

CITY OF LANSING
JOINT EMPLOYEES' RETIREMENT
SYSTEM BOARD
And
POLICE AND FIRE RETIREMENT SYSTEM
BOARD MEETING MINUTES

Joint Meeting
Council Conference Room
10th Floor City Hall
Lansing, MI

November 8, 2018
Tuesday, 9:30 a.m.

The meeting was called to order at 9:33 a.m.

A quorum of the Employees' Retirement System Board and Police and Fire Retirement System Board was present.

Trustees present: (ERS), Dedic, Good, Kraus, Munroe, D. Parker, M. Parker, Sanchez-Gazella, Washington (9:59) – 8.
(Police & Fire), Fabus, Good, Rose, C. Wilcox, R. Wilcox, Wohlfert, Wood – 7

Others present: Karen E. Williams, Angela Bennett, Finance Department; Deputy City Attorney Joseph Abood, Attorney Ken Lane (at the request of the City Attorney's Office); Nathan Burk, Asset Consulting Group; Lawrence A. Fumarolo, Senior Relationship Manager, Mac Nickey, Senior Investment Manager, Northern Trust.

Attorney Ken Lane distributed copies of Contract Employees' policy for discussion. He also distributed the approved Duty Disability re-examination policy.

The Joint Boards agreed to leave the issue pending to allow members additional time to review the Contract Employees' policy.

Attorney Abood updated the Joint Retirement Board that the City Attorney's office could not locate a legal advisor request for information that was done previously on behalf of the retirement boards.

Trustee Kraus indicated that she does not believe that there was a request for proposal (RFP) prepared by the retirement boards.

It was moved by Trustee Wood and supported by Trustee Chris Wilcox that the Police and Fire Retirement Board request that the City Attorney issue and Request for Information (RFI) and bring the recommendations to the Board.

Trustee Kraus mentioned that this item was not discussed in the Employees' Retirement System Board meeting last month and inquired why the issue has been brought up.

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Trustee Wohlfert indicated that at recent conferences, it was explained that Board could still be liability if they do not perform due diligence on its professional services.

Trustee Dennis Parker indicated that the City Attorney provided a recommendation of legal counsel to the Board, without any research.

Trustee Wood discussed that process that the City Attorney make a recommendation of legal counsel as its representative and make payment for service.

Trustee Dedic provided a history of the debates with City Attorney Brigham Smith regarding hiring a legal counsel. Trustee Dedic stated that all professional services should be subject to review and due diligence from the Boards.

Attorney Abood indicated the Public Act 314 has been amended since that time to allow the Retirement Boards to hire its own legal counsel and pay the cost for those services. The City Attorney has selected Attorney Ken Lane to staff the retirement Boards.

Trustee Kraus inquired if the intent was to prepare a Request for Qualifications and Proposals (RFQP) or a Request for Information (RFI).

Trustee Dennis Parker did not believe the Retirement Boards could compel the City Attorney to issue the RFQP. Trustee Parker recommended that the City Attorney's office issue the RFI.

Attorney Abood indicated that the City Attorney's office would prepare the RFI and the Retirement Boards would issue the request.

Trustee Kraus inquired where the fiduciary responsibility and liability fall when the City plays for the service.

Attorney Ken Lane opined that there would still be liability for the Board. He provided an example that if he gave bad advice or erroneous information that was not questioned by the Boards. The Boards are not exempted from liability because the City provides the payment.

Trustee Good stated that the Board would still be responsible not questioning bad advice whether the Board or the City paid for the services.

Trustee Washington stated that it is the Board's fiduciary responsibility to at least follow the process to review professional services.

Adopted by the following vote: 7 – 0.

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It was moved by Trustee Munroe and supported by Trustee Washington that the Employees' Retirement System request that the City Attorney issue a RFI and bring the information back to the Board.

Trustee Kraus stated that the process is not the Board's, but it is the process of the City Attorney's Office.

Attorney Abood indicated that if the request came to the City Attorney's office, a RFI would be issued. Attorney Abood would only issue to the attorney on its list.

Adopted by the following vote: 7 - 0

Mr. Fumarolo, Northern Trust explained the services offered by a custody banking relationship. The primary role is to custody and safeguard the Board's assets. Northern Trust reports on the buying and selling of investments. Mr. Fumarolo discussed its cyber security and reported that there had been no breaches. He discussed emerging technologies in financial services. Northern Trust also handles and reports securities litigation for the retirement boards and posts system class action proceeds. Mr. Fumarolo provided an overview of the securities lending program.

Mr. Nickey provided a review of the City of Lansing retirement boards manager mix. Mr. Nickey discussed the performance and provided a market value summary of the retirement boards' portfolio. He reviewed the Northern Trust S&P 500 Index non-lending fund.

Mr. Burk, Asset Consulting Group, distributed recommendations for quarterly cash flow for \$8.1 million for the Police and Fire Retirement System Board and \$5.9 million for the Employees Retirement System Board.

It was moved by Trustee Mark Parker and supported by Trustee Kraus to redeem \$1.9 million from the Northern Trust S&P 500 Index Fund, redeem 2 million from T. Rowe Price, redeem 2 million from Western Asset, and \$15,000 from Northern Trust Security Lending for the Employees' Retirement System quarterly cash flow.

Adopted by the following vote: 5 - 0

It was moved Trustee Good and supported by Trustee Ryan Wilcox to redeem \$2.5 million from the Northern Trust S & P 500 Index Fund, redeem \$2.5 from T. Rowe Price, redeem \$3.1 million from William Blair and \$15,000 from Northern Trust Security Lending for the Police and Fire Retirement System quarterly cash flow.

Adopted by the following vote: 6 – 0.

Mr. Burk provided an overview and update of the global economic markets. He discussed the market environment and total portfolio analysis. Mr. Burk discussed the financial performance of the Employees' Retirement System and the Police and Fire Retirement System for the period ending September 30, 2018. He provided an analysis of the portfolios equity, fixed income, and real estate investments. Mr. Burk reviewed the October monthly financial report.

The meeting adjourned at 11:10 a.m.

Minutes approved on _____

Angela Bennett, Secretary

Dennis R. Parker, Chairperson
Employees' Retirement System

Eric P. Wohlfert, Chairperson
Police and Fire Retirement System