Present: Fisher, Koss, Maxwell, Mercer and Shock

Absent: None

Also Present: Village Manager, Wilson
Public Safety Director, Torongeau
Asset Strategies, Katherine Ghannam

Chairperson Shock called the meeting to order at 7:30 p.m. in the Public Safety Department conference room at 18600 W. Thirteen Mile Road.

REVIEW AND APPROVE MINUTES OF REGULAR RETIREMENT BOARD MEETING HELD ON MAY 22, 2012

Motion by Koss, second by Fisher, that the minutes of a regular Retirement Board meeting held May 22, 2012 be approved as submitted.

Motion passed.

REVIEW AND APPROVE MINUTES OF SPECIAL RETIREMENT BOARD MEETING HELD ON JULY 31, 2012

Motion by Maxwell, second by Koss, that the minutes of a special Retirement Board meeting held July 31, 2012 be approved as submitted.

Motion passed.

REPORT FROM MUNDER CAPITAL MANAGEMENT

Three representatives from Munder Capital Management were in attendance to present a due diligence review of the company and the Munder Fixed Income fund. Andrea Leistra, Senior Client Relationship Manager, commented on Munder’s long relationship with the Village of Beverly Hills. She introduced Jim Keltz, head of fixed income trading and portfolio manager on Munder’s fixed income team, and Brad Fush, director of Munder’s fixed income credit research team. Leistra presented a brief overview of Munder Capital Management focusing on the team members and the team approach. The firm currently manages about $15.37 billion in assets.

Jim Keltz talked about Munder’s fixed income investment process. He highlighted the Munder fixed income philosophy and objective. They believe that skillful active portfolio management delivers superior risk adjusted returns through sector allocation, security selection, and yield curve/active duration. The goals are: 1) seek superior risk-adjusted returns; 2) seek consistency of returns; and 3) tailored investment solutions and superb client service. Keltz commented on the team managed process for portfolio selection.

Brad Fush discussed security selection. He focused on key areas of corporate credit selection, which include the selection process approach, Munder credit committee discussions, and hybrid model using fundamental financial data. Fush stated that Munder continually strives to improve its process.

Keltz related that performance on an absolute basis and relative to the benchmark has been good both year-to-date and since inception (10/14/2011). He discussed reasons for positive returns, Munder's investment style, historic yield curve, and interest rate risk.

Ghannam responded to questions from the Board indicating that Asset Strategies communicates regularly with Munder and that they are comfortable with Munder's performance with respect to the Fixed Income Fund. Fush addressed an inquiry about projections relative to the "fiscal cliff".

"Fiscal cliff" is the popular term used to describe the conundrum that the U.S. government will face at the end of 2012. U.S. lawmakers have a choice: they can either let current policy go into effect at the beginning of 2013 – which features a number of tax increases and spending cuts that are expected to weigh heavily on growth and possibly drive the economy back into a recession – or cancel some or all of the scheduled tax increases and spending cuts, which would add to the deficit and increase the odds that the United States could face a crisis similar to that which is occurring in Europe.

Fush remarked that the country is coming up on an election, and issues have not been resolved. He outlined schools of thought on the most likely outcome. This is something that Munder is discussing and preparing for at strategy meetings. It is understood that there are variables and some potential for volatility at the end of the year.

INTERNATIONAL EQUITY SEARCH INTERVIEWS – FIRST EAGLE INVESTMENT MANAGEMENT AND JOHNSTON ASSET MANAGEMENT

First Eagle Investment Management

Greg Cassano, vice president for Institutional Sales at First Eagle Investment Management covering Public Funds and Taft Hartley plans, presented information on his firm's International Value Fund. He provided a firm overview noting that First Eagle is an independent asset management firm controlled by family (Arnhold family) and employees. The firm has $66 billion of assets under management as of 6/30/12 and 164 employees; the entire organization operates in New York City.

Cassano noted that the company's focus is on long-term value investing. The goals of the strategy are to protect and preserve their clients' principal for the long term and preserve their clients' capital in periods of market volatility. Cassano referred to a chart to indicate the assets under management by strategy. $41 billion of the firm's AUM is in Global Value portofolio, which goes back to 1979; the International Strategy was launched in 1993.

Cassano noted that the firm manages $2.6 billion of gold as a stand-alone asset class. He pointed out that having exposure to gold and owning 10-12% cash in the portfolio plays a role in the International Equity Strategy as a way to protect and preserve clients' capital in periods of equity market volatility. About 10% of the portfolio on average will be allocated to gold as an asset class.

