CALL MEETING TO ORDER:

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

ROLL CALL:

PRESENT: Trustees Richard Brewbaker, Jerome Haber, Douglas Morrice, Susan Osika, Andrew Reed, Vice Chairperson Mark Mitchell, and Chairperson Wilfred Farrell.

ABSENT: None.

ALSO PRESENT: GRS Consultant Kenneth Alberts; Graystone Consultant Brian Brice; Graystone Analyst Erik Burger; GRS Consulting Actuary Laura Pfeffer Frankowiak; City Attorney Scott J. Gould; City Finance Director Cheryl A. Grice; and City Clerk Amy K. Kirkland.

APPROVE AGENDA:

Motion by Trustee Osika to approve the Agenda with the following addition to Death Acknowledgements:

1. Dan Owen, Firefighter

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

APPROVE MINUTES OF FEBRUARY 27, 2019 REGULAR MEETING:

Motion by Trustee Haber to accept the minutes of the February 27, 2019 Regular Meeting as presented.

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

APPROVE MINUTES OF APRIL 10, 2019 SPECIAL MEETING:

Motion by Vice Chairperson Mitchell to accept the minutes of the April 10, 2019 Special Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizen comments.
Ms. Frankowiak led the presentation recapping the events of 2018, noting that liabilities ended the year up slightly and returns down slightly, resulting in an overall increase in the City’s annual contribution for 2019.

Mr. Alberts noted that because the plan is relatively small it could see bigger experience swings going forward. A single person in the plan could have a major effect as the system gets smaller and smaller, though the overall loss in the system in 2018 was due to market returns. He went on to say that as the system moves toward having more retirees than active employees the cash flow needs of the plan will change. The heavier cash flow needs that are anticipated will lead to adjustments in the asset allocation to make the funds more accessible. In turn these adjustments are anticipated to lower the possible rate of return and finally the return assumption putting further pressure on the City’s annual contributions.

Ms. Frankowiak indicated the system is now due for an experience study, particularly in light of the fact that the Patrol division is transferring to MERS, and the Board should look to authorize the study this fall after the annual asset allocation study is performed. Mr. Alberts chimed in noting that the experience study will be really important from the standpoint of the market return assumption.

CONSENT AGENDA:

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

1. Approve Pension Check Reports:
   a. February 2019  $ 248,948.47
   b. March 2019  $ 248,948.47

2. Approve Statements:
   a. City of Owosso Employees Retirement Fund
      As of February 28, 2019
   b. City of Owosso Employees Retirement Fund
      As of March 31, 2019

3. Payment Authorizations:
   a. Franklin Templeton Investments
      For period 01/01/2019 through 03/31/2019  $ 5,599.37
   b. Franklin Templeton Investments – SIK, former Fifth Third equities
      For period 01/01/2019 through 03/31/2019  $ 300.00
   c. Loomis Sayles/Natixis
      For period 04/01/2019 through 06/30/2019  $ 9,083.18
   d. Morgan Stanley – Graystone Consulting
      For period 04/01/2019 through 06/30/2019  $ 32,255.92
      Consulting Fee  $ 16,913.65
      Mgr Fee – Aristotle  $ 5,250.70
      Mgr Fee – Atlanta  $ 2,024.75
Mgr Fee – Causeway $ 2,354.37
Mgr Fee – Cushing $ 1,648.97
Mgr Fee – Harding $ 2,327.16
MS UMA Fee $ 1,736.30

e. Katherine R. Fagan, City Treasurer
Report of Checks Written – February 2019 $ 46,612.66
(less pension checks)

f. Katherine R. Fagan, City Treasurer
Report of Checks Written – March 2019 $ 1,339.72
(less pension checks)

4. Death Acknowledgements:
   a. Dan Owen, Firefighter – passed April 21, 2019

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

COMMUNICATIONS:

1. MAPERS Conference Reminder
2. Amy K. Kirkland, City Clerk: April 10th Special Meeting Follow-Up
3. Morgan Stanley: Potential Replacement of LIBOR
5. Gabriel Roeder & Smith – NewsScan February 2019
6. Gabriel Roeder & Smith – NewsScan March 2019

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

a. Pensions & Investments: March 4, 2019
b. Pensions & Investments: March 18, 2019
c. Pensions & Investments: April 1, 2019
d. Pensions & Investments: April 15, 2019
e. Morgan Stanley – FYI: 2Q2019

Chairperson Farrell noted that he will be attending the upcoming MAPERS Conference and there is room for another member to go. Interested parties should contact the City Clerk to make arrangements.

