

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

DECEMBER 15, 2011

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:22 a.m.

ROLL CALL:

PRESENT: Trustees Benjamin Frederick, Mark Mitchell, Ronald Pearsall, Vice Chairperson Frances Kukulis and Chairperson Wilfred Farrell.

ABSENT: Trustees Michael Erfourth and Michael McCloskey.

ALSO

PRESENT: City Attorney William C. Brown; City Clerk Amy K. Kirkland; Merrill Lynch Advisor Maral Thomas; City Treasurer Ronald J. Tobey; and Merrill Lynch Investment Consultant Marie Vanerian;

APPROVE AGENDA:

Motion by Trustee Frederick to approve the Agenda as presented.

Motion supported by Trustee Mitchell and concurred in by unanimous vote.

APPROVE MINUTES OF OCTOBER 20, 2011 REGULAR MEETING:

Motion by Trustee Mitchell to accept the minutes of the October 20, 2011 regular meeting as presented.

Motion supported by Trustee Frederick and concurred in by unanimous vote.

CITIZEN COMMENTS:

There were no citizens comments.

CONSENT AGENDA:

Motion by Trustee Frederick to approve the consent agenda as follows:

1. Approve Pension Check Reports:
 - a. October 2011 \$ 153,071.41
 - b. November 2011 \$ 153,071.41

2. Approve Statements:
 - a. Aletheia
As of September 30, 2011

 - b. Alliance Bernstein
As of September 30, 2011

 - c. Atlanta Capital
As of September 30, 2011

- d. Bank of New York – ConvergEx Group
As of September 30, 2011
- a. Franklin Templeton Investments
As of September 30, 2011
- e. Wentworth, Hauser, and Violich
As of September 30, 2011
- f. City of Owosso Employees Retirement Fund
October 31, 2011

3. Payment Authorizations:

- a. M.D. Sass
For period 07/01/11 through 09/30/11 \$ 9,318.21
- b. MAPERS
2012 Annual Membership Dues \$ 100.00
- c. Merrill Lynch - AllianceBernstein
For period 10/01/2011 through 12/31/11 \$ 2,371.16
- d. Wentworth, Hauser, and Violich
For period 07/01/11 through 09/30/11 \$ 3,366.00
- e. Ronald J. Tobey, City Treasurer
Report of Checks Written – October 2011 \$169,514.77
- f. Ronald J. Tobey, City Treasurer
Report of Checks Written – November 2011 \$299,821.16

Motion supported by Trustee Pearsall and concurred in by unanimous vote.

COMMUNICATIONS:

- Amy K. Kirkland, City Clerk: *Notice of proposed change to the Retirement Ordinance*
- Ronald Tobey, City Treasurer: *Response to question regarding GRS invoice*
- Richard Hirayama, Hirayama Investments, LLC: *Market commentary letter*
- Merrill Lynch: *Market Focus, Third Quarter 2011*
- Rodwan Consulting: *Maximum Benefit and Contribution Limits for 2010*
- Gabriel Roeder & Smith – *NewsScan November 2011*

A letter from Gabriel Roeder & Smith announcing the resignation of actuary James Koss was distributed. Ken Alberts will be handling work for the system in the future.

OLD BUSINESS:

MERRILL LYNCH STATUS REPORT

Merrill Lynch Consultant Vanerian indicated there was no news to report at this time.

NEW BUSINESS:

APPLICATION FOR RETIREMENT – DAVID STEPHENS

Motion by Trustee Mitchell to approve the retirement application of David Stephens effective December 31, 2011.

Motion supported by Vice Chairperson Kukulis and concurred in by unanimous vote.

APPLICATION FOR RETIREMENT – PAT SELLECK

Motion by Trustee Mitchell to approve the retirement application of Pat Selleck effective December 31, 2011.

Motion supported by Trustee Pearsall and concurred in by unanimous vote.

DISCUSSION OF RECENT EVENTS REGARDING ALLIANCE BERNSTEIN AND ALETHEIA

Merrill Lynch Consultant Marie Vanerian noted that Aletheia had been removed from their watch list. She went on to say that she personally visited their office and spent some time with their CEO Peter Eichler. She came away satisfied they are handling the business properly.

She went on to say that she had concerns about Alliance Bernstein in light of the recent article in Forbes magazine as well as the fact they are losing assets. She indicated Merrill Lynch was monitoring them and she recommended the Board consider doing a manager search before the end of the year to either confirm Alliance Bernstein is still the best choice for the System or determine another firm would be better. The Board agreed and directed her to move forward with the search. It was noted the search would be at no cost to the System as one search per year is accounted for in Merrill Lynch’s consulting fee.

Lastly she addressed the recent issue Franklin Templeton faced with the bankruptcy of MF Global. Franklin Templeton had notified the Board of the situation as required, as holding such a security is against the investment policy. They asked for permission from the Board to hold the securities until such time as they felt sale of the securities would be most favorable. This question was to be added to today’s agenda but the issue cleared itself with the sale of the securities prior to the meeting.

INVESTMENT CONSULTANT REPORT – 3rd QUARTER 2011

Merrill Lynch Consultant Marie Vanerian noted that the markets have been volatile all year long. The first quarter was affected by the earthquake in Japan, the second quarter by the political uprisings in the Middle East and Africa, and the third quarter by the Euro Zone crisis.

In the U.S. the economy grew slightly in the third quarter, there was a slight drop in unemployment, core inflation did not present much of a concern, and corporate earnings were good. While the fourth quarter to date has proved positive she predicted we will probably end the year with a loss.

Ms. Vanerian presented an overview of the following:

Total Portfolio Performance Summary for Period Ending 09/30/2011

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 12/91-06/09
Beginning Market Value	30,748		16,702
Net Contributions	-75		-16,487
Investment Earnings	-3,555		26,902
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Ending Market Value	27,118		27,118

CITIZENS COMMENT:

Trustee Frederick noted this would be his last meeting with the Board as he anticipated the appointment of another Council member. He thanked the Board for the work they do and for the opportunity to serve.

Chairperson Farrell noted the importance of employer representation on the Board.

NEXT BOARD MEETING:

The next board meeting is scheduled for February 16, 2012 at 7:15 am

ADJOURNMENT:

Motion by Vice Chairperson Kukulis for adjournment at 8:29 a.m.

Motion supported by Trustee Frederick and concurred in by unanimous vote.

Amy K. Kirkland, City Clerk