approve the consent agenda as presented. Ayes: All. The motion carried.  
Motion by Schwarb, supported by Burgan, to approve the regular agenda as presented. Ayes: All. The motion carried.
4. APPROVAL OF MINUTES  
No corrections were made to the draft minutes of the regular meeting of April 18, 2019.  
Motion by Burgan, supported by Maleszyk, to approve the minutes as presented. Ayes: All. The motion carried.
5. CITIZEN PARTICIPATION  
There was no Citizen participation.
6. REPORT FROM LEGAL COUNSEL  
None

CONSENT AGENDA

7. CORRESPONDENCE

- a. Other correspondence received from:
  - 1. Morgan Stanley – market value monthly updates
  - 2. Robbins Geller Rudman & Dowd LLP
  - 3. Janus Henderson Investors ADV Part II
  - 4. John Hancock Asset Management ADV Part II
  - 5. Metropolitan West Asset Management ADV Part II
  - 6. Rothschild & Co Asset Management ADV Part II
  - 7. WCM Asset Management ADV Part II
  - 8. Employee Benefit News – April 2019

8. BILLS AND EXPENDITURES

c. Checking Account Summary

Beginning Balance	\$3,877.25	4/01/19	
Additions (1)			
1. 4/16	\$5,000.00		
Subtractions (1)			
1. 4/24 Ck 2075	\$21.06		KD reimburse – office supplies
Electronic withdrawals (7)	\$3,604.56		
1. 4/3 DD 1080	1,270.29		Contract Payment KD
2. 4/5	85.70		Contract fee – Gurin & Gurin
3. 4/10	361.42		IRS Fed. Tax w/h
4. 4/17 DD 1081	1,270.28		Contract Payment KD
5. 4/22	134.00		Michigan St. tax w/h
6. 4/24	361.44		IRS Fed. Tax w/h
7. 4/29	121.43		MI UIA Tax
Ending Balance	\$5,251.63	4/30/19	

9. FUNDS MANAGEMENT

- a. The current value of funds as of April 30, 2019 is detailed below:

Clearing account	\$	459,674.12
Winslow	\$	12,680,722.16
Janus	\$	11,543,095.51
Eagle	\$	11,494,661.89
Confluence	\$	6,352,585.31
Rothschild	\$	14,494,511.26
Earnest Partners	\$	15,078,444.23
Cambiar	\$	21,634,819.74
Western	\$	24,970,894.48
Met West	\$	17,900,656.98
Hancock	\$	24,403,123.94
Cushing	\$	9,362,103.76
WCM	\$	38,322,016.62
MS Cash	\$	9,079.57
Checking account	\$	<u>5,251.63</u>
TOTAL FUNDS	\$	208,711,641.20

CONSENT AGENDA

9. FUNDS MANAGEMENT - cont.
  - b. The Board received a copy of the Summary of Employer Contributions to the Police and Fire Retirement System for the 2018 tax year as of 3/15/19. The System has received \$8,739,100.00 of the 2018/19 budget of \$8,297,366.00.
  - c. Benefit Register Listing as of May 1, 2019 from Comerica Bank showing 382 retirees/beneficiaries with a payout for May of \$1,655,435.71 and a total year-to-date of \$10,181,182.75.
  - d. The current Merrill Lynch Bond index for March 2019 is 2.91%.
10. BENEFITS & PLAN ADMINISTRATION
  - a. Old Business
    1. Jason Selewski – EROP Application  
Lt. Jason Selewski of the Police Department has submitted an application for EROP retirement effective June 27, 2019. All required paperwork is on file in the Pension Office.

