

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

AUGUST 23, 2017

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:30 a.m.

ROLL CALL:

PRESENT: Trustees Burton Fox, Elaine Greenway, Douglas Morrice, Andrew Reed, Vice Chairperson Mark Mitchell, and Chairperson Wilfred Farrell.

ABSENT: Trustee Richard Brewbaker.

ALSO

PRESENT: City Attorney William C. Brown, Graystone Consultant Brian Brice, Graystone Financial Advisor Associate Erik Burger, and City Clerk Amy K. Kirkland.

APPROVE AGENDA:

Motion by Trustee Foxt to approve the Agenda with the following correction to Consent Agenda item 3e:

e. <u>Morgan Stanley – Graystone Consulting</u>		
For period 07/01/2017 through 09/30/2017		\$ 27,900.75
Consulting Fee & UMA Fees	\$ 18,850.01	
Fees collected for Managers		
Aristotle	\$ 3,513.77	
Atlanta	\$ 1,899.93	
Causeway	\$ 1,584.95	
Harding Loevner	\$ 2,052.09	

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

APPROVE MINUTES OF JUNE 28, 2017 REGULAR MEETING:

Motion by Trustee Greenway to accept the minutes of the June 28, 2017 Regular Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizen comments.

CONSENT AGENDA:

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

1. **Approve Pension Check Reports:**

a. June 2017	\$ 242,110.90
b. July 2017	\$ 238,254.50

2. **Approve Statements:**

a. Quarter to Date Statements- Including Statements for Individual Accounts & Total Portfolio For Period 07/01/2017 through 08/15/2017

- (1) Total Portfolio
- (2) Aristotle – Large Cap Value
- (3) Atlanta Capital – Small/Mid Cap
- (4) Causeway – International Value
- (5) Franklin Templeton Investments - Fixed Income
- (6) Harding Loevner – International Growth
- (7) Loomis Sayles – Large Cap Growth
- (8) MD Sass – Large Cap Value
- (9) JP Morgan -Fixed Income / Emerging Markets ETF – Emerging Markets

b. City of Owosso Employees Retirement Fund
As of June 30, 2017

c. City of Owosso Employees Retirement Fund
As of July 31, 2017

3. **Payment Authorizations:**

a. Franklin Templeton Investments
For period 04/01/17 through 06/30/17 \$ 5,851.23

b. Franklin Templeton Investments – former Fifth Third equities
For period 04/01/17 through 06/30/17 \$ 300.00

c. Loomis Sayles/Natixis
For period 07/01/2017 through 09/30/2017 \$ 14,788.44

d. M.D. Sass
For period 04/01/17 through 06/30/17 \$ 5,478.10

e. Morgan Stanley – Graystone Consulting
For period 07/01/2017 through 09/30/2017 \$ 27,900.75

Consulting Fee & UMA Fees \$ 18,850.01

Fees collected for Managers

Aristotle \$ 3,513.77

Atlanta \$ 1,899.93

Causeway \$ 1,584.95

Harding Loevner \$ 2,052.09

f. Katharine R. Fagan, City Treasurer
Report of Checks Written – June 2017 \$ 27,636.10
(less pension payments)

g. Katherine R. Fagan, City Treasurer
Report of Checks Written – July 2017 \$ 28,033.93
(less pension payments)

4. **Death Acknowledgements**

None.

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

COMMUNICATIONS:

- Morgan Stanley – *Financial Advisor Information Update*
- Gabriel Roeder & Smith – *NewsScan June 2017*
- Gabriel Roeder & Smith – *NewsScan July 2017*
- 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:

- Morgan Stanley - *FYI, 3Q 2017*
- Institutional Investor – *July/August 2017*
- Pensions & Investments – *July 10, 2017*
- Pensions & Investments – *July 24, 2017*
- Pensions & Investments – *August 7, 2017*

OLD BUSINESS:

None.

NEW BUSINESS:

MAPERS 2017 Fall Conference

Motion by Chairperson Farrell to approve sending two people to the 2017 MAPERS Fall Conference.

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

Mr. Burger distributed an invitation to a symposium and dinner and at the conference.

INVESTMENT CONSULTANT REPORT:

Providing commentary on the 2nd quarter of 2017 Mr. Brice indicated that international markets have performed well over the course of the year. They continue to stimulate their economies, and he feels they will continue to do so for the rest of the year where the US market is slowing down a bit due to a lack of stimulation. He said bonds are growing very slowly at 1.4% and energy and telecom have declined in 2017, all other sectors are up. Investors are looking for investments with a bit more risk, safe investments are not that attractive and it appears that people are confident enough to make riskier investments. Markets continue to hit new highs and it seems that the improvement is stretched over the entire marketplace not only in certain asset classes. He concluded by saying he feels that double digit growth is likely for the rest of the year.

Mr. Burger then provided the Board with a snapshot of the portfolio's performance in the 2nd quarter noting that the portfolio was still overweight in equities and underweight in bonds. He said this stance had served the System well with the portfolio up 9.95% for the year and 14.96% over the last twelve months. He then went on to note the performance of each manager for the quarter.

Total Portfolio Performance Summary for Period Ending 06/30/2017

Source of Funds Thousands of Dollars	Quarter	Year to Date	1 Year
Beginning Market Value	32,535	31,638	30,911
Net Contributions	-667	-1,417	-2,095
Investment Earnings	1,449	3,097	4,500
Ending Market Value	33,317	33,317	33,317

Chairperson Farrell inquired whether the Board should move more money, or all of the money, from the Franklin account to JP Morgan. Mr. Brice indicated they are keeping an eye on the situation but he would advise against moving all the money out of the Franklin account as the remaining "securities in kind" would create a significant loss if they were liquidated, though he didn't rule out making changes to the account in the future.

Changing gears Consultant Brice distributed a handout detailing David Sowerby's departure from Loomis Sayles. He said that while he was not the portfolio manager whenever someone leaves a firm an analysis must be undertaken to determine how the departure affects the process. With Mr. Sowerby's departure he said he did not expect much of an impact on day to day operations at the firm and there was no reason to make any changes related to his departure.

Asset Allocation Assessment (this item was added to the agenda)

Consultant Brice indicated that each year Morgan Stanley issues a report on how they believe each asset class will perform during the year. The firm then uses this report to make recommendations to their clients for the coming year.

The assessment for 2017 indicates that it will get more difficult to obtain the 7.25% target rate of return in the coming months. In light of this Mr. Brice will be recommending changes to the portfolio and changes to the investment policy that will allow the portfolio changes. Suggested changes would include the addition of more international equities, more exposure to emerging markets, and the introduction of a new asset class: Master Limited Partnerships. Mr. Brice indicated he would educate the Board on MLPs and propose investment policy changes at the next meeting.

Changing subjects Mr. Brice noted that he needed the Board's formal permission for the System's actuary to share information with the Brice Group.

Motion by Chairperson Farrell to allow Gabriel Roeder Smith to share information regarding the City of Owosso Employees' Retirement System with the Brice Group.

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

CITIZENS COMMENT:

There were no citizen comments.

Misters Brice and Burger were excused from the meeting to allow the Board to freely discuss their performance to date. During the ensuing discussion Board members and staff indicated they saw no cause for concern thus far. There was discussion regarding whether the Board should meet with the System's former consultant Michael Holycross and the uncertainty brought about by changes outside of the Board's control. Chairperson Farrell indicated there was no need to make any decisions at the current time.

NEXT BOARD MEETING:

The next board meeting is scheduled for October 25, 2017 at 7:15am

ADJOURNMENT:

The meeting was adjourned at 8:52 a.m.

Amy K. Kirkland, City Clerk