

**CITY OF OWOSSO  
EMPLOYEES RETIREMENT SYSTEM BOARD**

**AUGUST 18, 2011**

**7:15 AM**

**CALL MEETING TO ORDER:**

Chairperson Farrell called the meeting to order at 7:32 a.m.

**ROLL CALL:**

**PRESENT:** Trustees Benjamin Frederick, Michael McCloskey, Mark Mitchell, Ronald Pearsall, Vice Chairperson Frances Kukulis and Chairperson Wilfred Farrell.

**ABSENT:** Trustee Michael Erfourth.

**ALSO**

**PRESENT:** City Attorney William C. Brown; 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 Frederick to approve the Agenda as presented with the addition of Consent Item h. City of Owosso Employees Retirement Fund - July 31, 2011 and noting the Summary Annual Report is for 2010, not 2009.

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

**APPROVE MINUTES OF JUNE 16, 2011 REGULAR MEETING:**

Motion by Trustee Frederick to table the minutes of the June 16, 2011 Regular Meeting as they were not presented in the packet.

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

**CITIZEN COMMENTS:**

There were no citizens comments.

**CONSENT AGENDA:**

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

1. Approve Pension Check Reports:

- |              |               |
|--------------|---------------|
| a. June 2011 | \$ 147,402.81 |
| b. July 2011 | \$ 147,402.81 |

2. Approve Statements:

- a. Aletheia  
As of June 30, 2011
- b. Alliance Bernstein  
As of June 30, 2011

- c. Atlanta Capital  
As of June 30, 2011
  - d. MD Sass  
As of June 30, 2011
  - e. Wentworth Hauser and Violich  
As of June 30, 2011
  - f. Franklin Templeton Investments  
As of June 30, 2011
  - g. Bank of New York – ConvergEx Group  
As of May 31, 2011
  - h. Bank of New York – ConvergEx Group  
As of June 30, 2011
  - i. Russell Investments  
As of June 30, 2011
  - j. City of Owosso Employees Retirement Fund  
June 30, 2011
  - k. City of Owosso Employees Retirement Fund  
Year End - June 30, 2011
  - l. City of Owosso Employees Retirement Fund  
July 31, 2011
3. Payment Authorizations:
- a. Atlanta Capital  
For period 07/01/11 through 09/30/11 \$ 6,224.44
  - b. M.D. Sass  
For period 04/01/11 through 06/30/11 \$ 11,125.53
  - c. Franklin Templeton Investments  
For period 04/01/11 through 06/30/11 \$ 9,007.40
  - d. Franklin Templeton Investments – former Fifth Third equities  
For period 04/01/11 through 06/30/11 \$ 300.00
  - e. Merrill Lynch - AllianceBernstein  
For period 07/01/11 through 09/30/11 \$ 3,025.15
  - f. Wentworth, Hauser, and Violich  
For period 04/01/11 through 06/30/11 \$ 4,453.00
  - g. Gabriel Roeder Smith & Company  
For period 07/01/2010 through 06/30/2011 \$ 20,000.00
  - h. Ronald J. Tobey, City Treasurer  
Report of Checks Written – June 2011 \$172,119.97
  - i. Ronald J. Tobey, City Treasurer  
Report of Checks Written – July 2011 \$144,597.97

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

**COMMUNICATIONS:**

- o James Koss, Gabriel Roeder & Smith – 2011 projected actuarial fees
- o Hirayama Investments – *International Global Commentary*
- o Merrill Lynch – *Market Focus, 2<sup>nd</sup> Quarter 2011*
- o Gabriel Roeder & Smith – *NewsScan June 2011*
- o MD Sass – *Investment Outlook & Strategy Commentary*

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

- Merrill Lynch: *Comprehensive AIM Report, Q1 DVD*
- Russell Investments: *Debunking the myths of commodities*
- Russell Investments: *The volatility paradox*
- Gabriel Roeder Smith: *GRS Insight, July 2011*

There was discussion as to why some employees had received two pension computations as listed on the Gabriel Roeder Smith invoice. It was suggested that an employee should be responsible for any charges connected to a request for a pension estimate outside of the request filed at their time of retirement. It was also suggested the Board revisit the idea of getting an annual report from GRS that projects these figures.

The Board requested staff notify them when we are close to reaching the 5 allotted studies for the year.

**OLD BUSINESS:**

**MERRILL LYNCH STATUS REPORT**

Merrill Lynch Consultant Vanerian reported there was no news on this front.