REGULAR AGENDA

8. BILLS AND EXPENDITURES
  - a. Disbursements other than retiree benefit payments (bills)
    1. Disbursement to Comerica Bank in the total amount of \$84.89 for services rendered to the Intercontinental account for the period ending 3/4/19. This is the final invoice for the Intercontinental account.
    2. Disbursement to Morgan Stanley in the total amount of \$242,645.30 for investment management fees for the quarter ending 3/31/19 for all twelve accounts.
    3. Disbursement to WCM Investment Management in the amount of \$77,642.94 for investment management fees for the quarter ending 3/31/19.
    4. Disbursement to Eagle Capital Management in the amount of \$23,015.25 for investment management fees for the quarter ending 3/31/19.  
Motion by Schwarb, supported by Burgan, to approve the bills as presented. Ayes: All. The motion carried.
  - b. Disbursements to retirees/members other than monthly benefit payments
    1. Kenneth “Paul” Durham – partial DROP distribution - discussion  
Paul Durham of the Fire Department terminated his DROP retirement effective June 16, 2015. He is requesting a DROP distribution from his DROP account. All paperwork required is on file in the Pension Office.  
Motion by Burgan, supported by Schwarb, to approve the disbursement as presented. Ayes: All. The motion carried

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group

Tim Brice reviewed the summary report of manager performance. Enclosed in this report was the Board's summary of investment policies and objectives for the first quarter 2019 AIM Market Focus report. Also included was an executive summary of the Composite, MetWest, Western, Intercontinental, John Hancock, Confluence, Eagle, Rothschild, Winslow, Janus, Earnest, WCM, Cushing, Harding Loevner, and Cambiar reports. The following manager specific comments were discussed:

MetWest

- a. The total portfolio return in the first quarter was 3.40%, ranking in the 49<sup>th</sup> percentile of the IM U.S. Broad Market Fixed Income. It exceeded the BC Aggregate Bond index (2.94%).
- b. Their total portfolio return was 2.71% since inception (4/1/15). This exceeded the BC Aggregate Bond index (2.01%).
- c. The market value as of March 31, 2019 was \$17,954,561.71, which represented 8.81% of the total portfolio.

Western

- a. The total portfolio return in the first quarter was 4.11%, ranking in the 16<sup>th</sup> percentile of the IM U.S. Broad Market Fixed Income. It exceeded the BC Aggregate Bond index (2.94%).
- b. Their total portfolio return was 4.12% since inception (7/1/11). This exceeded the BC Aggregate Bond index (2.92%).
- c. The market value as of March 31, 2019 was \$24,903,605.49, which represented 12.22% of the total portfolio.

Intercontinental

- a. The Intercontinental Real Estate return for the first quarter was 2.22%.
- b. Their total portfolio return was 12.3% since inception (7/1/04).
- c. The market value as of March 31, 2019 was \$820,788.00, which represented 0.4% of the total portfolio.

John Hancock

- a. The total portfolio return in the first quarter was 17.08%, ranking in the 3<sup>rd</sup> percentile of the IM U.S. Large Cap Core Equity. It exceeded the S & P 500 Index (13.65%).
- b. Their total portfolio return was 2.86% since inception (4/1/18). This trailed the S & P 500 Index (9.50%).
- c. The market value as of March 31, 2019 was \$12,694,511.32, which represented 6.23% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group – cont.

John Hancock – iShares Core SP 500 ETF

- a. The total portfolio return in the first quarter was 13.53%, ranking in the 42<sup>nd</sup> percentile of the IM U.S. Large Cap Core Equity. It trailed the S & P 500 Index 13.65%).
- b. Their total portfolio return was 10.39% since inception (4/1/15). This trailed the S & P 500 Index (10.46%).
- c. The market value as of March 31, 2019 was \$11,027,904.37, which represented 5.41% of the total portfolio.

Confluence

- a. The total portfolio return in the first quarter was 15.41%, ranking in the 6<sup>th</sup> percentile of the IM U.S. Large Cap Value Equity. It exceeded the Russell 1000 Value (11.93%).
- b. Their total portfolio return was 10.88% since inception (4/1/16). This exceeded the Russell 1000 Value (10.47%).
- c. The market value as of March 31, 2019 was \$6,019,888.83, which represented 2.95% of the total portfolio.

Eagle

- a. The total portfolio return in the first quarter was 12.90%, ranking in the 25<sup>th</sup> percentile of the IM U.S. Large Cap Value Equity. It exceeded the Russell 1000 Value (11.93%).
- b. Their total portfolio return was 14.33% since inception (10/1/12). This exceeded the Russell 1000 Value (11.34%).
- c. The market value as of March 31, 2019 was \$10,775,049.93, which represented 5.29% of the total portfolio.

