

**CITY OF OWOSSO  
EMPLOYEES RETIREMENT SYSTEM BOARD  
SPECIAL MEETING**

**JUNE 13, 2012**

**7:15 AM**

**CALL MEETING TO ORDER:**

Chairperson Farrell called the meeting to order at 7:21 a.m.

**ROLL CALL:**

**PRESENT:** Trustees Thomas Cook, Michael Erfourth, Ronald Pearsall, Mark Sedlak, Vice Chairperson Mark Mitchell and Chairperson Wilfred Farrell.

**ABSENT:** Trustee Michael McCloskey.

**ALSO**

**PRESENT:** Gabriel Roeder Smith Actuary Kenneth Alberts; City Attorney William C. Brown; City Clerk Amy K. Kirkland; Merrill Lynch Advisor Maral Thomas; City Treasurer Ronald J. Tobey; Merrill Lynch Investment Consultant Marie Vanerian; and citizen Mrs. Peter Pappas.

**NEW BUSINESS:**

**CONTINGENCY FUND ALLOCATION**

GRS Actuary Ken Alberts distributed the preliminary actuarial report to the Board. He noted very large changes in the contribution rates for the coming year and suggested that policy changes could help keep contribution rates at a more reasonable level. He went on to note the distinct differences between the portions of the Plan that are open and those that are closed, explain the accounting technique of smoothing, and how losses in 2008 and 2011 have dramatically affected contributions for next year.

Mr. Alberts went on to say the purpose of this meeting was to discuss the future of the Contingency Fund. He said it was common in Michigan to separate the funds in the System into different reserves and funds for bookkeeping purposes and the money in question was part of the Contingency Fund. The Contingency Fund is currently listed at approximately \$1.7 million. He explained the money accumulated due to differences in the actual versus the assumed, such as when a retiree passes away earlier than expected. He suggested options for the undesignated funds including releasing the money back into the system to offset losses and reduce contributions, save the money for future increases to retiree benefits, or let the money remain. He also explained that adjustments to the amortization period for the open groups could also have a positive effect on contributions.

There was significant discussion regarding whether the money had been previously earmarked for any specific purpose. City Attorney William Brown noted that in his 22 years of service to the City he was not aware of a specific purpose for the funds. It was noted that it appeared the Fund had been dealt with at some point in the past but had been left untouched for a significant amount of time.

Mr. Alberts continued his detail of the System explaining the pay as you go method and the prefunding method. After explaining all of the different factors involved in the decision facing the Board he stated his recommendation was to consider releasing a portion of the funds to help offset contributions and allow the remainder to stay as a stabilization fund that could be used as necessary to keep contributions down.

The Board asked to see a table reflecting the effects of releasing ½ of the Contingency Fund and increasing the amortization period to 15 years.

There was significant discussion regarding proceeding carefully and conservatively and developing a policy governing the Contingency Fund.

**CITIZENS COMMENT:**

Mrs. Pappas requested the Board be very careful in making a decision. She asked that they do their best to make the money last.

City Treasurer Ron Tobey observed the City's contribution will be going up to \$800,000 for 2012. He expressed fear that should the Board eventually decide not to move any of the funds the Council could view the System as being more of a liability than an asset. There was discussion among the Board about the lack of City contributions in the past, the fact that many private sector employers do not contribute to employee retirement funds, educating the public on the issues facing the System as well as its strengths, the possibility of levying a millage for pension funding if the closed groups were separated from the open groups and adopted Act 345.

The Board agreed to make a decision on the use of the Contingency Fund during the June 21<sup>st</sup> meeting so contributions for the fiscal year started July 1 can be determined.

**NEXT BOARD MEETING:**

The next board meeting is scheduled for June 21, 2012 at 7:15 a.m.

**ADJOURNMENT:**

The meeting was adjourned at 8:55 a.m.

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Amy K. Kirkland, City Clerk