

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

FEBRUARY 15, 2017

7:15 AM

This meeting was rescheduled from February 22, 2017.

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:20 a.m.

ROLL CALL:

PRESENT: Trustees Richard Brewbaker, Burton Fox, Elaine Greenway, Mark Mitchell, and Chairperson Wilfred Farrell.

ABSENT: Trustee Andrew Reed and Vice Chairperson Bobbi Jo Perry.

ALSO

PRESENT: City Attorney William C. Brown; Graystone Consultant Michael Holycross; City Clerk Amy K. Kirkland; City Treasurer Andrea K. Smith.

APPROVE AGENDA:

Motion by Trustee Brewbakerto approve the agenda with the following changes:

Add to Communications

8. Amy K. Kirkland, City Clerk – *Medical Director update*
9. MERS – *Local Government Finance Reform*

Add to New Business

5. Approval of Attachment A

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

APPROVE MINUTES OF DECEMBER 14, 2016 REGULAR MEETING:

Motion by Trustee Fox to accept the minutes of the December 14, 2016 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 Trustee Greenway to approve the consent agenda as follows:

Approve Pension Check Reports:

| | |
|------------------|---------------|
| a. December 2016 | \$ 226,025.01 |
| b. January 2017 | \$ 236,630.50 |

Approve Statements:

- a. Month to Date Statements- Including Statements for Individual Accounts & Total Portfolio For Period 02/01/2017 through 02/07/2017
 - (1) Total Portfolio
 - (2) Aristotle – Large Cap Value
 - (3) Atlanta Capital – Small/Mid Cap
 - (4) Franklin Templeton Investments - Fixed Income
 - (5) Harding Loevner – International Growth
 - (6) Loomis Sayles – Large Cap Growth
 - (7) MD Sass – Large Cap Value
 - (8) Vaungard FTSE Developed Markets ETF – International Value

- b. City of Owosso Employees Retirement Fund
As of November 30, 2016

- c. City of Owosso Employees Retirement Fund
As of December 31, 2016

Payment Authorizations:

| | |
|--|---------------|
| a. <u>Franklin Templeton Investments</u> For period 10/01/16 through 12/31/16 | \$ 6,470.28 |
| b. <u>Franklin Templeton Investments</u> – former Fifth Third equities For period 10/01/16 through 12/31/16 | \$ 300.00 |
| c. <u>Loomis Sayles/Natixis</u> For period 01/01/2017 through 03/31/2017 | \$ 13,071.99 |
| d. <u>M.D. Sass</u> For period 10/01/16 through 12/31/16 | \$ 6,716.62 |
| e. <u>Morgan Stanley – Graystone Consulting</u> For period 01/01/2017 through 03/31/2017 | \$ 23,696.57 |
| Consulting Fee | \$ 15,593.63 |
| UMA Fee – Aristotle | \$ 3,984.27 |
| UMA Fee – Atlanta | \$ 2,056.42 |
| UMA Fee – Harding Loevner | \$ 2,062.35 |
| f. <u>Gabriel Roeder Smith & Company</u> Completion of December 31, 2015 GASB 67/68 Report | \$ 5,400.00 |
| g. <u>City of Owosso – Annual Audit Fee</u> For period 07/01/2015 through 06/30/2016 | \$ 2,400.00 |
| h. <u>Andrea K. Smith, City Treasurer</u> Report of Checks Written – December 2016 | \$ 226,873.87 |
| i. <u>Andrea K. Smith, City Treasurer</u> Report of Checks Written – January 2017 | \$ 237,479.40 |

Death Acknowledgements:

None.

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

COMMUNICATIONS:

1. Morgan Stanley – *Updated ADV Brochures / Disclosure of Overcharges*
2. Amy K. Kirkland, City Clerk – *General City Non-Union Representative Election Results*
3. Berthiaume & Company – *Auditors' Newsletter 2017 Annual Update*
4. Gabriel Roeder Smith: *GRS Insight, January 2017*
5. Gabriel Roeder & Smith – *NewsScan, December 2016*
6. Gabriel Roeder & Smith – *NewsScan, January 2017*
7. MD Sass – *Year End Outlook, January 2017*
8. Amy K. Kirkland, City Clerk – *Medical Director update*
9. MERS – *Local Government Finance Reform*

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. Morgan Stanley: *FYI, 1Q 2017* (The table of contents for this item is included in the packet. Please contact the Clerk's Office if you would like to view the full document.)