Rothschild

- a. The total portfolio return in the first quarter was 11.44%, ranking in the 58<sup>th</sup> percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value (11.93%).
- b. Their total portfolio return was 10.20% since inception (4/1/16). This trailed the Russell 1000 Value (10.47%).
- c. The market value as of March 31, 2019 was \$6,021,326.90, which represented 2.95% of the total portfolio.

Winslow

- a. The total portfolio return in the first quarter was 16.87%, ranking in the 35<sup>th</sup> percentile of the IM U.S. Large Cap Growth Equity. It exceeded the Russell 1000 Growth (16.10%).
- b. Their total portfolio return was 14.23% since inception (4/1/12). This trailed the Russell 1000 Growth (14.34%).
- c. The market value as of March 31, 2019 was \$4,309,338.72, which represented 2.11% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

- e. Quarterly Performance Report
  - 1. The Brice Group – cont.

Janus

- a. The total portfolio return in the first quarter was 17.10%, ranking in the 31<sup>st</sup> percentile of the IM U.S. Large Cap Growth Equity. It exceeded the Russell 1000 Growth (16.10%).
- b. Their total portfolio return was 14.58% since inception (1/1/10). This exceeded the Russell 1000 Growth (14.54%).
- c. The market value as of March 31, 2019 was \$11,052,916.63, which represented 5.42% of the total portfolio.

Earnest

- a. The total portfolio return in the first quarter was 16.63%, ranking in the 41<sup>st</sup> percentile of the IM U.S. SMID Cap Equity. It exceeded the Russell Mid Cap Index (16.54%).
- b. Their total portfolio return was 10.11% since inception (10/1/06). This exceeded the Russell Mid Cap Index (8.83%).
- c. The market value as of March 31, 2019 was \$14,900,125.50, which represented 7.31% of the total portfolio.

Cambiar

- a. The total portfolio return in the first quarter was 9.47%, ranking in the 74<sup>th</sup> percentile of the IM International Equity. It trailed the MSCI EAFE net (9.98%).
- b. Their total portfolio return was 2.12% since inception (1/1/16). This trailed the MSCI EAFE net (5.71%).
- c. The market value as of March 31, 2019 was \$14,819,568.78, which represented 7.27% of the total portfolio.

WCM

- a. The total portfolio return in the first quarter was 14.61%, ranking in the 9<sup>th</sup> percentile of the IM International Equity. It exceeded the MSCI AC World ex US net (10.31%).
- b. Their total portfolio return was 9.88% since inception (7/1/17). This exceeded the MSCI AC World x US net (3.12%).
- c. The market value as of March 31, 2019 was \$36,571,988.87, which represented 17.94% of the total portfolio.

Harding Loevner

- a. The total portfolio return in the first quarter was 14.49%, ranking in the 9<sup>th</sup> percentile of the IM Emerging Markets Equity. It exceeded the MSCI EM Net (9.92%).
- b. Their total portfolio return was -5.38% since inception (1/1/18). This trailed the MSCI EM net (-4.92%).
- c. The market value as of March 31, 2019 was \$6,003,498.62, which represented 2.95% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

- e. Quarterly Performance Report
  - 1. The Brice Group – cont.

Cushing

- a. The total portfolio return in the first quarter was 18.12%, ranking in the 25<sup>th</sup> percentile of the IM US Other Equity. It exceeded the Alerian MLP Index 16.82%).
- b. Their total portfolio return was -2.86 since inception (1/1/17). This trailed the Alerian MLP Index (-1.97).
- c. The market value as of March 31, 2019 was \$9,621,570.16, which represented 4.72% of the total portfolio.

The following table details the Investment Performance Review for the first quarter ending March 31, 2019. Market value of the funds under management as of March 31, 2019 was \$203,837,534.06.

