

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

**JUNE 18, 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, Vice Chairperson Mark Sedlak, and Chairperson Wilfred Farrell.

**ABSENT:** Trustee Bobbi Jo Perry.

**ALSO**

**PRESENT:** City Attorney William C. Brown; City Clerk Amy K. Kirkland; City Treasurer Ronald J. Tobey; and Graystone Representative Christine Wilson.

**APPROVE AGENDA:**

Motion by Trustee Foxt to approve the agenda as presented.

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

**APPROVE MINUTES OF APRIL 16, 2015 REGULAR MEETING:**

Motion by Vice Chairperson Sedlak to accept the minutes of the April 16, 2015 Regular Meeting as presented.

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

**APPROVE MINUTES OF MAY 7, 2015 SPECIAL MEETING:**

Motion by Trustee Fox to accept the minutes of the May 7, 2015 Special Meeting as presented.

Motion supported Trustee Kleeman and concurred in by unanimous vote.

**CITIZEN COMMENTS:**

There were no citizen comments.

**CONSENT AGENDA:**

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

1. **Approve Pension Check Reports:**

- |               |               |
|---------------|---------------|
| a. April 2015 | \$ 207,671.86 |
| b. May 2015   | \$ 207,754.34 |

2. **Approve Statements:**

- a. Atlanta Capital  
As of March 31, 2015
- b. Franklin Templeton Investments  
As of March 31, 2015
- c. Loomis Sayles  
As of March 31, 2015
- d. MD Sass  
As of March 31, 2015
- e. NFJ  
As of March 31, 2015
- f. WHV  
As of March 31, 2015
- g. City of Owosso Employees Retirement Fund  
March 31, 2015
- h. City of Owosso Employees Retirement Fund  
April 30, 2015

3. **Payment Authorizations:**

- a. Loomis Sayles  
For period 09/01/07 through 12/31/13 \$ (4.62)
- b. Franklin Templeton Investments  
For period 01/01/15 through 03/31/15 \$ 7,378.05
- c. Franklin Templeton Investments SIK – former Fifth Third equities  
For period 01/01/15 through 03/31/15 \$ 300.00
- d. Gabriel Roeder Smith & Company  
For period 07/01/2014 through 06/30/2015 \$ 22,000.00
- e. Ronald J. Tobey, City Treasurer  
Report of Checks Written – April 2015 \$212,107.55
- f. Ronald J. Tobey, City Treasurer  
Report of Checks Written – May 2015 \$208,889.63

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

**COMMUNICATIONS:**

- o Graystone Consulting – *Holycross in Barron's "Top 1,200 Advisors"*
- o Merrill Lynch – *Market Focus, 1<sup>st</sup> Quarter 2015*
- o Gabriel Roeder & Smith – *NewsScan April 20, 2015*
- o Gabriel Roeder & Smith – *NewsScan April 30, 2015*
- o Gabriel Roeder & Smith – *NewsScan May 21, 2015*
- o Gabriel Roeder Smith - *GRS Insight, May 2015*

## **OLD BUSINESS:**

### **MERRILL LYNCH/MORGAN STANLEY TRANSITION UPDATE AND NEXT STEPS**

Graystone/Morgan Stanley Representative Christine Wilson distributed a handout providing details on the transition from Merrill Lynch to Graystone/Morgan Stanley. All assets are transferred and managers are up and running as of May 19, 2015. The actively managed account with NFJ has been replaced with an NFJ mutual fund consisting of the same securities. All residual dividends and interest at Merrill Lynch will automatically be transferred to the new accounts for the next 6 months.

The handout also detailed the next steps Graystone suggests for the System:

- Review of Investment Policy
- Review of Asset Allocation Targets
- Review of Recommended Implementation Plan

Ms. Wilson also inquired about the Board's preferred method of communication and when they would like meeting materials. It was agreed materials would be emailed to the Clerk for printing and delivery of hard copies to Board members approximately 1 week prior to meetings.

There was also discussion regarding changing the meeting dates due to a conflict Graystone has with an existing relationship. Ms. Wilson suggested the 4<sup>th</sup> Wednesday of even months as the new meeting date. The Board members present indicated the new meeting date was acceptable, but they wanted to check with Trustee Perry before formally announcing a change.