Cassano provided an overview of investment objectives and historic gross results. The firm is a steady, buy and hold, conservative minded value oriented strategy. The portfolio is constructed using a diversified range of holdings, an average of 90-135 names. He talked about the investment process, research capabilities, portfolio exposures and characteristics, and the firm's performance history.

In answer to an inquiry, Cassano related that emerging market exposure in this portfolio is modest. The firm invests primarily in developed regions with a 10% exposure in emerging markets on average. Europe as a whole is a significant underweight in terms of exposure to the portfolio given the uncertainty in that sector.

First Eagle Investment has no satellite offices. The portfolio management team and research analysts travel extensively in terms of global exposure to the companies they own. Cassano said he visits Michigan often. Asset Strategies has regular dialog with First Eagle. Cassano addressed the fees for the comingled and mutual fund products.

<u>Johnston Asset Management</u>
Ann Kale, Director of Marketing and Client Services for Johnston Asset Management, presented information on their International Equity Fund. The firm was founded in 1985 and is based in Stamford, CT. Johnston is independent and 100% employee owned. It has $2.5 billion in assets under management. The focus of Johnston is on equity investment, U.S. and International.

Kale described three essential features about Johnston. The firm has an experienced investment team made of up five senior investment professionals who do the portfolio management. Johnston uses a steady, disciplined process in choosing the securities in the portfolio. The firm's goal is to provide the client with strong performance while being conscious of the risks. Johnston runs a concentrated portfolio of between 20-30 securities. It is a practical number in the sense that Johnston's investment process is very selective. It holds only those companies that it really wants while still maintaining diversification that controls the risk element.

Kale addressed the firm's investment strategy. They believe that investment results can be best achieved over time by investing in growth companies, defined as those with secular EPS growth of 10% of more; high quality, well run businesses with competitive advantages; market leaders either global or local; and stocks trading at a value price. Kale outlined the investment process steps that result in portfolio construction. Portfolio characteristics was the next topic of discussion followed by long and short-term performance statistics with emphasis on the consistency of the approach. The fee schedule was noted. Kale commented on the annual client visit plus a quarterly client conference call.

Board members discussed the presentations from First Eagle and Johnston with Ghannam. The Board considered a number of factors associated with the two firms in addition to returns including size of the firm and number of portfolio holdings, risk factors, styles of management, track record, and fees. Both firms have significantly less volatility than the current International firm of Dodge & Cox.

Members voiced concern about First Eagle holding gold as an allocation to an asset class in terms of bouillon and mining companies. Ghannam responded that the investment community views gold as a way of protecting a volatile equity market. Koss suggested that the amount of liquidity in gold and cash does not maximize the firm's investment in International equity. Two of the members were leaning towards selecting First Eagle as a replacement for Dodge & Cox International Fund; two other Board members favored choosing Johnston Asset Management. There followed further discussion.

> Motion by Koss, second by Maxwell, that the Retirement Board select Johnston Asset Management to replace the Dodge & Cox International Stock Fund.
>
> Roll Call Vote:
> Fisher - no
> Koss - yes
> Maxwell - yes
> Mercer - yes
> Shock - no
>
> Motion passed (3 – 2).
>
> Motion by Mercer, second by Maxwell, that the Retirement Board direct Village Administration to liquidate the Dodge & Cox International Stock Fund in order to fund Johnston Asset Management comingled funds pending review and approval of all legal documents of Johnston Asset Management by the Village Attorney.
>
> Motion passed.

ALTERNATIVE INVESTMENTS – HEDGE FUNDS AND INFRASTRUCTURE (REAL ASSETS)
Discussion of this agenda item was postponed due to time constraints.

2012 SECOND QUARTER PERFORMANCE REPORT BY ASSET STRATEGIES
Katherine Ghannam from Asset Strategies presented a market review of the quarter ending June 30, 2012 and referenced various market indices. She reviewed the Asset Strategies second quarter performance report ending June 30, 2012 for the purpose of evaluating the performance of the investment managers for the Public Safety Officers' Retirement System. The report contains analysis of the total fund and the individual managers' performance.

The Total Fund Composite for the quarter was -2.32% in line with the Policy Index. Year to Date through June 30, 2012 was up 5.42%; the Policy Index was up 5.58 percent. Ghannam reviewed the Retirement System performance summary and comparisons for the year ended 6/30/12 and commented on the performance of each of the funds. The asset mix of the total fund is composed of 44.38% Domestic Equity, 13.27% International Equity, 30.31% Domestic Fixed, 2.34% Cash and Equivalents, 4.09% Real Estate, and 5.61% Hedge Funds. The market value at the end of June 30, 2012 was $14,836,874.

