

CONSENT AGENDA:

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

1. **Approve Pension Check Reports:**

- a. April 2020 \$ 220,498.60
- b. May 2020 \$ 220,498.60

2. **Approve Statements:**

- a. City of Owosso Employees Retirement Fund
As of April 30, 2020
- b. City of Owosso Employees Retirement Fund
As of May 31, 2020

3. **Payment Authorizations:**

- a. Morgan Stanley – Graystone Consulting
For period 05/27/20 through 06/30/2020 \$ (1,152.03)
- b. Morgan Stanley – Graystone Consulting
For period 05/29/20 through 06/30/2020 \$ (2,495.96)
- c. Gabriel Roeder Smith & Company
For period 07/01/2019 through 06/30/2020 \$ 25,000.00
- d. City of Owosso
Annual Audit \$ 2,969.00
- e. Katherine R. Fagan, City Treasurer
Report of Checks Written – April 2020 \$ 27,107.29
- f. Katherine R. Fagan, City Treasurer
Report of Checks Written – May 2020 \$ 1,048.74
- g. Money Manager Fee Analysis
For period 05/01/2020 through 05/31/2020 \$ 3,221.29
- h. Franklin Templeton Investments
For period 04/01/2020 through 05/25/2020 \$ 3,408.03
- i. Franklin Templeton Investments – SIK, former Fifth Third equities
For period 04/01/2020 through 05/25/2020 \$ 181.32

4. **Death Acknowledgements:**

None.

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

COMMUNICATIONS:

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 23, 2020
- b. Pensions & Investments: April 6, 2020
- c. Pensions & Investments: April 20, 2020
- d. Pensions & Investments: May 4, 2020
- e. Pensions & Investments: May 18, 2020
- f. Pensions & Investments: June 1, 2020

OLD BUSINESS:

Transfer Status Report

A brief report was given on the status of the MERS transfer noting that all securities but the securities in kind held by Franklin Templeton had been transferred from Morgan Stanley to MERS. The initial actuarial valuations and asset allocations have been received from MERS. The Board offered no comments or questions.

Franklin Templeton Securities in Kind

City Clerk Kirkland briefly relayed the details of the phone call between the City, MERS, and Morgan Stanley that was organized to reach an agreement on how the securities in kind held by Franklin Templeton would be handled in their transfer to MERS. Warren Keyser, portfolio manager for Franklin Templeton, joined the call to provide an overview of how they had handled the situation over the years and he encouraged the City not to simply liquidate the holdings. The resulting agreement stipulates that a 25% discount be given by the City in return for MERS taking on the extra risk presented by holding the securities in kind. Chairperson Farrell indicated the agreement was reasonable for all parties in the transaction and only \$130,000 in assets were involved.

The Board agreed to the 25% valuation discount in return for MERS holding the securities until maturity.

NEW BUSINESS:

2019 Summary Annual Report

Motion by Vice Chairperson Mitchell to approve the summary of the activities of the System for the 2019 calendar year and authorize distribution to members and retirees as follows:

CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM
2019 SUMMARY ANNUAL REPORT

(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 2019.

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 Jerome Haber Doug Morrice
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Sue Osika
Mark Mitchell
Wilfred Farrell

INVESTMENT MANAGERS: Atlanta Capital
Franklin Templeton
Loomis LCG
Cushing
Aristotle
Causeway
Harding Loevner
CG Advisor
JP Morgan Strategic Income

INVESTMENT ADVISOR: Graystone Consulting/Morgan Stanley

ACTUARY: Gabriel Roeder Smith & Company

AUDITOR: Gabridge and Company

MEDICAL DIRECTOR: Dr. Anthony Patsy

As reported in the actuarial valuation for the annual period ending December 31, 2019 the Retirement System's valuation assets were \$28,989,966 and its actuarial accrued liabilities were \$34,751,189, which produced a funded ratio of 83.4.

For the annual period ending December 31, 2019 the Retirement System's investment performance on a mark to market basis (gross of manager fees and net of transaction costs) was 21.82%. 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	21.21%	10.28%	7.60%	8.97%	8.15%

On December 31, 2019 the market value of the assets was \$30,739,312. The change in net plan assets from December 31, 2018 was (\$783,944).

For the annual period ending December 31, 2019 the Retirement System's non-soft dollar expenses were \$242,178.33 and benefit payments and member refunds were \$2,800,179.86. No expenses were paid by soft dollars during the year. Expenditures for professional training and education for this year were \$914.96. Employer contributions required for the year covered by the report total \$924,592.