Chairperson Farrell asked Ms. Wilson if the transition had gone smoothly, she indicated that it had. He then asked City Attorney Brown and City Treasurer Tobey if they had any questions about the transition. Mr. Tobey inquired why the System incurred charges of approximately \$56,000 when the NFJ mutual fund was purchased. Ms. Wilson said she would look into the matter. (It was later discovered the amount in question was noting a loss in the value of the investment not a fee incurred in transitioning from the directly managed account to a mutual fund.)

### **LOOMIS SAYLES & MD SASS FEES**

At the April meeting Chairperson Farrell had requested and item on the June agenda for the Board discuss negotiating lower fees with Loomis Sayles and MD Sass. City Clerk Kirkland suggested waiting until after the Board has a chance to work through the next steps suggested by Graystone before attempting to negotiate any fees with current money managers. Ms. Wilson also noted that she had inquired with both firms if they would lower their fees and they indicated the fees the System in incurring are already reduced. She suggested the Board might consider using a Morgan Stanley platform in an effort to lower fees. Chairperson Farrell suggested the fee discussion be on-going throughout the "next steps".

## **NEW BUSINESS:**

### **APPLICATION FOR RETIREMENT – T. SMITH**

Motion by Trustee Fox to approve the application for retirement from Terry Smith effective May 30, 2015.

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

### **APPLICATION FOR RETIREMENT – M. STINSON**

Motion by Trustee Brewbaker to approve the application for retirement from Martha Stinson effective July 25, 2015.

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

**PROPOSED MEETING DATE CHANGE**

Motion by Trustee Fox to change the regular meeting date to the 4<sup>th</sup> Wednesday of even months at 7:15 a.m.

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

**AUTHORIZED SIGNATORIES**

Motion by Trustee Brewbaker to approve the resolution naming authorized signatories for System contracts.

Motion supported by Trustee Fox.

There was discussion regarding how the proposed resolution would work with the current resolution naming authorized signatories for the accounts held by Morgan Stanley and whether verbiage should be added to differentiate administrative matters from the execution of contracts.

Motion by Trustee Fox to make a friendly amendment to the motion to include verbiage in the resolution allowing one signature for administrative matters with Graystone/Morgan Stanley.

Motion to amend supported by Trustee Greenway.

The amended resolution is as follows:

**RETIREMENT SYSTEM  
RESOLUTION NO. R-01-2015**

**NAMING AUTHORIZED SIGNATORIES  
FOR RETIREMENT SYSTEM CONTRACTS & ADMINISTRATIVE MATTERS**

WHEREAS, the City of Owosso Employees' Retirement System maintains contractual relationships with several entities and individuals to assist in the proper operation of the system; and

WHEREAS, the list of authorized signatories requires updating from time to time; and

WHEREAS, the list of authorized signatories was last updated in September of 2004.

NOW THEREFORE BE IT RESOLVED, by the City of Owosso Employees' Retirement System Board of Trustees, Shiawassee County, Michigan that the following persons are authorized to act on behalf of the System for the purpose of executing agreements:

- Board Chairperson
- Board Vice Chairperson
- City Clerk
- City Treasurer

FURTHER BE IT RESOLVED, that each contract be signed by two of the named persons.

FURTHER BE IT RESOLVED, that routine administrative matters may be authorized by one of the named persons.

Voice vote. Ayes, all.

**2014 SUMMARY ANNUAL REPORT**

Motion by Trustee Brewbaker to approve the 2014 Summary Annual Report for distribution to all System members as follows:

**CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM**

2014 Summary Annual Report  
(and formerly List of Expenses Paid by Soft Dollars)

The Public Employees Retirement System Investment Act requires the City of Owosso Employees Retirement System to prepare and issue a summary annual report and to publish and make available annually a list of all expenses paid by soft dollars. The following information is provided for the year 2014.

