

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

**FEBRUARY 24, 2016**

**7:15 AM**

**CALL MEETING TO ORDER:**

Chairperson Farrell called the meeting to order at 7:15 a.m.

**ROLL CALL:**

**PRESENT:** Trustees Richard Brewbaker, Burton Fox, Elaine Greenway, Paul Kleeman, Bobbi Jo Perry, Vice Chairperson Mark Sedlak, and Chairperson Wilfred Farrell.

**ABSENT:** None.

**ALSO**

**PRESENT:** City Attorney William C. Brown; City Clerk Amy K. Kirkland; City Treasurer Ronald J. Tobey.

(Graystone Consultant Michael Holycross had been previously excused by the Board due to a long-standing prior commitment.)

**APPROVE AGENDA:**

Motion by Trustee Brewbakerto approve the Agenda as presented.

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

**APPROVE MINUTES OF OCTOBER 28, 2015 REGULAR MEETING:**

Motion by Trustee Fox to accept the minutes of the October 28, 2015 Regular Meeting as presented.

Motion supported Trustee Brewbaker and concurred in by unanimous vote.

**APPROVE MINUTES OF DECEMBER 16, 2015 REGULAR MEETING:**

Motion by Trustee Fox to accept the minutes of the December 16, 2015 Regular Meeting as presented.

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

**CITIZEN COMMENTS:**

There were no citizen comments.

**CONSENT AGENDA:**

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

1. **Approve Pension Check Reports:**

a. October 2015	\$ 210,870.44
b. November 2015	\$ 208,935.80
c. December 2015	\$ 208,935.80
d. January 2016	\$ 211,166.12

2. **Approve Statements:**

- a. Atlanta Capital  
3<sup>rd</sup> Quarter 2015 Report
- b. Franklin Templeton Investments  
4<sup>th</sup> Quarter 2015 Report
- c. Loomis Sayles  
4<sup>th</sup> Quarter 2015 Report
- d. MD Sass  
4<sup>th</sup> Quarter 2015 Report
- e. NFJ-Allianz  
3<sup>rd</sup> Quarter 2015 Report
- f. NFJ-Allianz  
4<sup>th</sup> Quarter 2015 Fact Sheet
- g. Total Fund Performance – Graystone  
As of December 31, 2015
- h. City of Owosso Employees Retirement Fund  
October 31, 2015
- i. City of Owosso Employees Retirement Fund  
As of November 30, 2015
- j. City of Owosso Employees Retirement Fund  
As of December 31, 2015
- k. City of Owosso Employees Retirement Fund  
As of January 31, 2016

3. **Payment Authorizations:**

- a. Franklin Templeton Investments  
For period 10/01/15 through 12/31/15 \$ 7,061.78
- b. Franklin Templeton Investments – former Fifth Third equities  
For period 10/01/15 through 12/31/15 \$ 300.00
- c. Loomis Sayles/Natixis  
For period 01/31/16 through 03/31/16 \$ 15,336.02
- d. M.D. Sass  
For period 10/01/15 through 12/31/15 \$ 11,855.09
- e. MAPERS Membership  
For period 01/01/2016 through 12/31/2016 \$ 100.00
- f. City of Owosso – Annual Audit Fee  
For period 07/01/2014 through 06/30/2015 \$ 4,300.00
- g. Ronald J. Tobey, City Treasurer  
Report of Checks Written – October 2015 \$ 257,034.63

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|----|--|---------------|
| h. | <u>Ronald J. Tobey, City Treasurer</u><br>Report of Checks Written – November 2015 | \$ 210,071.09 |
| i. | <u>Ronald J. Tobey, City Treasurer</u><br>Report of Checks Written – December 2015 | \$ 210,071.09 |
| j. | <u>Ronald J. Tobey, City Treasurer</u><br>Report of Checks Written – January 2016  | \$ 212,089.60 |

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

**ACKNOWLEDGEMENTS:**

**Passing of Chester Borton**

Motion by Chairperson Farrell to acknowledge the passing of retiree Chester Borton on October 27, 2015.

