

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD
OWOSSO CITY HALL COUNCIL CHAMBER
REGULAR MEETING**

APRIL 16, 2015

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:17 a.m.

ROLL CALL:

PRESENT: Trustees Richard Brewbaker, Burton Fox, Elaine Greenway, Paul Kleeman, Bobbi Jo Perry, Vice Chairperson Mark Sedlak, and Chairperson Wilfred Farrell.

ABSENT: None.

ALSO PRESENT: Gabriel Roeder Smith Consultant Ken Alberts, City Attorney William C. Brown, Gabriel Roeder Smith Actuarial Analyst Laura Frankowiak, DPW Employee Timothy Hill and City Clerk Amy K. Kirkland.

APPROVE AGENDA:

Motion by Trustee Fox to approve the Agenda with the following additions:

3. **Payment Authorizations:**

- | | |
|---|--------------|
| a. <u>Merrill Lynch - Loomis Sayles</u>
For period 04/01/15 through 06/30/15 | \$ 13,101.46 |
| b. <u>Merrill Lynch - M.D. Sass</u>
For period 04/01/15 through 06/30/15 | \$ 12,051.72 |
| c. <u>NFJ Allianz</u>
For period 04/01/15 through 06/30/15 | \$ 3,623.68 |
| d. <u>WHV</u>
For period 04/01/15 through 06/30/15 | \$ 3,431.70 |

OLD BUSINESS (related to the Consulting Contract)

- 2a. Naming Authorized Persons. Consider naming the City Treasurer, City Clerk, the Chairperson, and the Vice Chairperson as the persons authorized to make changes to the portfolio, including the withdrawal of funds and the selling of securities.
- 2b. Funds Transfer Service. Consider authorizing a Funds Transfer Service Agreement with Graystone/Morgan Stanley to allow the electronic transfer of funds between accounts and naming the City Treasurer and the City Clerk as individuals authorized to transfer funds.

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

APPROVE MINUTES OF FEBRUARY 19, 2015 REGULAR MEETING:

Motion by Trustee Fox to accept the minutes of the February 19, 2015 Regular Meeting as presented.

Motion supported Trustee Kleeman and concurred in by unanimous vote.

APPROVE MINUTES OF MARCH 11, 2015 SPECIAL MEETING:

Motion by Vice Chairperson Sedlak to accept the minutes of the **Error! Reference source not found.** Special Meeting as presented.

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

APPROVE MINUTES OF MARCH 26, 2015 SPECIAL MEETING:

Motion by Vice Chairperson Sedlak to accept the minutes of the **Error! Reference source not found.** Special Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizen comments.

CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM 70TH ANNUAL ACTUARIAL VALUATION – KEN ALBERTS, GABRIEL ROEDER SMITH & COMPANY

Ken Alberts and Laura Frankowiak were on hand to present the System's latest actuarial report. Mr. Alberts reminded the Board that some of the assumptions were changed and some of the groups combined making this valuation a little different from years past. He noted that the System went from an 89% funding status last year to and 88.7% funding status marking a slight reduction. Ms. Frankowiak indicated the reason for the overall loss was due to the fact that pay increased more than expected, more people retired than expected, investment returns did not reach target levels, and System recognized the last portion of the losses experienced in 2011. The City will owe approximately \$630,000 in contributions this year, up from \$600,000 last year.

Trustee Perry left the meeting at 7:37 a.m.

Mr. Alberts noted that the Contingency Reserve Fund for the General City group disappeared when the union and non-union sub-groups were added together last year and the overall Contingency Fund total was reduced due to the changes to the assumptions made last year. He said that the lack of a Contingency Fund for the General City group would have no effect on employee contributions for the group.

There was a discussion regarding whether or not to combine the Patrol and Command units for the Police group. The Board could choose to combine the units to reduce the number of separate groups within the system but the Contingency Reserve for the Patrol unit would be entirely consumed as the Command unit is underfunded and employee contributions for the Patrol unit would rise slightly. If the Board chooses to leave the units separate the City would need to make up any shortfalls left by employee contributions and investment income. No one expressed a desire to combine the Police units. Mr. Alberts indicated he would continue to compute the two units separately but report the balances as one aggregate number.