The total fund return for the first quarter was 12.13%, ranking in the 3<sup>rd</sup> percentile of Public Plans < \$250 million, as summarized below:

	12/18	3/18	3/16	3/14	3/09	1/92
	<u>To 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total fund*</u>	12.13/3	5.25/22	9.18/15	7.05/5	9.86/45	7.37/69

\*Ranked against Public Plans < \$250 million

The following manager specific return information is detailed separately from the other long-term data:

	12/18	3/18	3/16	4/15
MetWest	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	3.40/49	5.02/21	3.11/36	2.71/39

\*Ranked against the IM U.S. Broad Market Fixed

	12/18	3/18	3/16	3/14	7/11
Western	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	4.11/16	4.38/82	3.62/21	3.98/9	4.12/24

\*Ranked against the IM U.S. Broad Market Fixed

	12/18	3/18	3/16	3/14	3/09	7/04
	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Intercontinental</u>	2.22	10.35	6.98	11.57	9.03	12.21

	12/18	4/18
John Hancock	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	17.08/3	2.86/88

\*Ranked against the IM U.S. Large Cap Core Equity

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report

1. The Brice Group – cont.

	12/18	3/18	4/16
Confluence	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	15.41/6	10.67/7	10.88/57

\*Ranked against the IM U.S. Large Cap Value Equity

	12/18	3/18	3/16	3/14	10/12
Eagle	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	12.90/25	7.41/25	15.61/3	11.03/7	14.33/3

\*Ranked against the IM U.S. Large Cap Value Equity

	12/18	3/18	3/16
Rothschild	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	11.44/58	4.50/46	10.20/69

\*Ranked against the IM U.S. Large Cap Value Equity

	12/18	3/18	3/16	3/14	4/12
Winslow	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	16.87/35	14.93/26	19.49/13	14.11/26	14.23/43

\*Ranked against the IM U.S. Large Cap Growth Equity

	12/18	3/18	3/16	3/14	1/10
Janus	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	17.10/31	13.42/39	18.12/26	15.12/14	14.58/41

\*Ranked against the IM U.S. Large Cap Growth Equity

	12/18	3/18	3/16	3/14	12/09	10/06
Earnest Part.	<u>To 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	16.63/41	6.80/43	15.65/21	10.63/24	17.93/19	10.11/37

\*Ranked against the IM U.S. SMID Cap Core Equity

	12/18	3/18	3/16	1/16
Cambiar	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	9.47/74	-10.50/86	3.46/98	2.12/100

\*Ranked against the IM International Equity

	12/18	7/18	7/17
WCM	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	14.61/9	5.45/3	9.88/4

\*Ranked against the IM International Equity

	12/18	3/18	1/18
Harding	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	14.49/9	-10.30/57	-5.38/43

\*Ranked against the IM Emerging Markets Equity



REGULAR AGENDA

9. FUNDS MANAGEMENT

- e. Quarterly Performance Report
  - 1. The Brice Group – cont.

	12/18	3/18	1/17
Cushing	<u>to 3/19</u>	<u>to 3/19</u>	<u>to 3/19</u>
<u>Total Fund*</u>	18.12/25	11.51/29	-2.86/89

\*Ranked against the IM US Other Equity

Mr. Brice discussed the first quarter performance of the total portfolio. He reviewed the Asset Allocation. He presented a performance summary of a few Public REITs. The Board requested to have Principal Global Investors and Coheen & Steers Real Estate come in for interviews.

Motion by Schwarb, supported by Maleszyk, to bring in Principal Global Investors and Coheen & Steers Real Estate for interviews. Ayes: All. The motion carried.