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

**COMMUNICATIONS:**

- o Gabriel Roeder & Smith – *Revised GASB 67 & 68 Report (delivered w/ December 2015 packet)*
- o MERS – *Working in Retirement Guidelines*
- o Berthiaume & Company – *Auditors' Newsletter 2016 Annual Update*
- o Buck Consultants – *Solicitation for Actuarial Services*
- o Franklin Templeton – *Annual disclosure available by request*
- o MD Sass – *Investment Outlook, January 2016*
- o Gabriel Roeder & Smith – *NewsScan November 2, 2015*
- o Gabriel Roeder & Smith – *NewsScan November 19, 2015*
- o Gabriel Roeder & Smith – *NewsScan December 16, 2015*
- o Gabriel Roeder & Smith – *NewsScan January 11, 2016*
- o Gabriel Roeder & Smith – *NewsScan January 27, 2015*

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

- MERS: *Summary of Actuarial Assumptions & Actuarial Funding Method, December 2015*
- Institutional Investor: *November 2015*
- Institutional Investor: *December 2016/January 2016*

**OLD BUSINESS:**

**Transfer to MERS – S. Davis**

City Attorney William C. Brown expressed his continued concern with the discrepancy in the amount MERS requests for transfer as compared to the City's estimate of what should be transferred. Chairperson Farrell noted that the discrepancy was recognized years ago and despite repeated communications MERS insisted it needed much less than the City calculations. In light of this the Board's practice has been to utilize the MERS calculation when making a transfer. Trustee Kleeman indicated that in an effort to lower their contribution rate the command group had inquired whether they could sue the System to recover some of the funds that MERS did not request when individuals were transferred, but were advised it was too late to do so.

Motion by Trustee Brewbaker to authorize the transfer of \$36,758.00 to the MERS system to fund the service time for Sergeant Scott Davis.

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

**Reconsideration of Reinstatement Request – D. Munro**

City Clerk Amy K. Kirkland gave a brief review of the circumstances indicating that Mr. Munro had requested reinstatement in the summer of 2015 at which time the Board rejected his request based on the number of years that had elapsed between his employment with the City and his request for reinstatement. Mr. Munro then asked the Board to reconsider his request based on amendments to the Reciprocal Retirement Act lengthening the time between employment and a reinstatement request. The item before the Board this morning is reconsideration of the original request. Should Mr. Munro decide to move forward with the reinstatement process the Board will be asked to approve the amount of the transfer and the date of transfer, formally acknowledging his return to the System.

City Attorney Brown noted that since the Board last addressed this issue he had been asked whether Mr. Munro would be eligible for benefits at age 55 (in accordance with the union contract in effect when he left the City) or at age 60 (the age required for benefits according to the Reciprocal Retirement Act.) He went on to say that there is no case law on this subject but there is an Attorney General's opinion on the matter that sides with the Act and it was his recommendation that the Board do the same.

City Treasurer Ronald J. Tobey indicated that he had last spoken with Mr. Munro in December of 2015 and that he had said he was in the process of evaluating whether the terms of returning to the System were financially beneficial for him.

There was discussion regarding whether Mr. Munro would be required to deposit the full amount required to fund his service time with the City prior to drawing a benefit. Trustee Brewbaker indicated he was supportive of reinstating Mr. Munro to the System but he felt that his service time should be funded in full prior to drawing any benefits.

Motion by Trustee Brewbaker to acknowledge the eligibility of Dannie Munro to be reinstated to the City of Owosso Employees' Retirement System per the terms of the Reciprocal Retirement Act.

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

**NEW BUSINESS:**

**Initial Studies for MERS Transfer – P. Kleeman**

Motion by Trustee Fox to authorize the City Treasurer to request studies from MERS and Gabriel Roeder Smith to determine the transfer amount for Paul Kleeman's move to the MERS system.