The adopted budget for the city fiscal year beginning July 1, 2020 included the following items:

Checks printed, etc.	\$	N/A
Audit Costs	\$	N/A
Actuary Fee	\$	N/A
Conference Expenses	\$	N/A
Counseling Fee-Morgan Stanley	\$	<u>N/A</u>

Additional items required for inclusion in the report are:

The number of active members: 31
The number of retirees and beneficiaries: 77
The average annual retirement allowance: \$36,307
The total annual retirement allowance being paid: \$2,795,607

The valuation payroll: \$1,781,909
The employers computed normal cost of benefits (expressed as a percentage of valuation payroll):
General 8.26%; Fire 8.41%
The employers total contribution rate (expressed as a percentage of valuation payroll):
General 94.94%; Fire 17.47%; overall weighted 54.96%
The weighted average of member contributions, if any: \$69,157
The actuarial assumed rate of investment return: 7.25%
The actuarial assumed rate of long-term wage inflation: 2.5%
The smoothing method and period utilized for funding the system's unfunded actuarial accrued liabilities,
if any: 4-year smoothed market; Closed-9 year amortization
The system's actuarial cost method: Entry-age
Whether system membership is open or closed to specific groups of employees:
General-closed; Fire-open

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

Preemptive Authorization for Payment & Sweeping of Account

Motion by Trustee Brewbaker to authorize the City Treasurer to pay upcoming invoices and sweep all future refunds to the MERS account.

Motion supported by Chairperson Farrell and concurred in by unanimous vote.

Retirement Ordinance Amendment

City Attorney Gould introduced the item saying the intent of the amendment is to change who manages the system. He indicated that most of the original language of the ordinance remains in place with the changes concentrating on the responsibilities of the Board of Trustees.

There was discussion regarding whether a staff liaison position should be established to connect retirees with MERS, it was decided that MERS has the capability of communicating with all retirees and a staff liaison may just cloud the picture.

Chairperson Farrell inquired if the Board was dissolved as of today. City Attorney Gould indicated it would dissolve once the transfer is completed.

Motion by Chairperson Farrell to recommend the retirement ordinance amendment as proposed:

RESOLUTION NO. R-01 2020

AMENDING CHAPTER 2, ADMINISTRATION, ARTICLE VII, MUNICIPAL EMPLOYEES' PENSIONS

WHEREAS, the City of Owosso, Shiawassee County, Michigan has an independent pension system covering a portion of its employees; and

WHEREAS, the City has transferred custody and administration of the system to the Municipal Employees' Retirement System of Michigan; and

WHEREAS, the ordinance governing the pension system must be amended to reflect said changes;

NOW THEREFORE BE IT RESOLVED, THAT THE CITY OF OWOSSO ORDAINS:

SECTION 1. AMENDMENT. That Chapter 2, Administration, Article VII, *Municipal Employees' Pensions*, Section 2-401, Name and establishment shall be amended as follows:

Sec. 2-401. - Name and establishment.

(a) The city employees' retirement system, hereinafter called the "retirement system," is hereby established for the purpose of providing retirement allowances and survivor benefits for the employees of the city and their eligible dependents. The retirement system shall be maintained for the exclusive benefit of members and is intended to comply with the requirements of section 457(a) of the Internal Revenue Code of 1986, as amended from time to time (the "code"), with the requirements of any regulations issued thereunder, and with the requirements of any other applicable law. The trustees of the trust established as part of this retirement system are defined in section 2-403.

In accordance with the terms of the retirement system, the trustees have the ability at any time, and from time to time, to amend the retirement system.

To be administered effective December 31, 2005, this retirement system is amended and restated in its entirety to comply with the requirements of the Internal Revenue Code of 1986, as amended by the Uruguay Round Agreements Act, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the Uniformed Services Employment and Reemployment Rights Act of 1996, the Internal Revenue Service Restructuring and Reform Act of 1998, the Community Renewal Tax Relief Act of 2000, the Economic Growth and Tax Relief Reconciliation Act of 2001 and all applicable rulings and regulations issued thereunder.

(b) As of June 1, 2020, or as soon thereafter as the transfer to the Michigan Employee Retirement System ("MERS") of all assets takes place, the Board of Trustees established by the aforesaid Chapter 2, Article VII, Section 2-403, as amended, and now existing pursuant thereto shall cease to exist. The previous authority to administer the retirement system established by this chapter for all active City employees and City retirees, both past and future, and all other active employees previously covered by this ordinance will be administrated and managed by MERS effective June 1, 2020. Any reference in this ordinance to the duties of the Board of Trustees shall be performed by MERS.

(c) The balance of the assets currently held by the Trustees belonging to the City of Owosso Retirement System established by the aforesaid Chapter 2, Article VII, as amended, shall be transferred to MERS on or before June 1, 2020, but remain the assets of the City of Owosso Retirement System and shall be administered by MERS as established under this chapter. When transferred, MERS shall credit said assets to the various funds and accounts provided for in this chapter, according to the purpose for which such assets were held and credited in the retirement system created under the aforesaid Chapter 2, Article VII, as amended.