10. BENEFITS & PLAN ADMINISTRATION

a. New Business

- 1. Richard Heins, Jr. – passed away, retirement, and EDRO – discussion  
Richard Heins, Jr. of the Police Department retired effective March 11, 2019. An approved EDRO was received on March 10, 2019. He passed away April 28, 2019. Final Actuary Sheet was received May 2, 2019. Mr. Heins' estate will receive a retro payment for the time he was retired before the date of death. Per the EDRO, his ex-spouse will receive a 60% surviving spouse benefit for the duration of their marriage, due to the death of the participant. His beneficiaries for his EROP and Annuity Withdrawal are his two sons. Paperwork has been received from the Alternate Payee and sent to the beneficiaries.  
Motion by Schwarb, supported by Burgan, to approve the retro pension payment, the EDRO, Alternate Payee benefit, and EROP and Annuity Withdrawal distributions to his beneficiaries. Ayes: All. The motion carried.
- 2. Michael Gagnon – Worker's Compensation Settlement - discussion  
Michael Gagnon made a settlement with Worker's Compensation. Per the Board Policy, there will no longer be an offset with his pension amount. His benefit will increase to \$3,879.17, per the Actuary sheet dated August 29, 2017.  
Motion by Schwarb, supported by Burgan, to approve the full duty disability pension benefit as presented. Ayes: All. The motion carried.
- 3. Dominic Ryckeghem – retirement – discussion  
Per the Separation Agreement, dated March 14, 2017, between Mr. Ryckeghem of the Fire Department and the City of Sterling Heights, he is eligible for retirement effective April 21, 2019. He is requesting his annuity withdrawal and all required paperwork is on file in the Pension Office.

REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business – cont.

3. Dominic Ryckeghem – retirement – cont.  
Motion by Burgan, supported by Schwarb, to approve the regular straight life pension benefit in the gross amount of \$5,483.14 with annuity withdrawal rollover distribution as presented. Ayes: All. The motion carried.
4. Tonya Jespersen – Buyback Application - discussion  
Tonya Jespersen of the Police Department submitted an application to purchase 2 months and 1 day of service credit for previous law enforcement time. All required paperwork is on file in the Pension Office. Motion by Schwarb, supported by Burgan, to approve the purchase of service credit as presented. Ayes: All. The motion carried.
5. Kevin Reese – EDRO approval- discussion  
A Draft EDRO was received on April 23, 2019 along with a letter from Francis Judd from VanOverbeke, Michaud & Timmony, P.C. regarding a change to Section 9. On May 6, 2019 a court approved EDRO was received and the change was not made. Mr. Judd advised that the Board deny the EDRO until Section 9 is corrected. Motion by Schwarb, supported to by Burgan, to deny the Court approved EDRO for Kevin Reese. Ayes: All. The motion carried.
6. Actuarial RFI Review – discussion  
Ryan Clark presented the information. Informational booklets were provided at meeting for each Board member. The Board members of Police and Fire and General Employees will review the material and there is a scheduled meeting for interviews on May 30, 2019 at 1pm.
7. Comerica Bank service level transition – discussion  
The Pension Administrators of the Police and Fire and General Employees Board are working with Comerica Bank to transition into a direct access level for transactions. Currently the Pension Tech sends a secure pdf to the bank to process paperwork and someone at the bank processes the request. There have been inconsistencies and errors made. The account executives at Comerica have been working with the Pension Administrators to transition into training and using the online interface. They anticipate to go-live on direct access by July 2019.
8. Account Transfer for June benefit payments – discussion  
As of May 14, 2019, the Clearing Account had a balance of \$459,743.93. An additional \$2,000,000.00 is needed for the June 1, 2019 pension benefit payments and bills from the Clearing Account. The Brice Group has forwarded an e-mail that the additional amount needed should be taken from the accounts; based on asset allocation targets:

REGULAR AGENDA

10. BENEFITS & PLAN ADMINISTRATION

a. New Business – cont.

8. Account Transfer for June benefit payments – cont.

Western	\$1,000,000	Janus	\$250,000
Earnest	\$250,000	Eagle	\$250,000
John Hancock	\$250,000		

Motion by Schwarb, supported by Maleszyk, to approve the transfer of \$2,000,000 from the Earnest Partners account, based on the asset allocation targets, to provide for pension benefit payments and other disbursements on June 1, 2019. Ayes: All. Motion carried.

11. TRUSTEE COMMENTS

Retiree Harold Bentz sent in a letter asking if his wife is eligible for a pension benefit. After reviewing his situation, his current wife is not eligible for a pension benefit.

12. ADJOURNMENT

Motion by Maleszyk, supported by Schwarb, to adjourn at 5:02pm.

Ayes: All. The motion carried.



Kelly Burgan  
Secretary