

Present: Briggs, Fisher, Maxwell, Mercer and Shock

Absent: None

Also Present: Village Manager, Wilson
Asset Strategies, Ghannam and Vitta

Chairperson Shock called the regular Retirement Board meeting to order at 6:35 p.m. in the Village of Beverly Hills municipal building at 18500 W. Thirteen Mile Road.

REVIEW AND APPROVE MINUTES OF A REGULAR RETIREMENT BOARD MEETING HELD ON NOVEMBER 27, 2012

Motion by Maxwell, second by Mercer, that the minutes of a regular Retirement Board meeting held November 27, 2012 be approved as submitted.

Motion passed.

2012 FOURTH QUARTER PERFORMANCE REPORT BY ASSET STRATEGIES

Motion by Mercer, second by Maxwell, to accept the Investment Performance Analysis as of December 31, 2012 prepared by Asset Strategies.

Motion passed.

Katherine Ghannam from Asset Strategies presented a global capital markets review of the quarter ending December 31, 2012 and referenced various market indices. She reviewed the Asset Strategies fourth quarter performance report 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 1.79%, outperforming the Policy Index. Year to Date return was 12.13% with a 53 percentile ranking. The slight Total Fund outperformance is due to strong results from the Westwood S/Mid Cap portfolio. Ghannam referred to the Asset Allocation vs. Target and Policy chart, noting that the allocation is in line with the policy with the exception of the Hedge Fund. The fund value at the end of the year was \$15,462,347.13. The value as of February 12 is at \$15,789,000.

Ghannam reviewed the Retirement System performance summary and comparisons for the quarter ending 12/31/12 and commented briefly on the performance of each of the funds.

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

1. Strong Total Fund results of 1.79% exceeded the Policy Index by 16 basis points.
2. As of 12/31/2012, \$32,139 remains in the Western Asset Intermediate Plus Bond Liquidating Trust.

Ghannam updated the Board with the information that Western Asset is in the process of closing out the fund. The dollar amount as indicated is not a firm number.

3. An employer contribution (\$120,060) was made in November 2012.
4. On 11/30/2012, the Johnston International Equity Fund effectively replaced the Dodge & Cox International Stock Fund. The full quarter result for the international equity allocation of the Total Fund was +5.65% versus the MSCI ACWI x-US return of +5.89%.
5. Lyster Watson's most recent return of capital was \$38,320.98 wired to Comerica Bank on 11/29/2012, which followed \$101,903.88 on 10/01/2012. The remaining balance with Lyster Watson is currently valued at \$63,900 as of 11/30/2012.
6. An additional \$450,000 was invested in the Munder fixed income portfolio, using excess cash, on 11/29/2012.
7. Asset Strategies recommends a change in funding the liquidity needs of the Plan, involving employer and employee contributions. As per the Village Finance Director, employer and employee contributions are expected to be approximately \$33,900/ and \$6,000/month, respectively. Contributions can be made monthly (second payable date of each month) versus the present practice of quarterly contributions. It is further recommended to fund liquidity needs in excess of contributions once a quarter, April 1st and July 1st 2013, of \$135,000 each, from the Munder fixed income portfolio.
8. Asset Strategies did not detect any violations of investment guidelines.
9. As of 2/12/2013, investment allocations were close to target.

Maxwell talked about a type of alternative fund classification mentioned at a recent MAPERS seminar. Ghannam responded that, as part of an upcoming asset allocation study that Asset Strategies will be performing, it is intended to add asset classes that do not correlate closely together in order to reduce the volatility of the Plan. She mentioned that there are extra funds in fixed income because of the money coming back from Lyster Watson. At a meeting in May of 2012, the Retirement Board began reviewing alternative strategies presented by Vitta to replace the Lyster Watson Hedge Fund of Funds with an alternative manager. Asset Strategies did not finish that discussion with the Board.

Ghannam will do an asset allocation study on the Plan and look at different indices. Fund size and fees will be a consideration. Asset Strategies will look at value and where you can get incremental yield. The handout prepared for the May 2012 meeting explained different types of alternatives. Asset Strategies will do a general review at the next meeting and make a recommendation to the Board on what would be appropriate to fund the 5% in alternatives and would correlate best with other Plan assets.

REVIEW AND CONSIDER LIQUIDITY SCHEDULE FOR SECOND QUARTER 2013

Asset Strategies is recommending a change in the funding of liquidity needs of the Plan involving employer and employee contributions. At the request of the Board, Ghannam spoke with Finance Director Wiszowaty about making monthly contributions to the Plan. Employer and employee contributions are expected to be approximately \$33,900/ and \$6,000/month, respectively. Wiszowaty indicated that contributions could be made monthly versus the present practice of quarterly contributions. Asset Strategies further recommends funding liquidity needs

in excess of contributions once a quarter, April 1st and July 1st 2013, of \$135,000 each, from the Munder fixed income portfolio.

