

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

AUGUST 15, 2013

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:31 a.m.

ROLL CALL:

PRESENT: Trustees Thomas Cook, Michael Erfourth, Paul Kleeman, Vice Chairperson Mark Mitchell and Chairperson Wilfred Farrell.

ABSENT: Trustees Ronald Pearsall and Mark Sedlak.

ALSO

PRESENT: City Attorney William C. Brown; City Manager Donald D. Crawford; 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 Erfourth to approve the Agenda with the following addition to New Business:

Actuarial Assumption Study Authorization

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

APPROVE MINUTES OF JUNE 13, 2013 REGULAR MEETING:

Motion by Vice Chairperson Mitchell to accept the minutes of the June 13, 2013 Regular Meeting as presented.

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

APPROVE MINUTES OF JULY 25, 2013 SPECIAL MEETING:

Motion by Vice Chairperson Mitchell to accept the minutes of the July 25, 2013 Special Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizen comments.

CONSENT AGENDA:

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

1. Approve Pension Check Reports:

- | | |
|--------------|---------------|
| a. June 2013 | \$ 181,410.02 |
| b. July 2013 | \$ 180,189.59 |

2. Approve Statements:

- a. Franklin Templeton Investments
As of June 30, 2013
- b. Loomis Sayles
As of June 30, 2013
- c. MD Sass
As of June 30, 2013
- d. NFJ Allianz
As of June 30, 2013
- e. WHV
As of June 30, 2013
- f. Russell Investments
As of June 30, 2013
- g. City of Owosso Employees Retirement Fund
May 31, 2013
- h. City of Owosso Employees Retirement Fund
June 30, 2013
- i. City of Owosso Employees Retirement Fund
June 30, 2013 Year End

3. Payment Authorizations:

- a. Franklin Templeton Investments
For period 04/01/13 through 06/30/13 \$ 8,609.32
- b. Franklin Templeton Investments – former Fifth Third equities
For period 04/01/13 through 06/30/13 \$ 300.00
- c. M.D. Sass
For period 04/01/13 through 05/23/13* \$ 6,865.84
- d. Merrill Lynch – Atlanta Capital
For period 07/01/13 through 09/30/13 \$ 4,293.37
- e. Merrill Lynch – Loomis Sayles
For period 07/01/13 through 09/30/13 \$ 9,181.44
- f. Merrill Lynch – NFJ Allianz
For period 07/01/13 through 09/30/13 \$ 1,976.39
- g. Wentworth, Hauser, and Violich
For period 04/01/13 through 06/30/13 \$ 4,203.00
- h. Gabriel Roeder Smith & Company
For period 07/01/2012 through 06/30/2013 \$ 22,500.00

- | | | |
|----|--|---------------|
| i. | <u>Ronald J. Tobey, City Treasurer</u>
Report of Checks Written – June 2013 | \$ 198,927.88 |
| j. | <u>Ronald J. Tobey, City Treasurer</u>
Report of Checks Written – July 2013 | \$ 181,832.93 |

*The independent account for this manager was terminated on May 23, 2013 in favor of a more economical billing platform through Merrill Lynch. Charges originating after May 23rd will be accounted for on a Merrill Lynch billing statement.

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

COMMUNICATIONS:

- Hirayama Investments – *International Global Commentary*
- Gabriel Roeder & Smith – *NewsScan June 14, 2013*
- Gabriel Roeder & Smith – *NewsScan July 3, 2013*
- Gabriel Roeder & Smith – *NewsScan July 31, 2013*

OLD BUSINESS:

MERRILL LYNCH STATUS REPORT

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

NEW BUSINESS:

APPLICATION FOR RETIREMENT – J. BLOOMFIELD

Motion by Vice Chairperson Mitchell to approve the application for retirement from John Bloomfield effective September 22, 2013.

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

APPLICATION FOR RETIREMENT – R. CRAIG

Motion by Trustee Erfourth to approve the application for retirement from Robert Craig effective August 5, 2013.

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

APPLICATION FOR RETIREMENT – M. RAU

Motion by Trustee Erfourth to approve the application for retirement from Michael Rau effective September 11, 2013.

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

2013 MAPERS FALL CONFERENCE

City Clerk Kirkland noted that she was in receipt of a notice from MAPERS reminding members that Grand Rapids Art Prize would be going on at the same time as the conference so early reservations are a must. She further noted there was \$2,000 budgeted for conference attendance during the 2013-14 fiscal year.

Chairperson Farrell indicated all interested parties interested in attending should contact Amy as soon as possible.

2012 SUMMARY ANNUAL REPORT

Motion by Vice Chairperson Mitchell to accept the 2012 Summary Annual Report as follows:

CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM

2012 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 2012.

The name of the retirement system is the City of Owosso Employees Retirement System. The Retirement System's investment fiduciaries are:

BOARD OF TRUSTEES:

Thomas Cook
Michael Erfourth
Wilfred Farrell
Michael McCloskey
Mark Mitchell
Ronald Pearsall
Mark Sedlak

INVESTMENT MANAGERS:

Atlanta Capital
Franklin Templeton
I-Shares Russell 1000
M D Sass
NFJ Allianz
Wentworth Hauser & Violich (WHV)

As reported in the actuarial valuation for the annual period ending December 31, 2012 the Retirement System's valuation assets were \$30,611,263 and its actuarial accrued liabilities were \$34,120,683, which produced a funded ratio of 89.7.