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

**2016-17 Budget**

City Treasurer Tobey explained the changes in the budget from previous years, noting that new GASB rules had increased both audit costs and actuarial fees, the amount allocated for conferences remains the same, and the consulting fees were based on the figures presented in Graystone's RFP response. As a point of clarification he noted that the System pays the money manager fees while the City pays the consulting fees.

Motion by Trustee Brewbaker to approve the proposed 2016-17 Budget as follows:

**Proposed  
Retirement Board  
2016-2017 Budget**

Checks, misc.	150
Audit	4,500
Actuary Fee	36,000
Conference Exp.	4,000
Counseling Fee	79,500
<b>Total</b>	<b>\$124,150</b>

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

**Reciprocal Retirement Act Policy Update**

Motion by Trustee Perry to authorize the update to the Reciprocal Retirement Act Policy as presented and recommend the policy update to City Council for approval as follows:

**City Of Owosso, Michigan Employees Retirement System  
Reciprocal Retirement Act Policy**

**PURPOSE**

The Reciprocal Retirement Act, Public Act 88 of 1961, as amended, was enacted to provide for the preservation and continuity of retirement system service credits for public employees who transfer their employment between units of government. An eligible person may combine credited service with a preceding reciprocal retirement system with credited service acquired with a succeeding governmental unit for purposes of qualifying for an age and service retirement from either retirement system, provided the conditions of the Act are observed.

The City of Owosso has elected to come under the provisions of the Reciprocal Retirement Act and accordingly is a "reciprocal unit" in accordance with the provisions of the Act.

**POLICY**

It is the Policy of the City of Owosso to provide service credit transfers pursuant to Public Act 88 of 1961, as amended, as follows:

**I. Service Credit – City as Preceding Unit**

[Note: This Section of the Act is utilized to draw a retirement benefit from a retirement system in which an individual did not satisfy the vesting requirement of that system.]

Section 4 of the Reciprocal Retirement Act provides that if a member leaves the employ of the City and enters the employ of another governmental unit(s), he/she may receive a retirement allowance payable by the City of Owosso Employees' Retirement System ("OERS") subject to meeting the following conditions:

- a. The former member must have had at least thirty (30) months of service credit in the OERS;
- b. The former member has not withdrawn his/her employee contributions from the OERS or has re-deposited any withdrawn amounts plus interest within twenty (20) years after employment with the succeeding governmental unit;

The interest rate shall be the assumed rate of return of the OERS, compounded annually, that was in effect had the contribution and credited interest remained in the system during that period.

- c. The former member of the OERS must have been employed by a succeeding unit within twenty (20) years after leaving The City of Owosso;
- d. The former member's credited service in force with OERS plus the members credited service acquired in the employ of the succeeding governmental unit(s) equals or exceeds the minimum credited service required for age and service retirement in the OERS;
- e. The former member has attained age 60 years; and
- f. To document reciprocal service for purposes of utilizing it under the Reciprocal Retirement with The City of Owosso as the preceding reciprocal unit, the member should obtain the necessary forms from the City Treasurer. The member should provide the form to his or her succeeding governmental employer(s) to document service credit and upon completion, return the form to the City of Owosso Employees' Retirement System. The member may be required to sign a Release authorizing the Retirement Board or its representative to request and receive appropriate documentation directly from prior or subsequent employers to verify information.

An individual who satisfies the above requirements shall be eligible to receive a retirement allowance from the City of Owosso Employees' Retirement System based upon the formula, final average compensation and credited service in force with the City of Owosso Employees' Retirement System at the time of separation from service and shall be payable on the first day of the second calendar month immediately following the month in which proper written application is filed with the Retirement Board on or after the attainment of 60 years of age.