Consultant Holycross clarified the communication on Local Government Finance Reform saying the committee it spoke of was the result of the effort to push through health care reform last year. MAPERS wanted to let the legislature know that they shouldn't paint all pension systems with the same brush. This committee will keep an eye on the situation and MAPERS will continue to represent the System and its interests.

OLD BUSINESS:

International Value Money Manager Search

Consultant Holycross gave a brief background summary for Trustee Mitchell saying the Board had decided to terminate its relationship with NFJ back in October due to months of poor performance and place the funds in an index fund. This search is intended to find a replacement for NFJ and a complement to Harding Loevner, the System's international growth money manager.

Mr. Holycross suggested the Board look closely at Cambiar and Causeway. Both firms are fairly consistent in exceeding their peers, with Cambiar appearing slightly more consistent. He noted that Cambiar had a slightly down year last year but they have not changed their process or personnel and so continue to be a good choice.

The Board directed Graystone to invite both Cambiar and Causeway for interview at the April 26th meeting.

Chairperson Farrell inquired whether there was overlap between either of the candidates and Harding Loevner, the System's international growth manager. Consultant Holycross noted there were very few crossover equities and both companies appeared to be good complements to Harding.

Chairperson Farrell further questioned whether Graystone employed either firm with other clients. Mr. Holycross indicated that both firms were employed by other clients, with more systems going with Cambiar than Causeway.

NEW BUSINESS:

Application for Retirement – T. Hill

Motion by Trustee Mitchell to approve the application for retirement from Timothy Hill effective February 27, 2017.

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

Application for Retirement – R. Malott

Motion by Trustee Fox to approve the application for retirement from Ronald Malott effective March 17, 2017.

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

Return of Funds – A. Bozoian

City Treasurer Andrea K. Smith reported that Mr. Andrew Bozoian worked for the city of Owosso Fire Department from May 17, 2016, until July 5, 2016. Mr. Bozoian failed to respond to repeated requests to authorize a refund or rollover of his funds. His service time does not qualify him for a city of Owosso pension, nor is it sufficient to use toward the Reciprocal Act provisions. Ms. Smith requested authorization to remove said funds from the System and refund Mr. Bozoian.

Motion by Chairperson Farrell to authorize the return of funds to Andrew Bozoian via certified mail.

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

2017-18 Budget

Motion by Trustee Fox to approve the proposed 2017-18 Budget as follows:

| Proposed Retirement Board 2017-2018 Budget | |
|---|------------------|
| Checks, misc. | 150 |
| Audit | 3,000 |
| Actuary Fee | 53,400 |
| Conference Exp. | 4,000 |
| <u>Counseling Fee</u> | <u>100,500</u> |
| Total | \$161,050 |

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

Approval of Attachment A

Motion by Trustee Fox to approve Attachment A, Procedure for Electing Trustees to the Employees' Retirement System Board of Trustees, as follows:

ATTACHMENT A

PROCEDURE FOR ELECTING TRUSTEES TO THE EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES

As required by City Code Section 2-403 (b), trustee elections are held each year in May as follows:

