

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

DECEMBER 20, 2012

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:19 a.m.

ROLL CALL:

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

ABSENT: None.

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 Cook to approve the Agenda as presented.

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

APPROVE MINUTES OF OCTOBER 18, 2012 ORGANIZATIONAL MEETING:

Motion by Vice Chairperson Mitchell to accept the minutes of the October 18, 2012 Organizational Meeting as presented.

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

APPROVE MINUTES OF OCTOBER 18, 2012 REGULAR MEETING:

Motion by Vice Chairperson Mitchell to accept the minutes of the October 18, 2012 Regular Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizen comments.

CONSENT AGENDA:

Motion by Vice Chairperson Mitchell to approve the consent agenda as follows:

1. Approve Pension Check Reports:

- | | |
|------------------|---------------|
| a. October 2012 | \$ 173,119.08 |
| b. November 2012 | \$ 171,859.59 |

2. Approve Statements:

- a. Atlanta Capital
As of September 28, 2012
- b. Franklin Templeton Investments
As of September 30, 2012
- c. NFJ
As of September 28, 2012
- d. WHV
As of September 30, 2012
- e. City of Owosso Employees Retirement Fund
October 31, 2012
- f. City of Owosso Employees Retirement Fund
November 30, 2012

3. Payment Authorizations:

- a. MAPERS
2013 Annual Membership Dues \$ 100.00
- b. WHV (formerly Wentworth, Hauser, and Violich)
For period 07/01/2012 through 09/30/2012 \$ 4,134.00
- c. Ronald J. Tobey, City Treasurer
Report of Checks Written – October 2012 \$203,144.93
- d. Ronald J. Tobey, City Treasurer
Report of Checks Written – November 2012 \$174,594.42

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

COMMUNICATIONS:

- Rodwan Consulting: *Maximum Benefit and Contribution Limits for 2013*
- Hirayama Investments – *International Global Commentary*
- Merrill Lynch – *Market Focus, 3rd Quarter 2012*
- Gabriel Roeder & Smith – *NewsScan October 26, 2012*
- Gabriel Roeder & Smith – *NewsScan November 14, 2012*
- Gabriel Roeder & Smith – *NewsScan December 4, 2012*

The following communications, publications and conference announcements are on file with the City Clerk – if you would like to read them, please contact her:

- SEI Fiduciary Management: *Solicitation for the provision of services*

OLD BUSINESS:

MERRILL LYNCH STATUS REPORT

Merrill Lynch Investment Consultant Marie Vanerian indicated there was nothing new to report.

NEW BUSINESS

APPLICATION FOR RETIREMENT – MICHAEL COMPEAU

Motion by Trustee Cook to accept the application for retirement from Michael Compeau effective December 29, 2012.

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

APPLICATION FOR RETIREMENT – KENNY ARNETT

Motion by Vice Chairperson Mitchell to accept the application for retirement from Kenny Arnett effective December 29, 2012.

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

Vice Chairperson Mitchell expressed his concerns about compliance in relation to employees that retire and are later hired back as contract employees. He wanted to make sure the pertinent laws and rules were being followed so as not to put the System in jeopardy. He said he had heard about other systems getting in trouble when retired employees are hired back and are collecting a pension and a regular paycheck.

There was significant discussion among Board members and staff regarding the terms of the City's pension ordinance, the agreements currently in place, the separation requirements used by other municipal retirement systems, and IRS regulations.

City Attorney William C. Brown indicated he would look into the matter and he further indicated he was aware that the City had existing consulting agreements with former retirees and said each situation would have to be examined to determine the facts.

Trustee Erfourth inquired whether the Board had an interest in divesting System funds from gun manufacturers in response to the recent massacre of school children in Connecticut. There was discussion regarding gun control and the possibility of establishing a social responsibility policy for the System. Merrill Lynch Consultant Marie Vanerian also suggested that if the Board was interested they could work with a group like MAPERS to form a critical mass of equity holders with like minds to give power to the position.

INVESTMENT CONSULTANT REPORT **3rd QUARTER 2012**

Ms. Vanerian relayed her commentary on the current economic environment saying little had changed since the Presidential election. She said she felt the Fed's actions were on the boarder of becoming obtrusive and the economy needed to normalize at some point. She went on to say she felt the country would not fall over the "Fiscal Cliff" but that an agreement would be reached at the 11th hour. The situation in Europe has changed in that the European Central Bank has agreed to purchase unlimited amounts of Greek, Italian, Spanish and Portuguese debt to stop the crisis from spreading any further. She expressed concern with the current inflationary monetary policies around the world, saying she felt a bubble in the bond market was on the horizon somewhere. Finally she noted corporations were sitting on large cash holdings poised to invest should the conditions appear favorable.

The Board noted a preference for leaving the bond market early and miss out on some of the upside rather than waiting until returns started falling. They also expressed a desire to revisit the asset allocation policy.

She reported that 3 of the 5 management firms continued to beat their benchmarks since inception, with the lagging firms being Franklin Templeton and NFJ. The System was up 4.5% overall for the quarter and 8% for the year.

Ms. Vanerian presented an overview of the following:

Total Portfolio Performance Summary for Period Ending 09/30/2012

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 9/92-09/12
Beginning Market Value	26,665		17,168
Net Contributions	1,105		-18,123
Investment Earnings	1,246		29,971
Ending Market Value	29,017		29,017

Ms. Vanerian distributed the booklets for the large cap growth money manager interviews scheduled for January 25, 2013.

CITIZENS COMMENT:

City Treasurer Ronald J. Tobey noted for the Board that GASB would be warranting changes to the System in 2014 & 2015 including a possible change in the fiscal year of the System. The System's actuary expressed a desire to meet with the City's auditors and accounting staff to determine exactly how to go about complying with the new rules. Mr. Tobey also noted the actuary's desire for the Board to consider changing the way the plan is costed.

Mr. Tobey looked for direction from the Board regarding a former City employee that has not responded to requests to remove their funds from the Retirement System. The individual in question was eligible for neither a pension nor the Reciprocal Act and as such was contacted on numerous occasions in an attempt to determine if they would like their funds rolled over to another account or simply paid out. Mr. Tobey expressed concern with the idea of being a custodian for such funds, potential administrative costs, and skewing of the actuarial reports. He suggested that the Board consider establishing a policy requiring the withdrawal of such funds from the System within a certain timeframe. There was discussion regarding what could be done to encourage the individual to remove their money from the fund including sending them a certified letter from the City's attorney, charging a management fee to keep the money in the fund, or adjusting the interest that is accruing to reflect the idea they are simply parking their money with the System despite the fact they no longer have ties to the System. City Attorney Brown noted the situation was unique in that the System was closed to most new participants and the issue at hand would be rare in occurrence. He indicated he felt the best scenario was to get the individual to remove the money of their own volition and so suggested a certified letter encouraging its removal.

NEXT BOARD MEETING:

The next special board meeting is scheduled for January 25, 2013 at 7:15am
The next regular board meeting is scheduled for February 21, 2013 at 7:15am

ADJOURNMENT:

Motion by Vice Chairperson Mitchell for adjournment at 8:47 a.m.

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

Amy K. Kirkland, City Clerk