Mr. Alberts inquired if the Board wanted to change the City's contribution effective date by one year, moving from a 6-month lead to an 18-month lead. He said the 2014 valuation could be used to develop an estimate for the 2016 contribution. It was agreed the subject would be discussed with the City Finance Department and Ms. Kirkland would report the results of the discussion.

There was then discussion regarding whether to release a portion of the Contingency Fund to the Patrol and Fire Units. Mr. Alberts noted that for every \$100,000 released from the Contingency Fund Patrol employees would see an approximate 2% reduction in their contributions. He went on to say that the

Fund is essentially the “rainy day fund” for those units with a positive balance and releasing money from the Fund should be undertaken in a thoughtful manner. Due to the fact that contract negotiations with both units of the Police group were ongoing the Board agreed to postpone a decision on release of Contingency Funds until the June meeting after negotiations have concluded. Mr. Alberts indicated that when the Board takes up the issue again they would be wise to not release more than half of the fund and not release any more money than it would take to get a unit equal with the previous year’s contribution.

Motion by Trustee Fox to accept the 2014 Actuarial Report as presented.

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

City Attorney Brown noted that Gabriel Roeder Smith would be informed of any changes in the contracts for the Police and Fire groups. He also noted, for the benefit of Mr. Alberts and Ms. Frankowiak, that Merrill Lynch is getting out of the municipal pension consulting market and the System would be using Graystone-Holycross as their consultants going forward.

CONSENT AGENDA:

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

Approve Pension Check Reports:

- | | |
|------------------|---------------|
| a. February 2015 | \$ 205,627.78 |
| b. March 2015 | \$ 207,259.46 |

Approve Statements:

- a. City of Owosso Employees Retirement Fund
January 31, 2015
- b. City of Owosso Employees Retirement Fund
February 28, 2015

Payment Authorizations:

- | | |
|---|--------------|
| a. <u>Ronald J. Tobey, City Treasurer</u>
Report of Checks Written – February 2015 | \$255,468.71 |
| b. <u>Ronald J. Tobey, City Treasurer</u>
Report of Checks Written – March 2015 | \$209,080.35 |
| c. <u>Merrill Lynch - Loomis Sayles</u>
For period 04/01/15 through 06/30/15 | \$ 13,101.46 |
| d. <u>Merrill Lynch - M.D. Sass</u>
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| e. <u>NFJ Allianz</u>
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Motion supported by Trustee Fox and concurred in by unanimous vote.

COMMUNICATIONS:

- o MERS – *Consulting Services Offer, March 25, 2015*
- o Gabriel Roeder & Smith – *NewsScan February 19, 2015*
- o Gabriel Roeder & Smith – *NewsScan March 4, 2015*
- o Gabriel Roeder & Smith – *NewsScan March 19, 2015*
- o Gabriel Roeder & Smith – *NewsScan April 1, 2015*
- o Graystone Consulting – *Thank You Letter, April 15, 2015* (distributed at meeting)

Chairperson Farrell made note of the offer from MERS for consulting/investing services, asking if there was any interest in pursuing the option. No one responded in the affirmative.

OLD BUSINESS:

MAPERS 2015 SPRING CONFERENCE

Motion by Trustee Brewbaker to approve the attendance of two Trustees to the MAPERS 2015 Spring Conference.

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

CONSULTING CONTRACT – MORGAN STANLEY

City Clerk Kirkland distributed information regarding the pending contract with Morgan Stanley and two other related documents. She encouraged the Trustees to read over the information before proceeding.

The Board briefly recessed from 8:37 a.m. until 8:47 a.m. to allow the Trustees to review the materials presented.

City Attorney Brown explained his feelings regarding the pending contract saying the issues he has with the contract were relatively minor in nature and he was intent on moving forward to avoid a long limbo period between consulting firms. He requested the Board consider approving the contract contingent upon resolution of the items listed in his memorandum to the satisfaction of himself, Ms. Kirkland, and Chairperson Farrell, with a full report to the Board at the next meeting.

Motion by Trustee Fox to approve contract with Graystone/Morgan Stanley for the provision of consulting services contract contingent upon resolution of the items listed in City Attorney Brown’s memorandum dated January 15, 2015 to the satisfaction of himself, Ms. Kirkland, and Chairperson Farrell.