The name of the retirement system is the City of Owosso Employees Retirement System. The Retirement System’s investment fiduciaries and service providers are:

- BOARD OF TRUSTEES: Richard Brewbaker  
Wilfred Farrell  
Burton Fox  
Elaine Greenway  
Paul Kleeman  
Bobbi Jo Perry  
Mark Sedlak
- INVESTMENT MANAGERS: Atlanta Capital  
Franklin Templeton  
Loomis LCG  
M D Sass  
NFJ Allianz  
WHV
- INVESTMENT ADVISOR: Merrill Lynch Wealth Management
- ACTUARY: Gabriel Roeder Smith & Company
- AUDITOR: Rehmann Robson
- MEDICAL DIRECTOR: Dr. Fred VanAlstine

As reported in the actuarial valuation for the annual period ending December 31, 2014 the Retirement System’s valuation assets were \$32,558,552 and its actuarial accrued liabilities were \$36,714,271, which produced a funded ratio of 88.7.

For the annual period ending December 31, 2014 the Retirement System’s investment performance on a mark to market basis (gross of manager fees and net of transaction costs) was 6.22%. The system’s investment performance, net of fees, on a rolling calendar-year basis is as follows:

	1 Year	3 Year	5 Year	7 Year	10 Year
Total Portfolio	5.9%	11.0%	8.7%	5.7%	5.5%

On December 31, 2014 the market value of the assets was \$33,683,719. The change in net plan assets from December 31, 2013 was \$291,049.

For the annual period ending December 31, 2014 the Retirement System's non-soft dollar expenses were \$221,443 and benefit payments and member refunds were \$2,454,795. No expenses were paid by soft dollars during the year. There were no expenditures for professional training and education for this year. Employer contributions required for the year covered by the report total \$629,143.

The adopted budget for the city fiscal year beginning July 1, 2014 included the following items:

Checks printed, etc.	\$ 150
Audit Costs	\$ 2,200
Actuary Fee	\$24,000
Conference Expenses	\$ 4,000
Counseling Fee-Merrill Lynch	<u>\$27,000</u>
	\$57,350

Additional items required for inclusion in the report are:

The number of active members: 58  
 The number of retirees and beneficiaries: 84  
 The average annual retirement allowance: \$28,930  
 The total annual retirement allowance being paid: \$2,430,108  
 The valuation payroll: \$2,938,821  
 The employers computed normal cost of benefits (expressed as a percentage of valuation payroll):  
     General 7.27%; Police 2.63%; Fire 10.23%  
 The employers total contribution rate (expressed as a percentage of valuation payroll):  
     General 33.57%; Police 5.62%; Fire 14.52%; overall weighted 22.53%  
 The weighted average of member contributions, if any: \$52,049  
 The actuarial assumed rate of investment return: 7.25%  
 The actuarial assumed rate of long-term wage inflation: 3.0%  
 The smoothing method and period utilized for funding the system's unfunded actuarial accrued liabilities,  
 if any: 4-year smoothed market; Closed-14 year amortization  
 The system's actuarial cost method: Entry-age  
 Whether system membership is open or closed to specific groups of employees:  
     General-closed; Police-open; Fire-open

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

**INTEREST RATE ON EMPLOYEE CONTRIBUTIONS**

City Treasurer Tobey reminded the Board that this is the interest rate given to employees that remove themselves from the System prior to retirement. Historically the rate has been set at 5%. He went on to say that the rate had worked well in the past as the employees that pull their funds from the retirement account haven't been with the City long and if the Board assumes the System is earning its target rate of return on investments then the 5% rate should not be prohibitive.

Motion by Trustee Fox to set the interest rate on employee contributions at 5% for the 2015-16 fiscal year.

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

**INVESTMENT CONSULTANT REPORT                      1<sup>st</sup> QUARTER 2015**

Chairperson Farrell inquired if everyone had received delivery of the 1<sup>st</sup> quarter report from Merrill Lynch and if anyone had any questions or items they would like to discuss. Seeing the rest of the Board had no questions on the report he offered that should they have questions in the future they can be routed to Merrill Lynch through Amy for answers.

**CITIZENS COMMENT:**

There were no citizen comments.

Chairperson Farrell asked Ms. Kirkland to work with Ms. Wilson to establish a date for the December meeting in light of the fact that the meeting date change would place the meeting on December 23<sup>rd</sup>. He suggested a meeting the 2<sup>nd</sup> or 3<sup>rd</sup> Wednesday of the month.

**NEXT BOARD MEETING:**

The next board meeting is scheduled for August 26, 2015 at 7:15am

**ADJOURNMENT:**

Motion by Trustee Fox for adjournment at 7:57 a.m.

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

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Amy K. Kirkland, City Clerk