Ghannam reported that the Plan's cash account as of August 28, 2012 is at $747,000. The amount of $392,338 was received on August 9, 2012 from Lyster Watson as a partial redemption. There was also an additional employer contribution of $101,000 on August 17.

The conclusions and recommendations following the investment performance evaluation for the Second Quarter of 2012 are as follows:

1. Total Fund results of 02.32% slightly trailed the Policy Index by 10 basis points.

2. As of 6/30/2012, $29,091 remains in the Western Asset Intermediate Plus Bond Liquidating Trust.

3. An employer contribution of $124,450 was made in May 2012. Another contribution of about $101,000 was made in August, 2012.

4. Lyster Watson's first return of capital of $392,338.14 (about 47% of the balance) was wired to Comerica Bank on 8/09/2012. Effective 6/01/2012, Crestline took over the investment management of the Lyster Watson Fund. Further return of capital is expected in the 4Q12; holdback balance will be paid following the 2012 audit around June 2013.

The following schedule represents estimated timing of redemptions from the fund's underlying managers:

5/31/2012: 16%	6/30/2012: 55%	7/31/2012: 1%	9/30/2012: 10%	12/31/2012: 3%
1/31/2013: 2%	2/28/2013: 1%	3/31/2013: 1%	3/31/2014: 1%	

In the case of full manager redemptions, an amount estimated to be approximately 90% of the account's NAV is generally received within 30-45 days, with the remaining balance to be expected within 30 days after the completion of the audit of the fund's books for the year in which the withdrawal occurs.

The recent distribution of $392,338.14 is composed of cash received from 5/31/12 and some from 6/30/12 underlying manager redemptions. As cash is received from the underlying managers (generally within 45 days after the withdrawal date), it will be reconciled and distributed to investors shortly after.

5. Pending selection of an alternative investment manager, Asset Strategies recommends moving the cash balance of $625,000 from the Comerica STIF account to the Munder Fixed Income portfolio.

6. Asset Strategies recommends funding liquidity needs of the Plan for October through December of $85,000 each from Munder Fixed Income.

> Motion by Shock, second by Koss, that the Retirement Board, at the recommendation of Asset Strategies, move $625,000 from the Comerica STIF fund to the Munder Fixed Income portfolio.
>
> Motion passed.

Motion by Shock second by Maxwell, to move $85,000 each month in October, November and December of 2012 from the Munder Fixed Income Fund to the Comerica STIF account to fund pension needs.

Motion passed.

Motion by Shock, second by Koss, to recess the Retirement Board meeting at 11:00 pm in order to review the second quarter performance report for the Retiree Health Care Fund with the Asset Strategies representative.

Motion passed.

Shock reopened the Retirement Board meeting at 11:12 pm.

REVIEW INVESTMENT CONSULTANT PROPOSALS

Manager Wilson referred to the special Retirement Board meeting held on July 31, 2012 at which time representatives from the Municipal Employees' Retirement System of Michigan (MERS) presented an overview of the MERS Defined Benefit Plan. Questions from the Board and members of the Public Safety Department were addressed by individuals from MERS. Since this time, Wilson has heard from both the PSO and Command Unions indicating that they have an interest in pursuing this option further.

Wilson had a conference call with MERS last week to talk about issues relating to current aspects of the Village's retirement plan and how a change to the MERS plan would affect current enrollees. He noted that MERS does have a DROP plan that may be more flexible and favorable to the Command Unit. MERS will analyze Beverly Hills census information and provide the final format for consideration by the Village.

Proposals from other investment consultant firms will not be pursued at this time. Wilson is actively working on the MERS proposal and hopes to have meetings with both Public Safety union representatives soon regarding the feasibility of that plan. He would suggest that employees seriously consider the benefits that MERS can provide from a customer service basis and the flexibility they can provide to employees. It was his opinion that the MERS Plan would be a tremendous benefit to the employees.

Board members commented on the logistics of changing to the MERS Defined Benefit Plan including the need to share comprehensive plan information with employees as well as timing and liquidity issues. Wilson hopes to be able to make a move by January of 2013. He will be in contact with the Board as he receives additional information from MERS.

PUBLIC COMMENTS

None

Motion by Mercer, second by Koss to adjourn the meeting at 11:30 pm

Motion passed.