## **II. Service Credit – City as Succeeding Unit**

Section 5 of the Reciprocal Retirement Act provides that if a member of the City of Owosso Employees' Retirement System previously acquired credited service as a member of another governmental retirement system, he/she may be entitled to a retirement allowance payable by the City of Owosso Employees' Retirement System subject to meeting the following conditions:

- a. The member has 30 or more months of credited service, acquired as a member of the City of Owosso Employees' Retirement System; and
- b. The member has attained the age but not the service requirement for age and service retirement; and
- c. The member became a member of the City of Owosso Employees' Retirement System within twenty (20) years of leaving the prior governmental unit; and
- d. To document reciprocal retirement service for purposes of utilizing it under the Reciprocal Retirement Act with The City of Owosso as the succeeding reciprocal unit, the member should obtain the necessary documents from the City Treasurer. The member should provide the form to his or her preceding governmental employer(s) to document service credit and upon completion, return the form to the City of Owosso Employees' Retirement System. The member may be required to sign a Release authorizing the Retirement Board or its representative to request and receive appropriate documentation directly from prior or subsequent employers to verify information.

A member's retirement benefit shall be based only upon the service credit rendered to The City of Owosso.

### **III. Transfer of Credited Service**

The City of Owosso does not permit the transfer of credited service and/or funds under Section 38.1106 of the Act.

### **IV. General Conditions**

All crediting of service time must be approved by the Retirement Board and shall be contingent upon the City of Owosso Employees' Retirement System's receipt of all appropriate documentation.

It is the individual's responsibility to contact the other governmental units to obtain appropriate documentation in support of requests for service credit.

The City Treasurer shall be responsible for the receipt and review of the necessary documents received by interested parties and shall have the authority to verify the amount and nature of service reflected in the application and supporting documentation.

Eligible individuals may have service credited up to the time of their retirement from the City of Owosso Employees' Retirement System.

The crediting of service shall be made consistent with the current Retirement Ordinance, applicable collective bargaining agreements, Retirement System policies/procedures, and applicable laws (specifically, MCL Public Act 88 of 1961, as amended).

### **V. Health And Welfare Benefits**

The intent of the Reciprocal Retirement Act was to allow an eligible person to combine governmental service credit for purposes of qualifying for a retirement allowance from either retirement system, provided the requirements of the Act are satisfied. A "Retirement Allowance" as defined in the Act, means the annuity, pension or retirement allowance payable to a member. The Reciprocal Retirement Act is specifically limited to payment of a retirement allowance from a retirement system. Life insurance, health insurance and other similar fringe benefits are not a retirement allowance and therefore would not be covered under the Act. Accordingly, individuals who retire pursuant to said Act, prior to satisfaction of the age and service or disability requirements of the Retirement System, are not eligible for said benefits.

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

### **CITIZENS COMMENT:**

There were no citizen comments.

City Attorney Brown inquired how the Trustees felt about Mr. Holycross's performance at the money manager interviews last week, specifically how they felt about the fact that he made a direct recommendation as to which money manager he felt was the best fit for the System. There was discussion regarding the difference in consulting styles between Merrill Lynch and Graystone, the fact that Graystone will make direct recommendations while Merrill Lynch declined to make such recommendations, and getting used to a different style of consulting services. Mr. Brown ended the discussion noting his concern that the Trustees might rely too heavily on the consultant's recommendation and not perform the same level of due diligence that it has undertaken in the past when choosing a money manager.

Chairperson Farrell added that the Board may want to discuss getting representatives directly from the money management firms in future interviews.

Trustee Perry indicated she would like pricing information on the solicitation for actuarial services from Buck Consultants. Trustee Fox noted that he didn't like the idea of paying the travel costs for a firm that is trying to solicit customers.

**NEXT BOARD MEETING:**

The next board meeting is scheduled for April 27, 2016 at 7:15 a.m.

**ADJOURNMENT:**

The meeting adjourned at 7:56 a.m.

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Amy K. Kirkland, City Clerk