

**Police and Fire Pension Board
of the City of Sault Ste. Marie
Special Meeting
10:00 a.m. Wednesday, December 13, 2017
Second Floor Conference Room, City Hall**

Board Members attendance:

Mr. Boger - present
Mr. Henderson – present
Mrs. Oshelski – present
Mr. Sheppard – present
Mrs. Collins – present

Members of the Public attendance:

City Manager Turner
Commissioner Liaison Twardy
Mr. Michaud, Attorney (via conference call)

The meeting was called to order by Mr. Henderson at 10:06 a.m.

The agenda was modified to move the minutes and treasurer's report to the end of the meeting.

Matters Presented by the Board

Mr. Michaud, the Board's attorney from VanOverbeke, Michaud & Timmony, P.C., had agreed to participate and assist the board in the review process for investment advisors. All board members and participants had received copies of proposals from the six firms who submitted to the Board's request for information (RFI). These firms included Advance Capital Management, AndCo Consulting, Fund Evaluation Group, Oppenheimer and PFM. There was agreement from all that this was a very good list of candidates and that any of them would likely serve the pension fund well.

Mr. Michaud began the discussion by stating that the services provided by these investment consulting firms include custodial services, brokerage services, and investment manager services. Mrs. Collins added that the pension's custodial services are currently handled by Comerica, who had recently called and offered that all funds currently at Schwab could be held at Comerica. The board added that it was not interested in making a change to custodial services at this time, but may do so at some point.

Mr. Michaud explained there are two distinct styles of investment managers/consultants, discretionary and non-discretionary. A discretionary consultant would be like what we have now with FEG where the Board turns over the keys and the consultant manages the funds and has control to initiate routine transactions. Non-discretionary or more traditional investment consulting is where the Board adopts the guidelines and the investment consultant brings fund managers to the attention of the board if they fit into those guidelines, changes would be initiated on a less frequent basis, possibly quarterly, and these decisions are that of the Board. Mr. Michaud said most of these firms would accommodate the Board's needs. Mrs. Collins said this was an area of concern for her because there have been instances where action must be taken quickly to avoid losses to the fund and FEG has the knowledge base and staff to take care of this. Mr. Michaud assured the Board that most of these consultants would tailor the services to meet the needs of their client.

Mrs. Collins suggested that this might be why fees are so variable, with reference to the MAPERS survey with fees based on basis points ranging from .55 to 31 in the survey. There was general discussion regarding fees, and Mr. Michaud advised the Board that they should make the decision based on services and fit rather than fees because these will be negotiable after the firm has a better understanding of the Board's expectations. Once the Board meets with two or three of its top picks, the low flat fees and higher variable ones could level out to nearly the same cost.

Mrs. Collins said she wondered how larger firms who have access to large array of their own funds can stay neutral even with their own assets. Mr. Michaud said that these firms often do not use their own products unless the board directs them to. As long as the board understands the conflicts they can be mitigated and certainly any of these advisors would stay away from their own funds if asked.

Mrs. Twardy asked if these fund managers have taken this into consideration recent legislation and were preparing for a major change. Mr. Michaud said that he is aware that some of them are very knowledgeable but that investment guidelines under Act 314 are not the primary focus of recent changes. Legislative changes have had a greater impact benefit packages, financial reporting and the actuarial side. Mr. Michaud added that several years ago, people from AndCo, FEG and Graystone played an active role in legislative changes at the time which enabled pension funds to invest in a wider span of funds. There was general discussion about the investment managers in Michigan being a close knit group with movement of the same experienced advisors moving between companies.

Mrs. Collins asked Mr. Michaud if there was any one firm that stood out above the rest, or any that he would omit. Mr. Michaud responded that he would not rule any out but that it was the Board's decision which firm would be the best fit. It was agreed that the Board would review them once more and at its meeting next week would select two or three as top picks. Mrs. Collins would then schedule an interview, in person or via phone and allow that option considering the weather and distance. Mrs. Collins said that some had asked about a timeline. It was agreed that interviews would likely take place mid-January. Mr. Michaud would like to participate in these interviews. The group thanked him for his time and said goodbye around 11:00. The group agreed to take another look through the proposals and select interviewees at the next meeting.

Treasurer's Report, October 31 2017

Schwab Value	\$15,718,409
Comerica Market Value	<u>78,651</u>
Total Market Value	\$15,797,060

Mr. Boger made motion to accept the minutes and Treasurer's Report from the prior meeting. There was support by Mr. Sheppard. The motion carried unanimously.

Other Matters Presented by the Board

No other matters.

Matters Presented by the Public

Mr. Turner commended the board for their diligence to this process. No other matters were presented by the public.

Scheduling of the Next Meeting

The next meeting was scheduled for Wednesday, December 20, 2017 at 8:00 a.m. at City Hall. Mr. Sheppard said that he may not make it but would send his comments to Mrs. Collins.

A motion to adjourn was made by Mr. Boger and supported by Mrs. Oshelski. The motion carried unanimously. The meeting was adjourned at 11:30.

Respectfully submitted,

Kristin M. Collins
Finance Director