

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

FEBRUARY 16, 2012

7:15 AM

CALL MEETING TO ORDER:

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

ROLL CALL:

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

ABSENT: Trustee Thomas Cook.

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 Erfourth to approve the Agenda as presented.

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

APPROVE MINUTES OF DECEMBER 15, 2011 REGULAR MEETING:

Motion by Trustee Mitchell to accept the minutes of the December 15, 2012 Regular Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizens comments.

CONSENT AGENDA:

Motion by Vice Chairperson Kukulis to approve the consent agenda as follows:

1. Approve Pension Check Reports:

a. December 2011	\$ 156,440.10
b. January 2012	\$ 156,517.82

2. Approve Statements:

a. Aletheia
As of December 31, 2011

b. Alliance Bernstein
As of December 31, 2011

- c. Atlanta Capital
As of December 31, 2011
- d. MD Sass
As of December 31, 2012
- e. Franklin Templeton Investments
As of December 31, 2011
- f. Russell Investments – Commission Recapture
As of December 31, 2011
- g. Wentworth, Hauser and Violich
As of December 31, 2011
- h. City of Owosso Employees Retirement Fund
November 30, 2011
- i. City of Owosso Employees Retirement Fund
December 31, 2011

3. Payment Authorizations:

a. <u>M.D. Sass</u> For period 10/01/11 through 12/31/11	\$ 9,500.52
b. <u>Franklin Templeton Investments</u> For period 10/01/11 through 12/31/11	\$ 8,895.40
c. <u>Franklin Templeton Investments – former Fifth Third equities</u> For period 10/01/11 through 12/31/11	\$ 300.00
d. <u>Merrill Lynch - AllianceBernstein</u> For period 01/01/2012 through 03/31/2012	\$ 2,443.13
e. <u>Merrill Lynch – Atlanta Capital</u> For period 01/01/2012 through 03/31/2012	\$ 5,667.47
f. <u>Merrill Lynch – Consulting Services</u> For period 01/01/11 through 12/31/11	\$ 11,850.00
g. <u>Wentworth, Hauser, and Violich</u> For period 10/01/11 through 12/31/11	\$ 3,712.00
h. <u>City of Owosso</u> 2010/2011 Audit Costs	\$ 2,200.00
i. <u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – December 2011	\$172,716.91
j. <u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – January 2012	\$158,092.88

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

COMMUNICATIONS:

- Gabriel Roeder & Smith – *NewsScan December 2011*
- Gabriel Roeder & Smith – *NewsScan January 2012*
- Hirayama Investments: *International Global Commentary, 4Q 2011*
- MD Sass – *Investment Outlook & Strategy Commentary 2012*
- Merrill Lynch – *Notice of FINRA Settlement*
- Merrill Lynch – *Market Focus, Fourth Quarter 2011*
- WHV Investment Management: *Letter announcing new firm name*

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, 2011 Q3 DVD

OLD BUSINESS:

MERRILL LYNCH STATUS REPORT

Merrill Lynch Consultant Vanerian indicated that earnings were good for the quarter and there were no changes to report.

NEW BUSINESS:

CHERRY TRANSFER TO MERS

City Treasurer Tobey indicated that he was aware of the promotion of Mr. Cherry and that a transfer of his funds to the MERS program will need to be completed. He requested the transfer proceed in the same fashion as that used for the Ray and Dame transfers. Further he indicated he would be asking the Police Department to pay half of the cost for the second search.

Motion by Trustee Erfourth granting permission to proceed with the transfer of Sergeant Eric Cherry to the MERS System using the same method as that for the Ray and Dame transfers.

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

DISCUSSION OF PROPOSED 2012-2013 BUDGET

City Treasurer Tobey commented that costs due in part to the lower fees required by the new auditing firm. He went on to say that they are also budgeting money for one money manager study (this is in addition to the single study covered by Merrill Lynch each calendar year).

There was discussion regarding adding a small cushion to the actuary fee to account for the extra studies that are anticipated with number of employees reaching retirement age. Mr. Tobey noted that he was trying to estimate pension amounts for those employees that are simply inquiring with no serious thought of retirement in the coming year.

Motion by Vice Chairperson Kukulis to approve the 2012-2013 Retirement Board budget as follows:

**Proposed
Retirement Board
2012-2013 Budget**

Checks, etc.	300
Audit	2,500
Actuary Fee	22,000

Conference Exp.	2,000
Counseling Fee	37,000
Total	\$63,800

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

ALETHEIA UPDATE

Merrill Lynch Consultant Vanerian indicated there was no news to report since the previous meeting. The Pensions & Investments article that came out in December was based on older information that was reported to the Board earlier as it was actually taking place. She noted that the firm had been given a clean bill of health by Merrill Lynch’s due diligence department and they had removed them from their watch list. Since that time they have increased their assets under management.

At the request of the Board Ms. Vanerian agreed to inform the Board immediately of any firms Merrill Lynch places on their watch list.

ALLIANCE BERNSTEIN TRANSITION

The Board was in receipt of a letter from Merrill Lynch indicating Alliance Bernstein would be removed from their platform and all clients employing the firm would need to agree to shift all associated funds to JP Morgan or make arrangements for the transfer to another firm by March 23rd. There was some question as to why Merrill Lynch had recommended JP Morgan as opposed to other funds in the universe. Merrill Lynch Consultant Vanerian suggested that the Board consider moving the funds in question to an EAFE Value Benchmark iShare in line with past practice.

There was discussion whether to move out of this investment class entirely because of unstable global markets. It was noted that the City’s exposure is appropriate for the risk, though a review of the asset allocation may be in order.

Motion by Trustee Erfourth to move the funds allotted to Alliance Bernstein to an EAFE Value Benchmark iShare.

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

INTERNATIONAL EQUITIES MANAGER SEARCH

Merrill Lynch Consultant Vanerian explained the manager search process as well as the difference between deep value managers and relative value managers (with deep firms holding strictly value stocks and relative firms holding some growth stocks in addition to value stocks).

She went on to detail the 8 firms included in the study: Del Ray, Invesco, JP Morgan, Lazard, NFJ, North Road, Philadelphia and Schafer Cullen. The Board asked for 7 year numbers for each of the firms.

The Board set a special meeting for February 22, 2012 at 7:15 am to discuss the money manager search in greater detail and to acclimate the Boards’ newest member.

On a separate note, Ms. Vanerian noted that Franklin Templeton had handled the MF Global situation well considering the company failed so quickly.

INVESTMENT CONSULTANT REPORT – 4th QUARTER 2011

Materials for the Investment Consultant Report were distributed to the Board. Information contained in the report will be detailed during the April meeting to allow the Board members time to examine it.

Total Portfolio Performance Summary for Period Ending 12/31/2011

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 12/91-06/09
Beginning Market Value	27,118		16,702
Net Contributions	-599		-7,086
Investment Earnings	-1,713		28,616
	-----		-----
Ending Market Value	28,232		28,232

CITIZENS COMMENT:

There were no citizen comments.

NEXT BOARD MEETING:

A special meeting is scheduled for March 22, 2012 at 7:15 a.m.

The next regular board meeting is scheduled for April 19, 2012 at 7:15am

ADJOURNMENT:

Motion by Vice Chairperson Kukulis for adjournment at 9:01 a.m.

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

Amy K. Kirkland, City Clerk