SECTION 2. ADDITION. That the definition for MERS shall be added to Chapter 2, Administration, Article VII, *Municipal Employees' Pensions*, Section 2-402, Definitions as follows:

MERS means Municipal Employee Retirement System. The Municipal Employees' Retirement System of Michigan is an independent, professional retirement services company that administers the retirement plans for Michigan's local units of government on a not-for-profit basis.

SECTION 3. REPEAL & REPLACE. That Chapter 2, Administration, Article VII, *Municipal Employees' Pensions*, Section 2-403, Board of Trustees, be repealed in its entirety and restated as follows:

Sec. 2-403. - Board of trustees.

(a) The City established, with the creation of the City Pension, a board of trustees (the "board") in whom was vested the general administration, management, and responsibility for the proper operation of the retirement.

1) The MERS shall have the responsibility for the general administration and management of the system, and for making effective and construing the provisions of this chapter. It shall

have the power to negotiate and execute legal documents provided that any such legal document be approved by the City.

- 2) The City Board Trustees shall cease to exist as of June 1, 2020, or as soon thereafter as all of the assets are transferred to MERS, as provided herein. Thereafter the aforementioned date or condition, any reference of the "board" hereinafter shall be construed to be MERS.

SECTION 4. REPEAL. That Sections 2-404 through 2-408 of Chapter 2, Administration, Article VII, *Municipal Employees' Pensions*, be repealed in their entirety.

SECTION 5. REPLACE. That references to the "board" be replaced with "MERS" in Sections 2-409, 2-414, and 2-432 through 2-435 as follows:

Sec. 2-409. - Records of retirement system—Annual report.

(a) The city clerk shall keep, or cause to be kept, in convenient form, such data as shall be necessary for an actuarial valuation of the assets and liabilities of the retirement system. The MERS shall render a report to the city manager and the council or their designee within ninety (90) days after the close of each fiscal year of the city showing the fiscal transactions of the retirement system for the year ending the preceding June 30, and the last balance sheet showing the financial condition of the retirement system by means of an actuarial valuation of the assets and liabilities of the retirement system.

(b) The board shall from time to time adopt such mortality, service, and other tables of experience, and a rate or rates of regular interest, as are necessary to maintain the operation of the retirement system on an actuarial basis.

Sec. 2-414. - Eligible domestic relations orders.

An eligible domestic relations order ("EDRO") is a signed domestic relations order issued by a state court which creates, recognizes or assigns to an alternate payee(s) the right to receive all or part of a member's retirement system benefit that is or will become payable to the member. An alternate payee is a spouse, former spouse, child, or other dependent of a member who is treated as a beneficiary under the retirement system as a result of the EDRO. The board may establish EDRO procedures, but in the absence of such procedures, the board will determine if a domestic relations order is an EDRO in accordance with the following:

- (1) MERS determination: Promptly upon receipt of a domestic relations order, the board will notify the participant and any alternate payee(s) named in the order of such receipt and will include a copy of this section. Within a reasonable time after receipt of the order, the board will make a determination as to whether or not the order is a EDRO as defined in MCL 38.1701 et seq. and will promptly notify the member and any alternate payee(s) in writing of the determination. If the order is determined to be an EDRO, the retirement system shall begin the payment of the benefit with the next monthly payment or upon retirement of the participant.
- (2) Specific requirements of an EDRO: In order for a domestic relations order to be an EDRO, it must specifically state all of the following:
 - a. The name, last known mailing address (if any) and the social security number of the member and each alternate payee(s) covered by the order;
 - b. The dollar amount or percentage of the benefit to be paid to each alternate payee, or the manner in which the amount or percentage is to be determined;
 - c. The number of payments or period to which such order applies; and
 - d. The name of the plan to which the order applies.

The domestic relations order will not be deemed an EDRO if it requires the retirement system to provide any type or form of benefit, or any option not already provided for in the retirement

system, or increased benefits determined on the basis of the actuarial value, or benefits in excess of the member's retirement system benefit, or payment of benefits to an alternate payee(s) required to be paid to another alternate payee under another EDRO.

- (3) Disputed orders: If there is a question as to whether or not a domestic relations order is a EDRO, there will be a delay in any payout to any payee(s) including the member, until the status is resolved. If the retirement system determines that the order is not an EDRO, the retirement system shall promptly notify the alternate payee(s) of this determination. The notification shall specify the reasons the order was not determined to be an EDRO. This determination does not prohibit the alternate payee(s) or the court from filing an amended order with the retirement system for redetermination.
- (4) Death of alternate payee(s): If an alternate payee(s) dies before receiving any payment of a benefit pursuant to an EDRO, that interest reverts to the member.

Sec. 2-432. - Expense fund.