She introduced Merrill Lynch Senior Vice President and Resident Director Lewis Walterhouse to the Board. Mr. Walterhouse was present simply to observe.

**NEW BUSINESS:**

**APPLICATION FOR RETIREMENT – WILLIAM WEST**

Motion by Vice Chairperson Kukulis to accept the application for retirement for William West.

Supported by Trustee McCloskey and concurred in by unanimous vote.

**2010 SUMMARY ANNUAL REPORT AND LIST OF EXPENSES PAID BY SOFT DOLLARS REPORT**

Motion by Vice Chairperson Kukulis to accept the 2010 Summary Annual Report and List of Expenses Paid by Soft Dollars Report as follows:

**CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM**

2010 Summary Annual Report and 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 2010.

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

**BOARD OF TRUSTEES:**

Michael Erfourth  
Benjamin Frederick  
Wilfred Farrell  
Frances Kukulis  
Michael McCloskey  
Mark Mitchell  
James Treadway

**INVESTMENT MANAGERS:**

Aletheia  
Alliance Bernstein  
Atlanta Capital  
Franklin Templeton  
M D Sass  
Wentworth Hauser & Violich

As reported in the actuarial valuation for the annual period ending December 31, 2010 the Retirement System's valuation assets were \$31,529,473 and its actuarial accrued liabilities were \$31,251,375, which produced a funded ratio of 100.9.

For the annual period ending December 31, 2010 the Retirement System's investment performance on a mark to market basis (net of manager fees and transaction costs) was 14.2%. On December 31, 2010 the market value of the assets was \$30,471,279.

For the annual period ending December 31, 2010 the Retirement System's non-soft dollar expenses were \$164,903 and benefit payments and member refunds were \$1,684,810. Expenses paid by carried over soft dollars totaled \$17,872.29. Employer contributions required for the year covered by the report total \$550,684.

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

**ALETHEIA UPDATE**

Investment Consultant Vanerian acknowledged the disappointment of some members of the Board regarding her handling of information from the meeting Merrill Lynch had with Aletheia earlier this summer. Ms. Vanerian indicated that she was restricted to verbal comments only and was not authorized to issue her own written communication but was required to wait for the official communication from Merrill Lynch. As she felt time was of the essence she relayed comments from the meeting verbally in attempt to keep the Board informed.

She went on to say that Merrill Lynch's opinion of Aletheia had not changed. They continue to believe Aletheia will deliver results. The original concern with Aletheia was administrative in nature Merrill Lynch and the SEC will continue to monitor their operations to ensure everything is being handled properly.

There was discussion regarding whether any large sums of money had been pulled from the account by other investors, why Merrill Lynch continues to advise against hiring Aletheia to new investors, and whether they are still landing new clients from other areas. The Board indicated they would like to continue to monitor the situation until the end of the 4<sup>th</sup> quarter before making any decisions. Ms. Vanerian indicated she would relay any significant information to the Board immediately.

**INVESTMENT CONSULTANT REPORT – 2<sup>nd</sup> QUARTER 2011**

Merrill Lynch Consultant Vanerian indicated the global economy continues to be challenged by issues within the Euro Zone and deficits in Europe and the U.S. are causing global concern. Growth in the U.S. has proven to be very slow though global growth appears ok. There has been significant volatility in the market since the end of the second quarter but she believes this is just a market correction. She predicted equities as well as corporate earnings will finish the year strong.

Trustee Frederick leaves at 8:27 a.m.

Ms. Vanerian presented an overview of the following:

***Total Portfolio Performance Summary for Period Ending 06/30/2011***

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 12/91-06/11
Beginning Market Value	31,212		16,702
Net Contributions	-471		-16,412
Investment Earnings	7		30,458
<b>Ending Market Value</b>	<b>30,748</b>		<b>30,748</b>

**CITIZENS COMMENT:**

There were no citizen comments.

Ms. Vanerian invited the Board members to dinner at the MAPERS Conference.

She went on to indicate that Franklin has been able to dispose of, to date, approximately ½ of the former Fifth Third securities they have as a part of our portfolio.

She also noted that they discovered Russell owes the System approximately \$3,500 in commissions which should be wired in September.

The Board expressed interest in inviting MD Sass to present for the October or December meeting. Ms. Vanerian will approach them and report back to Amy.

**NEXT BOARD MEETING:**

The next board meeting is scheduled for October 20, 2011 at 7:15am

**ADJOURNMENT:**

The meeting was adjourned at 8:46 a.m.

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Amy K. Kirkland, City Clerk