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

NAMING AUTHORIZED PERSONS (this item was added to the agenda)

City Clerk Kirkland explained the resolution saying it was a Morgan Stanley document naming all the parties that are authorized to make changes to the accounts.

Motion by Trustee Brewbaker to approve Morgan Stanley document “Authorized Persons and Enabling Resolutions for Municipalities and Certain Other Unincorporated Entities”, naming the Board Chairperson, Vice Chairperson, City Clerk, and City Treasurer as persons authorized to make changes to the retirement accounts held with Morgan Stanley.

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

FUNDS TRANSFER SERVICE (this item was added to the agenda)

City Clerk Kirkland explained the item in question was another Morgan Stanley document authorizing enrollment in an electronic funds transfer service.

Motion by Trustee Kleeman to approve the Morgan Stanley document "Funds Transfer Service" enrolling the System in an electronic funds transfer service and naming the City Treasurer and City Clerk as persons authorized to make such transfers.

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

NEW BUSINESS:

CUSTODIAL SEARCH

There was a brief discussion regarding whether to use Morgan Stanley for custody of the System's assets or to seek the services of the third party. Chairperson Farrell noted that the Board may want to proceed with Morgan Stanley just to keep the process moving, saying their custody of our assets is free of charge and could be changed at a later date should the Board desire. Trustee Fox inquired about the level of difficulty that would be presented by changing custodians at a later date. Chairperson Farrell indicated he felt it wouldn't be a difficult process to send out an RFP soliciting custodial services.

Motion by Trustee Fox to custody the System's assets with Morgan Stanley.

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

In light of the information presented on the fees incurred by the System, including custodial fees, Chairperson Farrell asked that the fees for money managers Loomis Sayles and MD Sass be placed on the next agenda for discussion, saying he would like to see them reduced.

DIRECT DEPOSIT REQUIREMENT

Chairperson Farrell expressed concern that the City is asking retirees to use direct deposit but not employees. It was noted that many current employees already utilize direct deposit and no current retirees would be forced to use direct deposit if they didn't choose to.

Motion by Trustee Brewbaker to require all new retirees to receive their benefits via direct deposit as follows:

**RESOLUTION REQUIRING DIRECT DEPOSIT OF PENSION PAYMENTS
FOR ALL NEW CITY OF OWOSSO RETIREES FROM THIS DAY FORWARD**

WHEREAS, the payroll department of the City of Owosso issues pension checks each month to all retirees of the City of Owosso Employee's Retirement System; and

WHEREAS, this process is costly, incurring expenses for staff time, postage, and paper; and

WHEREAS, the City of Owosso Employees' Retirement System Board of Trustees wishes to simplify this process and reduce expenses; and

WHEREAS, direct deposit of pension wages would reduce costs and provide earlier access to funds for retirees; and

WHEREAS, the Board of Trustees recognizes that many current retirees and/or their beneficiaries are of an age that change is difficult and the Board does not desire to require changes from the current pensioners.

NOW, THEREFORE BE IT RESOLVED, by the City of Owosso Employees' Retirement System Board of Trustees that:

- FIRST: All employees retiring from the City of Owosso Retirement System after the date of this resolution shall be paid by electronic fund transfer or deposit to an automated clearinghouse member financial institution account designated by the employee.
- SECOND: All employees applying for retirement benefits shall submit a completed electronic deposit authorization form to the City of Owosso Treasurer at the time their W-4 is filed.
- THIRD: Any employee who fails to submit an electronic deposit authorization prior to the issuance of their first pension payment shall be paid via debit/payroll card.
- FOURTH: The Treasurer's Office shall distribute educational information about debit/payroll cards to all employees applying for retirement benefits.

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

INVESTMENT CONSULTANT REPORT:

FIRST QUARTER 2015 EXECUTIVE SUMMARY REPORT

Due to the timing of the meeting in regard to the end of the first quarter this item was not available as of the time of the meeting. The report will be distributed to Trustees as soon as it is received.

CITIZENS COMMENT:

There were no citizen comments.

NEXT BOARD MEETING:

The next board meeting is scheduled for June 18, 2015 at 7:15am

ADJOURNMENT:

Motion by Trustee Fox for adjournment at 9:08 a.m.

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

Amy K. Kirkland, City Clerk