- The City Clerk notifies the appropriate current members (i.e. Police members for Police Representative) of the System in April of each year of the vacancy and the availability of nominating petitions.
- Nominating petitions are signed by 33% of employees, but not more than ten (10), who are appropriate current members of the System and filed with the City Clerk.
- Upon receipt of the nominating petitions by the City Clerk, an election is scheduled during the month of May.
- Ballots are distributed to all appropriate current members of the System. Ballots are confidential and every effort should be made to maintain ballot secrecy. Voted ballots shall be sealed in a signed envelope and placed in a locked ballot box provided by the City Clerk's office.
- At the close of the voting period, the ballots will be removed from the locked ballot box by the City Clerk in the presence of two (2) other current members of the System. The three (3) persons act as the counting board for the election.
- The candidate who receives the highest number of votes is awarded the Trustee position.
- If there should be no nominating petitions submitted to the City Clerk by an appropriate current member a retirant shall be sought to fill the vacancy.
- The City Clerk notifies the appropriate retiree members of the System (i.e. Police retirants for Police Representative) of the vacancy and the availability of nominating petitions.
- Nominating petitions submitted by retirees are filed with the City Clerk and need no additional signatures to qualify for the ballot.
- Upon receipt of the nominating petitions by the City Clerk, an election is scheduled within 15 days.
- Ballots are distributed to all appropriate current members and appropriate retirees of the System. Ballots are confidential and every effort should be made to maintain ballot secrecy. Voted ballots shall be sealed in a signed envelope and placed in a locked ballot box provided by the City Clerk's office, or in the case of retirants mailed via first class mail to the Clerk's Office and placed in said locked ballot box.
- At the close of the voting period, the ballots will be removed from the locked ballot box by the City Clerk in the presence of two (2) other current members of the System. The three (3) persons act as the counting board for the election.
- The candidate who receives the highest number of votes is awarded the Trustee position.
- If there should be no nominating petitions submitted to the City Clerk by an appropriate retirant the Board of Trustees shall fill the vacancy by appointment, subject to a majority vote of the Board.

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

INVESTMENT CONSULTANT REPORT:

Graystone Fourth Quarter 2016 Executive Summary Report

Consultant Holycross highlighted the slides distributed to the Board saying the market was experiencing the second longest bull market in 80 years with U.S. markets up 4% so far this year. He said he felt there would be a slight pull-back in the market this year though the trend line for global economic indicators are headed up over-all. He said he expected the S&P to set another record high this year and he believes stocks are not over-valued even though the Dow is over 20,000. All that being said he said the Board needs to keep in mind that we are at a late point in the cycle and need to watch for transition signs. He then highlighted performance statistics for each manager. No changes to the portfolio are recommended at this time though he suggested the Board be open to looking at adding TIPS as an asset class, increasing the SMID cap exposure, and making changes to Franklin to lessen the drag on the over-all portfolio during the April meeting.

Chairperson Farrell inquired about Franklin Templeton's anticipated performance for 2017. Consultant Holycross noted that while Franklin is a very safe investment the Board may want to shorten the duration of the portfolio and diversify in an effort to mitigate the current downward pull of bonds.

Total Portfolio Performance Summary for Period Ending 12/31/2016

| | QUARTER TO DATE | YEAR TO DATE | CUMULATIVE 05/15-12/16 |
|--------------------------------------|----------------------------|-------------------------|-----------------------------------|
| BEGINNING TOTAL VALUE | 32,137,350 | 31,957,905 | 31,927,905 |
| NET CONTRIBUTIONS/WITHDRAWALS | -576,495 | -2,022,649 | -2,022,649 |
| INVESTMENT EARNINGS | 76,676 | 1,702,276 | 1,702,276 |
| ENDING TOTAL VALUE | 31,637,531 | 31,637,531 | 31,637,531 |

CITIZENS COMMENT:

There were no citizen comments.

Chairperson Farrell indicated he had received a phone call from a citizen asking when the minutes on the website would be updated. City Clerk Kirkland noted she had just recently done so.

Chairperson Farrell inquired whether the Board should look at reducing the expected rate of return. Consultant Holycross indicated that the System is already ahead of the game having reduced the expected rate of return from 7.5% to 7.25% three years ago. He did not recommend further changes to the rate and reminded Board members that they needed to view the expected rate of return over the long-term and not make changes based on current market conditions.

NEXT BOARD MEETING:

The next board meeting is scheduled for April 27, 2016 at 7:15am

ADJOURNMENT:

The meeting adjourned at 8:32 a.m.

Amy K. Kirkland, City Clerk