Questions from Board members were addressed by Ghannam. An error in the liquidity needs schedule was pointed out; Ghannam will forward a corrected report to Board members.

Motion by Mercer, second by Maxwell, to direct Village Finance Director Wiszowaty to make monthly employer and employee contributions to the Village of Beverly Hills Public Safety Officers Retirement System (second pay period of each month) in lieu of the present practice of quarterly contributions. It is further requested that the Finance Director fund liquidity needs in excess of contributions once a quarter, April 1st and July 1st 2013, of \$135,000 each, from the Munder fixed income portfolio.

Motion passed.

Board members asked that the liquidity schedule be revisited at the next regular Retirement Board meeting.

DISCUSSION REGARDING CAPITAL MARKETS – EQUITIES VERSUS FIXED INCOME

Motion by Mercer, second by Shock, to table the agenda item for discussion regarding capital markets – equities versus fixed income.

Motion passed (5 - 0).

DISCUSSION REGARDING CHANGES TO PA 314

Mercer clarified that this will be a discussion of a legislative update regarding PA 314. No action will be taken on this agenda item.

George Vitta stated that Asset Strategies provided the Retirement Board with a courtesy copy of a Michigan Legislative Update prepared by a law firm that advises many Michigan public retirement and retiree health care boards. The handout from VanOverbeke, Michaud & Timmony contains a copy of Public Act 347, which includes numerous amendments to the Public Employee Retirement System Investment Act, Public Act 314 of 1965.

The amendments of Act 314 enacted under PA 347 include changes and additions to the investment limitations provided under Act 314, as well as new transparency rules and “pay-to-play” restrictions applicable to investment advisers. PA 347 adds new board governance requirements and limitations under Act 314 with regard to trustee education and travel, contents and publication of retirement system summary annual reports, and rules and procedures for the removal of board members.

Vitta affirmed that, with respect to PA 347 of 2012, the investment program for health care and pension are in compliance. There is no action required as it relates to the investments. This Act expands guidelines and creates investment opportunities. Asset Strategies plans to explore this for the Board in terms of an investment policy study also known as an asset allocation study.

There are several additions to PA 314 of 1965, which this document is amending, that are not investment related. Vitta referred to a portion of the memo under the heading of “Administrative/Governance Related Amendments”, which addresses what the Board is responsible for including in a summary annual report to the plan participants and beneficiaries. Asset Strategies will be able to help whoever prepares the report with item 2f, which is the retirement system’s investments for the year net-of-fees.

Board members discussed the act requirements and how the Board will come into compliance. It was noted that the beneficiaries currently do not receive an annual report on plan performance. Available reports include the annual actuarial report and quarterly performance reports. The Board will be required to engage someone to draft an annual report as required in PA 347. A written policy document will be required.

It was noted that Village Attorney Tom Ryan is the legal counsel for the Retirement Board according to the Village Charter. Additional legal counsel could be retained for the Retirement Board with the approval of the Village Council.

Vitta stated that other public pension board attorneys have advised their clients that merely receiving and reviewing this act is a call to action. The Board is in compliance by having begun deliberations on how to implement compliance procedures. The actual oversight and monitoring proof of compliance does not take effect until April 1. Attorneys are advising clients that there is a reasonableness standard. This is an unfunded mandate; not every public pension board has a full-time plan administrator that can assist with compliance or the resources to come into compliance.

Manager Wilson commented that a majority of the required information is available to the Board through the actuarial report. He understood why policy recommendations are required. Wilson recommended that the Board forward this legislative update to Tom Ryan and request that he provide a formal report to the Board on compliance with amendments to Act 314 by April 1. At that time, the Board should be in receipt of the annual actuarial report from Gabriel, Roeder, Smith & Company. Wilson proposed that the Retirement Board meet before the regularly scheduled May 22 meeting to hear the actuarial evaluation report and review recommendations from Tom Ryan on compliance with amendments to Public Act 314.

Chairman Shock concurred with the suggestion to formally submit information on amendments to Public Act 314 to Tom Ryan and Bob Wiszowaty and to meet prior to the May 22 quarterly meeting to discuss the Act requirements along with the annual actuarial report from GRS.

PUBLIC COMMENTS

None

Motion by Mercer, second by Maxwell, to adjourn the meeting at 7:55 p.m.

Motion passed.