The expense fund shall be the fund to which shall be credited all money provided by the city to pay the administration expense of the retirement system, and from which shall be paid all expenses necessary in connection with the administration of the retirement system. The MERS shall, annually, certify to the council, according to budget procedure, the amount of appropriation necessary to administer the retirement system during the ensuing fiscal year. The council shall appropriate such amount to the credit of the expense fund.

Sec. 2-433. - Investment of assets.

(a) The MERS shall be the trustees of the assets of the retirement system, which shall be invested in a trust. The trustees shall have full power to invest and reinvest such assets subject to the provisions of Act No. 314 of the Public Acts of 1965, as amended, and as it might from time to time be amended or replaced by successor acts.

(b) The MERS shall have full power to hold, purchase, sell, assign, transfer, and dispose of any investments in which any of the moneys of the retirement system have been invested as well as the proceeds of such investments and any moneys belonging to the system. There shall be kept on deposit available cash not exceeding five (5) percent of the total assets of the retirement system. The trustees shall ensure that all investments, amounts, property and rights held under the trust fund are held for the exclusive benefit of members and their beneficiaries. The trust fund shall be held in trust pursuant to the trust agreement for the exclusive benefit of members and their beneficiaries and defraying reasonable expenses of the retirement system and of the trust fund. It shall be impossible, prior to the satisfaction of all liabilities with respect to members and their beneficiaries, for any part of the assets and income of the trust fund to be used for, or diverted to, purposes other than for the exclusive benefit of participants and their beneficiaries.

(c) The description of the various funds of the retirement system shall be interpreted to refer to the accounting records of the retirement system and not to the segregation of assets in the funds of the retirement system.

Sec. 2-434. - Income fund; crediting of regular interest.

(a) The income fund shall be the fund to which shall be credited all regular interest, dividends and other income derived from investments of the retirement system, all gifts and bequests received by the system, all unclaimed accumulated contributions as provided in this article, and all other moneys received by the retirement system the disposition of which is not specifically provided in this article. There shall be transferred from the income fund all amounts required to credit regular interest to the members savings fund, retirement reserve fund and pension reserve fund, as provided in this article. Whenever the board determines the balance in the income fund is more than sufficient to cover current charges to the fund

such excess, or any part thereof, may be used to provide contingency reserves or to meet special requirements of the other funds of the retirement system. Whenever the balance in the income fund is insufficient to meet the charges to the fund the amount of the insufficiency shall be transferred from the pension reserve fund to the income fund. A member's accumulated contributions transferred from the members savings fund to the income fund may be paid from the income fund upon claim for same approved by the board MERS.

(b) The MERS shall, at the end of each fiscal year, allow and credit regular interest on the members' individual balances in the members savings fund, computed on the individual balances at the beginning of the fiscal year; and on the mean balances during the fiscal year in the pension reserve fund and retirement reserve fund.

Sec. 2-435. - Assignments prohibited.

The right of a person to a pension, to the return of accumulated contributions, the pension itself, any option benefit, any other right accrued or accruing to any person under the provisions of this article, and any moneys belonging to the retirement system shall not be subject to execution, garnishment, attachment, the operation of bankruptcy or insolvency law, or any other process of law whatsoever, and shall be unassignable, except as is specifically provided in this article. If a member is covered by a group insurance or prepayment plan participated in by the city, and should member be permitted to, and elect to, continue such coverage as a retirant, member may authorize the MERS to have deducted from member's pension the payments required of member to continue coverage under such group insurance or prepayment plan. The city shall have the right of set off for any claim arising from embezzlement by or fraud of a member, retirant or beneficiary.

SECTION 6. AVAILABILITY. This ordinance may be purchased or inspected in the city clerk's office, Monday through Friday between the hours of 9:00 a.m. and 5:00 p.m.

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

Chairperson Farrell asked what needs to be done to formally dissolve the board? City Attorney Gould indicated he would like to hold a meeting to mark the completion of the transfer and tie everything up in the minutes.

There was discussion about moving the meeting up a week because Chairperson Farrell will be out of town the week of August 26th. City Clerk Kirkland will contact board members to find an acceptable meeting date and time.

INVESTMENT CONSULTANT REPORT:

Graystone: Performance Update, through May 31, 2020

Graystone Consultant Brian Brice indicated that the portfolio had gains in the final quarter, highlighting the fact that it was a good choice to remain invested until the transfer took place. Liquidation of the portfolio went well. He went on to thank the Board for their businesses, saying it had been a pleasure to serve the group and he had enjoyed the relationship.

On behalf of the Board Chairperson Farrell thanked Mr. Brice for all of the team's efforts over the course of the last three years and personally thanked him for his expertise.

CITIZENS COMMENT:

There were no citizen comments.

NEXT BOARD MEETING:

The next board meeting is scheduled for August 26, 2020 at 7:15am

ADJOURNMENT:

The meeting was adjourned at 8:08 a.m.

Amy K. Kirkland, City Clerk