For the annual period ending December 31, 2012 the Retirement System's investment performance on a mark to market basis (gross of manager fees and net of transaction costs) was 8.4%. On December 31, 2012 the market value of the assets was \$29,770,236.

For the annual period ending December 31, 2012 the Retirement System's non-soft dollar expenses were \$194,377 and benefit payments and member refunds were \$2,100,956. No expenses were paid by soft dollars during the year. Employer contributions required for the year covered by the report total \$701,388.

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

ASSET TRANSFER – 2012 ACTUARIAL VALUATION RECOMMENDATION

City Treasurer Tobey indicated that the notes of the final Actuarial Report pointed out a need to move money from the pension fund to the retiree fund to keep the retiree fund at the appropriate funding level. He said this was simply an accounting change, no money would actually be moved, he will simply report

these funds in retiree fund from now on. He went on to say that a similar transaction took place in 2007 and this did not represent a precedent.

Motion by Trustee Cook to authorize the transfer of \$119,468.00 from the General Non-Union group and \$30,430.00 from the Waste Water Treatment Plant group to the Retiree Fund as recommended in Comment C, page A-9 of the 2012 Actuarial Valuation.

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

ASSET ALLOCATION STUDY REVIEW

Merrill Lynch Consultant Vanerian distributed copies of the review and noted that it would probably take a couple of meetings to fully examine the study. She said she hoped to carry the discussion over the next couple of months so as to include the new Council members that will be joining the Board after the November City Council election.

She went on to briefly detail the difference between strategic asset allocation and tactical asset allocation, the effects of adding a new asset class, how cash on hand is used to accommodate distributions from the system, and how to look for asset classes that have a low correlation. She also noted that her office now has new software that will allow them to make adjustments to the asset allocation models without the need to resubmit them to Merrill Lynch for analysis.

She asked that the Trustees look the study over and start thinking about whether they would like to make changes.

Trustee Erfourth asked if they could create a simulation that takes into account the increasing amount the System will be paying out in the coming years. Ms. Vanerian indicated they will look into the statistics from the past 5 years to create such a model.

The Board asked that the study be placed on the October agenda for further review and comment.

ACTUARIAL ASSUMPTION REVIEW (added to agenda)

Chairperson Farrell introduced the item saying the Board was in receipt of a formal request from the City to conduct an actuarial assumption review. Based on the Rules of Procedure the Board is required to undertake this review every 5-10 years. The last review was conducted in 2004. In its formal request, the City indicated its reasoning for requesting the study saying:

“Many things have changed since that time (2004) including closing of parts of the plan, wage increases have been far below projections, employees are working more years, etc. Better information is necessary so that multi-year planning and budgeting can be accomplished.”

There was discussion regarding combining a number of employee groups to lower the cost of the study and the annual actuarial review, conducting the study 1 year earlier than usual to accommodate the City's request, and how the results of the study may affect the results of the annual review and the City's budgeting process.

It was noted the cost of the study would be reimbursed to the System by the City.

Motion by Trustee Erfourth to authorize an actuarial assumption review utilizing three employee groups: general employees (all except fire and police), fire employees, and police employees (less the Command Unit) unless the actuary deems the employee groupings imprudent.

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

Trustee Erfourth left the meeting at 8:30 a.m.

INVESTMENT CONSULTANT REPORT:

Merrill Lynch Consultant Marie Vanerian reported on the overall conditions of the economy during the 2nd quarter saying the market was completely focused on the Federal Reserve and when it would start the process of drawing down its monthly infusion of money into the market, continued unemployment, Europe finally emerging from its recession and the energy boom in the U.S. She said the stock market performed great the first part of the year but had been volatile since. International markets were down in comparison to the U.S. and the rise in interest rates had driven bond prices down and would continue to do so for the foreseeable future.

She went on to mention that the System's fixed income manager had made appropriate adjustments to weather the rise in interest rates moving to short term durations. Further she noted the fixed income portfolio was in the lower end of the acceptable range of the System's asset allocation policy.

Total Portfolio Performance Summary for Period Ending 06/30/2013

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 3/93-06/13
Beginning Market Value	30,065		18,207
Net Contributions	-540		-19,494
Investment Earnings	131		30,905
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Ending Market Value	29,657		29,657

There was discussion whether to invite a money manager in for the October meeting. It was decided that due to the anticipated heavy agenda for the October meeting and the fact that the Board will have two new members after the November election it would be better to hold off on a money manager visit until the December meeting.

CITIZENS COMMENT:

There were no citizen comments.

Ms. Vanerian reminded Board members they were invited to two different dinners the week of the MAPERS Conference.

Chairperson Farrell noted that the Clerk is always in receipt of information from other consulting firms and investment managers. Anyone interested in looking over the material should contact her.

NEXT BOARD MEETING:

The next board meeting is scheduled for October 17, 2013 at 7:15am

ADJOURNMENT:

The meeting was adjourned at 8:57 a.m.

Amy K. Kirkland, City Clerk