

Present: Chairperson O’Connell; Vice-Chair Shock; Member: Briggs

Absent: Fisher and Stearn

Also Present: Village Finance Director, Wiszowaty
Asset Strategies, George Vitta and Katherine Ghannam

Chairperson O’Connell called the meeting to order at 7:40 p.m. in the Public Safety Department conference room at 18600 W. Thirteen Mile Road.

2010 SECOND QUARTER PERFORMANCE REPORT – ASSET STRATEGIES

George Vitta from Asset Strategies presented a market review of the quarter and referenced various market indices. The second quarter showed signs of a continuing slow recovery in the calendar year 2010, and the June unemployment rate fell to 9.5 percent. Vitta discussed the challenges of the current period of slow to no economic growth.

Vitta reviewed the Retirement System performance summary and comparisons for the period ending 6/30/2010. The Total Fund Composite for the quarter was -5.3. For comparison purposes, Vitta stated that the S&P was down 11.4 for the quarter. The total fund slightly exceeded the Policy Index due to the outperformance from the Munder SMID Cap equity portfolio. Vitta highlighted the individual managers’ performance as presented in the report.

The asset mix of the total fund is composed of 45.59% Domestic Equity, 32.92% Domestic Fixed, 1.74% Cash and Equivalents, 3.39% Real Estate, 6.37% Hedge Funds, and 9.99% International Equity. The market value at the end of June 30 2010 was \$13,181,000. Vitta reviewed that the current asset allocation is very close to the targets. He commented on the equity exposure to the energy sector only in terms of the interest aspect.

Shock entered the meeting at 8:04 p.m.

The conclusions and recommendations following the investment performance evaluation for the Second Quarter of 2010 are as follows:

1. Total Fund results slightly exceeded the Policy Index for the quarter due to outperformance from the Munder SMID Cap portfolio.
2. The Munder SMID Cap portfolio exceeded its benchmark by 1.19% for the quarter, but trails expectations by 2.62% year-to-date. Asset Strategies recommends extending probation one more quarter to assess whether the portfolio manager's changes are truly helping.
3. The Western Asset fixed income fund narrowly trailed the market this quarter, which was a different outcome versus most of their peer group. Asset Strategies recommends continuing the vigilance with Western Asset, subject to any significant underperformance in the future.
4. Total Fund equity exposure to the energy sector is approximately \$604,900 (4.6% of Plan, 8.3% of total equity exposure).

5. An employer contribution (\$122,461) was made in May 2010.
6. As of 8/12/2010, actual asset allocations are within Policy Guidelines.

Questions from Board members on the asset allocation of the portfolio were addressed by Vitta.

Motion by Briggs, second by Shock, that the Retirement Board extend the probation period for Western Asset Management and the Munder SMID Cap portfolios through September 30, 2010.

Motion passed (3 – 0).

REVIEW AND APPROVE MINUTES OF REGULAR RETIREMENT BOARD MEETING HELD ON MAY 25, 2010

Motion by Briggs, second by Shock, that the minutes of a regular Retirement Board meeting held May 25, 2010 be approved as submitted.

Motion passed (3 – 0).

The meeting was suspended at 8:20 p.m. in order to allow an opportunity for investment manager Michael Drysdale to arrive and present an annual update of the Principal U.S. Property Fund.

The Retirement Board meeting was reconvened at 9:26 p.m. following the Retiree Health Care Fund meeting.

ANNUAL UPDATE FROM INVESTMENT MANAGER MICHAEL DRYSDALE – PRINCIPAL

There was no one in attendance representing the Principal U.S. Property Fund.

PUBLIC COMMENTS

John McGrath of 16210 Beverly Road acknowledged that he would be receiving a response from Manager Chris Wilson regarding calculation of investment returns. His inquiries on net investment returns will be investigated with a response forthcoming.

Questions by McGrath on the classification of each fund included in the pension plan portfolio were addressed by Vitta.

The meeting was adjourned at 9:39 p.m.