OLD BUSINESS:

Potential Conflict of Interest – GRS

GRS Actuary Ken Alberts began the discussion by detailing the code of conduct to which all actuaries at GRS are held, saying if an actuary feels they will not be able to perform the calculations in question in an unbiased manner they are prohibited from doing the work. Further, if an actuary perceives a conflict is present but believes they can perform the necessary calculations in an unbiased manner all parties to the services must be informed of the conflict and agree to proceed in spite of the conflict. To that affect, Mr. Alberts guaranteed both verbally, and in writing, that neither he, nor Laura Frankowiak, would perform work for MERS up to July 1st of this year. After that date Ms. Frankowiak may be moved from the Owosso team to work on the MERS team. Regardless of whether Ms. Frankowiak is transferred Mr. Alberts guaranteed his service to the Retirement System until July 1, 2020.
Chairperson Farrell noted that MERS had responded to the Board’s request for their conflict of interest policy, indicating they do not have a formal policy, but they are comfortable with the internal procedures suggested by GRS to create a barrier between the “MERS” team and the “Owosso” team. Any information shared between the teams will be done only at the express consent of MERS and the City of Owosso.

Mr. Farrell went on to indicate that the City Clerk had attempted, but was unable to obtain a direct quote from another actuarial firm due to the complexity of the request and the short turn-around time required to avoid a significant delay in the transfer. She was able to obtain an estimated range for the services from GRS: $7,000 - $15,000. That being said, Chairperson Farrell indicated he felt the Board would get beyond the conflict issue and a third party wouldn’t be needed.

City Attorney Gould said he felt that GRS and MERS had appropriate structures in place to prevent nefarious actions, but ultimately the services of a third party would be required to completely eliminate the perception of a conflict. He asked the Board if the $7,000 - $15,000 required for a third party valuation is worth the cost. There was discussion amongst the Trustees regarding who would ultimately be responsible for the cost of the third party calculations, whether everyone was comfortable proceeding with a waiver, how long the transfer may be delayed if a third party is hired to perform calculations, and if an audit of GRS calculations instead of a full-fledged third party valuation would be appropriate. Some Trustees expressed a preference for the audit option, while others indicated they didn’t want to spend the money and were comfortable with a waiver. Chairperson Farrell suggested the Board consider proceeding with option #3 on the memo: a waiver, not an audit, and documenting the Board’s due diligence efforts; asking if everyone felt comfortable.

Motion by Chairperson Farrell to direct the City Attorney to draft a waiver stating the Board recognizes a minor conflict of interest exists in regard to GRS performing calculations related to the transfer of the Police Patrol group to MERS for both the Retirement System and MERS, but that the Board feels that said conflict has been properly mitigated via internal procedures implemented at GRS. Further, the Board authorizes Chairperson Farrell to execute said waiver, and directs Gabriel, Roeder & Smith to perform the calculations necessary to complete the transfer of the Police Patrol unit to MERS.

Motion supported by Trustee Brewbaker.

Voice vote: 6 Ayes, 1 Nay

The motion is approved.

