

**CITY OF OWOSSO
EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES
SPECIAL MEETING
OWOSSO CITY HALL COUNCIL CHAMBER**

APRIL 10, 2019

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:18 a.m.

ROLL CALL:

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

ABSENT: Trustee Susan Osika.

ALSO

PRESENT: Graystone Analyst Erik Burger (via telephone); City Treasurer Katherine R. Fagan; City Finance Director Cheryl A. Grice; City Attorney Scott J. Gould; and City Clerk Amy K. Kirkland.

CITIZEN COMMENTS:

There were no citizen comments.

NEW BUSINESS:

Before delving into New Business Chairperson Farrell updated the Board on the meeting that took place Friday, April 5, 2019 between all of the relevant parties involved in the transfer of the Police Patrol Unit and its retirees to the MERS system, highlighting the following items:

- The Police Patrol Unit contract is retroactive to July 1, 2018.
- The City's overall intent is to move everyone in the City pension system to MERS.
- Both MERS and the City system will develop valuations of the amount that should be transferred. The Board will then determine if either amount would cause harm to the remaining members of the City system and make a recommendation to City Council. City Council will have the final determination as to the amount that is transferred.

Vice Chairperson Mitchell inquired whether the Command Unit retirees would be moved as well, saying the funding for a couple of retirees may be coming from both the police and the fire groups. Finance Director Grice indicated the two retirees in question had been moved to the General group and so would not be moving even if the Command Unit retirees are moved. City Attorney Gould indicated he would look further into the question.

Consider GRS Conflict of Interest

Discuss possible conflict of interest and determine if a third party actuary should be hired to calculate the amount to transfer.

Chairperson Farrell indicated that Gabriel Roeder Smith (GRS) is the actuary for both MERS and the City system, presenting a possible conflict of interest. He explained that the Board could hire a third party to calculate the transfer amount or they could execute a waiver and proceed with GRS. In an effort to allay any fears the Board might have the actuaries for the City's system have indicated their willingness to put together a written document testifying to the fact that they have no involvement with the MERS account.

In light of the information noted above Chairperson Farrell inquired as to the feeling of the rest of the Board on the conflict of interest issue. There was discussion regarding the benefits of the long-term relationship the City System has with GRS, dealing with a perceived conflict of interest, the feeling of the individual groups within the plan, and the time and money that would have to be invested in a third party review. No one expressed a reluctance to proceed with GRS. That being said the Board took the City Attorney up on his suggestion to review the conflict of interest policies for both GRS and MERS. They also asked that at least one quote be obtained from a third party actuary prior to rendering a decision.

Transfer Timeline

Chairperson Farrell briefly detailed the timeline for transfer that was proposed by Finance Director Grice. He noted that while the timeline itself would require adjustment the document was a good reference for the steps involved moving forward.

There was discussion regarding the choice of effective dates for the transition. The City would like to see the transition take place as quickly as possible, particularly in light of the fact that the union contract is retroactive to July 1, 2018. Finance Director Grice said she could agree to a July 1, 2019 effective date. Chairperson Farrell suggested they may want to look at roll-forward dates of May 31st or June 30th.

Contingency Fund

The Board held a discussion regarding the contingency fund and its role in the transfer. Chairperson Farrell said he believes the contingency fund is included in the valuation calculations for each group, but it does not necessarily belong to any particular group. City Attorney Gould took the position that the contingency reserve does not belong to any single group, and that the Board and the City Council would need to agree if any portion of it is to be transferred. Staff was directed to ask GRS whether the contingency fund was included in the valuation calculations for the system.

PA 202 Calculations

Finance Director Grice noted that this item has no direct relation to the MERS transfer and is more of a housekeeping item that will need to be incorporated into the work performed as a part of the actuarial valuation going forward.

Motion by Trustee Brewbaker to direct Gabriel Roeder Smith to add PA 202 calculations required by the City to the annual actuarial report.

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

Chairperson Farrell asked if anyone had any questions they would like addressed or comments they would like to offer.

Trustee Brewbaker asked about what happens to the Board after the Police Patrol Unit transfer takes place. He also inquired whether the Code of Ordinances would need to be updated to reflect the change. City Attorney Gould answered that the seat for the Police Department representative would cease to exist after the transfer and the ordinance would be cleaned up post-transfer.

There was also discussion regarding whether the Board would continue to exist if everyone in the City's system is moved to MERS. Would the Board simply move to oversee the funds in the MERS system? Would the responsibility fall to City Council? City Attorney Gould indicated he would look into it. Finance Director Grice said she had posed those questions to MERS staff and they indicated that the MERS board is elected by its members each year and that they were not aware of anyone that keeps another board as a means of oversight.

Chairperson Farrell inquired whether the current police patrol retirees had been notified of the transfer. City Attorney Gould indicated he had spoken with MERS and they are willing to send out notices to affected retirees and make a representative available if retirees would like to talk. Chairperson Farrell said he felt it was appropriate that the City initiate communication with the retirees letting them know that City Council has decided to make this move. Vice Chairperson Mitchell suggested naming a person to serve as an advocate for retirees during the transition.

NEXT BOARD MEETING:

The next board meeting is scheduled for April 24, 2019 at 7:15am

ADJOURNMENT:

The meeting was adjourned at 8:15 a.m.

Amy K. Kirkland, City Clerk