

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

OCTOBER 28, 2015

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:16 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: City Attorney William C. Brown; Graystone Holycross Consultant Michael Holycross; City Clerk Amy K. Kirkland; and City Treasurer Ronald J. Tobey.

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 AUGUST 26, 2015 ORGANIZATIONAL MEETING:

Motion by Vice Chairperson Sedlak to accept the minutes of the August 26, 2015 Organizational Meeting as presented.

Motion supported Trustee Greenway and concurred in by unanimous vote.

APPROVE MINUTES OF AUGUST 26, 2015 REGULAR MEETING:

Motion by Trustee Fox to accept the minutes of the August 26, 2015 Regular Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizen comments.

CONSENT AGENDA:

Chairperson Farrell noted the updated Franklin Templeton statement and the updated invoices from Franklin Templeton and MD Sass that were distributed to the Board just prior to the meeting.

Motion by Chairperson Farrell to approve the consent agenda as follows:

1. Approve Pension Check Reports:

- a. August 2015 \$ 211,496.12
- b. September 2015 \$ 211,017.50

2. **Approve Statements:**

- a. Atlanta Capital
As of September 30, 2015
- b. Franklin Templeton Investments
As of September 30, 2015 (delivered at the meeting)
- c. Loomis Sayles
As of September 30, 2015
- d. MD Sass
As of September 30, 2015
- e. NFJ-Allianz
As of September 30, 2015
- f. WHV
As of September 30, 2015
- g. City of Owosso Employees Retirement Fund
As of August 31, 2015
- h. City of Owosso Employees Retirement Fund
As of September 30, 2015

3. **Payment Authorizations:**

- a. Franklin Templeton Investments (delivered at meeting)
For period 07/01/2015 through 09/30/2015 \$ 7,229.58
- b. Franklin Templeton Investments – former Fifth Third equities (delivered at meeting)
For period 07/01/2015 through 09/30/2015 \$ 300.00
- c. Loomis Sayles/Natixis
For period 10/01/2015 through 12/31/2015 \$ 14,255.63
- d. M.D. Sass (delivered at meeting)
For period 07/01/15 through 09/30/15 \$ 11,243.69
- e. Morgan Stanley – Graystone Consulting
For period 10/01/2015 through 12/31/2015 \$ N/A

(This item was not received in time for the meeting.)
- f. Gabriel Roeder Smith & Company
Preparation of GASB 67/68 valuation \$ 12,000.00
- g. Ronald J. Tobey, City Treasurer
Report of Checks Written – August 2015 \$237,986.57
- h. Ronald J. Tobey, City Treasurer
Report of Checks Written – September 2015 \$240,903.41

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

COMMUNICATIONS:

- MD Sass – *Third Quarter Outlook*
- Holycross Consulting Group – *COERS Investment Policy, as amended*
- Morgan Stanley – *WHV Status Change Notice*
- Gabriel Roeder & Smith – *NewsScan August 27, 2015*
- Gabriel Roeder & Smith – *NewsScan September 17, 2015*
- Gabriel Roeder & Smith – *NewsScan October 1, 2015*
- Gabriel Roeder & Smith – *NewsScan October 15, 2015*

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

- Morgan Stanley: *Morgan Stanley FYI 4Q2015*
- Institutional Investor: *September 2015*
- Institutional Investor: *October 2015*
- Russell Investments: *Communiqué, 3Q2015*

OLD BUSINESS:

MAPERS PARTICIPATION

The question at hand had to do with a comment made by Graystone Consultant Holycross during the August 26th meeting leaving some in attendance with the opinion that he did not participate with MAPERS. He clarified his comments, indicating he may have misunderstood the question at the time. He said that he has been a member of MAPERS since 1997, participates in all MAPERS conferences, and is a frequent speaker at the conference. He went on to say that unlike his former employee, Brian Green, he is not a board member of MAPERS, which may have been part of the source of confusion.

NEW BUSINESS:

MERS TRANSFER – S. DAVIS

City Treasurer Tobey said that he had been informed that Officer Scott Davis had been promoted to the command unit and will need to have his money transferred to the MERS system. He proposed contacting both MERS and Gabriel Roeder, comparing the amounts they each calculated for the transfer, and reporting back to the Board for possible approval.

Motion by Trustee Fox to authorize City Treasurer Ronald J. Tobey to begin the process of transferring the assets of Sergeant Scott Davis to the MERS system, with final approval of said transfer to be considered by the Board at a later date.

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

MONEY MANAGER SEARCHES – LARGE CAP GROWTH AND VALUE

Graystone Consultant Holycross distributed booklets containing the 3rd Quarter Performance Report as well as information on the money manager searches for large cap growth and large cap value.

Mr. Holycross summarized the process by which Morgan Stanley selects managers for recommendation to clients saying they look for short-term advantages (12-24 months) and the resulting list is a culmination of best ideas within the firm.

The Board first examined potential managers for the large cap growth class, comparing Edgewood and Winslow with the System's current large cap growth manager Loomis Sayles. Based on the analysis Mr.

Holycross recommended staying with Loomis Sayles as they have comparable results to Morgan Stanley favorite Edgewood, and their fees are lower.

Chairperson Farrell polled the Board to determine if all the Trustees were comfortable staying with Loomis Sayles. No one expressed a desire to make a change at this time.

There was discussion regarding the level of information the Board desired when conducting a money manager search. Mr. Holycross indicated he would tailor future research information based on the Board's preferences.

The group then moved on to discuss the comparison of the large cap value firms presented in the booklet. Mr. Holycross noted that the System's current large cap value manager MD Sass was willing to take large sector gambles, has a broader definition of "large cap" and their fees are higher due to the fact they do not have a UMA agreement with Morgan Stanley. He suggested the Board interview all three firms noted: Delaware, MD Sass, and TCW.

There was further discussion regarding the need to hire a new international manager in light of the fact the Board terminated the contract with WHV in August. The Board indicated they were comfortable continuing with MD Sass and decided to hold off on re-examining large cap value managers in favor of taking up a search for a new international money manager. Consultant Holycross indicated he would have information for the international money manager search ready for the December meeting.

Chairperson Farrell indicated that he would like to hold open the opportunity to re-examine the large cap value manager universe as it is always good to periodically review these selections.

INVESTMENT CONSULTANT REPORT:

Graystone Consultant Holycross started his report by noting that his office was in receipt of the System's historical information from Merrill Lynch and was currently working to tie their numbers into the historical figures going forward.

He then distributed a handout updating the status of the portfolio as of October 26, 2015 noting that there was a significant amount of volatility in the market in the last quarter but that the portfolio was up 5% in the 3 ½ weeks since the end of the quarter.

He also handed out information regarding his outlook on the market. Historically the market has seen a correction (reduction) about every 12-18 months and we are experiencing such a downturn now. He said that the economy is still on a slow upturn and he was confident that it would experience an expansion phase in the coming months. He expects equity earnings to continue to grow over the next couple of years while fixed income investments will continue to lag.

Trustee Perry left the meeting at 8:21 a.m.

CITIZEN COMMENTS:

There were no citizen comments.

Trustee Brewbaker inquired about the request from former pension system member Dannie Munro. City Clerk Kirkland indicated staff was working on the issue and anticipated the Board would address it in December.

NEXT BOARD MEETING:

The next board meeting is scheduled for December 16, 2015 at 7:15am

ADJOURNMENT:

The meeting adjourned at 8:33 a.m.

Amy K. Kirkland, City Clerk