NEW BUSINESS:

Roll-forward discussion

Chairperson Farrell started the discussion saying he would like to have the funds transferred by July 1st if possible (to coincide with the start of the City’s new fiscal year). Trustee Brewbaker noted that the fire department members were in the process of voting on a tentative contract that includes transfer of fire members and retirees to the MERS system. Vice Chairperson Mitchell noted that AFSCME was currently in contract negotiations with the City and they have been approached about moving to the MERS system as well. There was a question as to whether the Board should ask to delay the patrol transfer in anticipation of moving the entire system at a later date. City Attorney Gould indicated that he does not feel comfortable speculating when a contract might be ratified and advised the Board to continue moving forward based on what is known at this time.

Moving on, the Board discussed potential roll-forward dates (a date in time upon which the base amount of the transfer will be determined). GRS Actuary Alberts advised the Board to endorse a particular method for calculating the amount of the transfer when they recommend to City Council the amount that
should be transferred. To that end he suggested calculating several different figures using the pre-
determined roll-forward dates in combination with different methods for calculating the transfer amount. A
special meeting could be held toward the end of May for the Board to consider the appropriate calculation
method and develop a full recommendation for Council.

Motion by Trustee Brewbaker to approve May 31, 2019 as the preferred roll-forward date, further approve
June 30, 2019 as a fall back date, and set a special meeting for Wednesday, May 29, 2019 at 7:15 a.m.
for the purpose of discussing the methods proposed and developing a recommendation for City Council.

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

Request for Transfer – Police Patrol Members & Patrol Retirees

Motion by Trustee Brewbaker to accept the City’s request to transfer the Police Patrol Unit and its
corresponding retirees to the MERS system and authorize appropriate personnel to take action to bring
said transfer to fruition.

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

INVESTMENT CONSULTANT REPORT:

Investment Performance Analysis – 1Q2019

Graystone Consultant Brice gave the Board a report on the condition of the market so far this year, saying
results had been strong. All equity markets are up double digits for the first quarter and MLPs are up
16.8% for the quarter. Graystone will continue to watch the balance between value and growth stocks
and they may start looking toward international equities should the U.S. economy take a turn.

Mr. Brice also announced that the GIC had recently completed its annual asset study and assembled their
advice for the coming year. This information, as well as an asset allocation study will be presented at the
June meeting.

Graystone Analyst Burger stepped forward to present the portfolio report for the first quarter, saying
returns were good and the plan is doing very well. Five of the eight money managers beat their
respective benchmarks for the quarter. The performance of the portfolio was summarized as follows:

| Total Portfolio Performance Summary for Period Ending 03/30/2019 |
|-------------------------------------|------------------|------------------|
| QUARTER TO DATE | 1 YEAR |
| BEGINNING TOTAL VALUE | 31,201,368 | 34,495,192 |
| NET CONTRIBUTIONS/WITHDRAWALS | -451,406 | -1,841,289 |
| INVESTMENT EARNINGS | 3,201,692 | 1,297,751 |
| ENDING TOTAL VALUE | 33,951,654 | 33,951,654 |

Chairperson Farrell inquired about the status of Causeway. Mr. Brice indicated that they are still keeping
an eye on them but they've handily beat the benchmark for the quarter. He chalked up their string of
losses to the fact that they are a value firm that was trying to function in a growth market. Neither
gentleman recommended rebalancing the portfolio at this time, though they will continue to monitor
Causeway and start monitoring JP Morgan to make sure that their short term holdings are still the right
investment for the System.

Vice Chairperson Mitchell asked how the transfer of the patrol unit and its retirees will affect the portfolio,
saying he was looking for recommendations as to how they could keep moving forward. Should they look
at moving to index funds to keep the cost down? He expressed regret that the City was moving away from having its own system noting the Board’s positive track record in managing the system. Mr. Brice indicated that he felt the transfer of the patrol unit would not have a large effect on the investment experience of the system.

**CITIZENS COMMENT:**

There were no citizen comments.

**NEXT BOARD MEETING:**

The next special board meeting is scheduled for May 29, 2019 at 7:15am. The next regular board meeting is scheduled for June 26, 2019 at 7:15am.

**ADJOURNMENT:**

The meeting was adjourned at 9:13 a.m.

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Amy K. Kirkland, City Clerk