

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD
OWOSSO CITY HALL COUNCIL CHAMBER**

FEBRUARY 19, 2015

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:22 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; Merrill Lynch Consultant Marie Vanerian; and Merrill Lynch Advisor Shaunt Vanerian.

APPROVE AGENDA:

Motion by Vice Chairperson Sedlak to approve the Agenda as presented.

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

APPROVE MINUTES OF DECEMBER 18, 2014 REGULAR MEETING:

Motion by Trustee Fox to accept the minutes of the December 18, 2014 Regular Meeting as presented.

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

CITIZEN COMMENTS:

Heidi O'Dea, Raymond James Financial Advisor, was on hand to thank the Board for making sure local firms had the opportunity to bid on the request for investment consulting services. She went on to say that after much effort on the part of her firm, Raymond James was unwilling to accept fiduciary responsibility and as such she was withdrawing her submission.

CONSENT AGENDA:

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

Approve Pension Check Reports:

- | | |
|------------------|---------------|
| a. December 2014 | \$ 202,949.92 |
| b. January 2015 | \$ 204,720.11 |

Approve Statements:

- a. Atlanta Capital
As of December 31, 2014

- b. Franklin Templeton Investments
As of December 31, 2014
- c. Loomis Sayles
As of December 31, 2014
- d. MD Sass
As of December 2014
- e. NFJ Allianz
As of December 31, 2014
- f. WHV
As of December 31, 2014
- g. Russell Investments
As of December 31, 2014
- h. City of Owosso Employees Retirement Fund
December 31, 2014

Payment Authorizations:

a. <u>Atlanta Capital</u> For period 01/01/15 through 03/31/15	\$ 3,147.97
b. <u>Franklin Templeton Investments</u> For period 10/01/14 through 12/31/14	\$ 7,422.86
c. <u>Franklin Templeton Investments – SIK</u> For period 10/01/14 through 12/31/14	\$ 300.00
d. <u>Loomis Sayles</u> For period 01/01/15 through 03/31/15	\$ 13,155.50
e. <u>M.D. Sass</u> For period 01/01/15 through 03/31/15	\$ 12,562.20
f. <u>NFJ Allianz</u> For period 01/01/15 through 03/31/15	\$ 3,579.81
g. <u>WHV</u> For period 01/01/15 through 03/31/15	\$ 3,980.99
h. <u>Merrill Lynch – Consulting Services</u> For period 01/01/14 through 12/31/14	\$ 4,600.00
i. <u>City of Owosso</u> Annual Audit – FY 13/14	\$ 2,900.00
j. <u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – December 2014	\$ 215,884.34
k. <u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – January 2015	\$ 212,048.51

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

COMMUNICATIONS:

- Berthiaume & Company – *Auditors' Newsletter 2015 Annual Update*
- Merrill Lynch – *Market Focus, 4th Quarter 2014*
- Gabriel Roeder & Smith – *NewsScan January 9, 2015*
- Gabriel Roeder & Smith – *NewsScan January 28, 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:

- Merrill Lynch: *Comprehensive AIM Report, 2014Q3 DVD*

OLD BUSINESS:

CONSULTANT SEARCH:

Chairperson Farrell detailed the changes in the process that took place since the December meeting of the Board, saying the Board had expressed a strong desire to make sure all local firms were included in the bid process. As such, when it was discovered that a number of local firms did not receive prompt notice of the distribution of the RFP a decision was made by the Chairperson and Legal Counsel to extend the deadline for submission to February 18, 2015 at 3:00 p.m. Despite this extension no additional local firms expressed interest in submitting a bid, save Raymond James, with the local branch pulling their bid for legal reasons. In response to all of these changes the Board was being asked to consider a new timeline for the process.

Motion by Trustee Brewbaker to adopt the amended schedule as proposed, cancelling the March 5th special meeting, setting a special meeting on March 11, 2015 at 7:15 a.m. to select candidates for interview, and setting a second special meeting for March 26, 2015 at 7:15 a.m. to interview said candidates and potentially select a new investment consultant.

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

NEW BUSINESS:

APPLICATION FOR RETIREMENT – C. KRIESEL

Motion by Trustee Brewbaker to approve the application for retirement from Cynthia Kriesel, effective April 6, 2015.

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

APPLICATION FOR RETIREMENT – D. STANHOPE

Motion by Trustee Fox to approve the application for retirement from Douglas Stanhope, effective January 15, 2015, with pension to begin February 14, 2015.

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

2015-16 BUDGET

City Treasurer Ronald Tobey presented the proposed budget to the Board, highlighting two major changes: an increase in the audit costs due to changes in GASB regulations and undefined investment consultant fees which will be determined with the hire of a new consultant. In regard to the consulting fees he indicated that he plugged in the amount of the highest proposed fee from the consulting RFP responses received to date, with the thought that the amount would be easier to adjust down rather than

up. He went on to note that the City reimburses the System for the consulting fees and as such has the final say over the amount included in the budget, though he suggested the Board might want to consider sharing the cost of consulting fees if they feel it necessary.

Chairperson Farrell indicated he approved leaving the conference expenses budgeted at \$4,000 to allow members to attend educational events.

Motion by Vice Chairperson Sedlak to approve the proposed 2015-16 Retirement Board Budget as follows:

Proposed Retirement Board 2015-2016 Budget	
Checks, misc.	150
Audit	2,900
Actuary Fee	24,000
Conference Exp.	4,000
Counseling Fee	<u>238,000</u>
Total	\$269,050

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

INVESTMENT CONSULTANT REPORT:

FOURTH QUARTER 2014 EXECUTIVE SUMMARY REPORT

Ms. Vanerian noted that the bull market will continue and more progress will be made before it burns out. She briefly detailed the 4th quarter report then went on to give her predictions for 2015. She indicated she felt deflation will be a concern worldwide this year, US GDP will grow to 3%, interest rates will gradually increase which could pull on equity markets after about 6-9 months, international issues will continue to affect the market, and oil prices will increase during the year. She went on to say that in 2014 the portfolio made \$2 million with \$1.7 million in distributions.

She went on to present an overview of the following:

Total Portfolio Performance Summary for Period Ending 12/31/2014

Source of Funds Thousands of Dollars	Quarter	Cumulative 12/94-12/14
Beginning Market Value	33,392	18,080
Net Contributions	-464	-20,919
Investment Earnings	713	36,480
Ending Market Value	33,641	33,641

At the conclusion of her report there was discussion as to the level of Ms. Vanerian's involvement with the consulting search. She indicated she would be willing to be present for any meetings or discussions the Board desires, though she felt that her presence during the interviews may be distracting for the candidates. The Board indicated they desired her presence at both March special meetings.

There was also discussion regarding the direction of the investment consulting industry, Ms. Vanerian's recommendation the Board move away from bundling their consulting and custody services, the fact that PA 314 does not require a system to employ a consultant, the complexities of the consulting services

search, and Ms. Vanerian's recommendation the Board hire a consultant prior to searching for a new custodian as the new consultant may be able to negotiate custody fees on behalf of the System.

CITIZENS COMMENT:

There were no citizen comments.

NEXT BOARD MEETING:

Special – March 11, 2015; 7:15 a.m. – selection of candidates for interview

Special – March 26, 2015; 7:15 a.m. - interviews

Regular – April 16, 2015; 7:15 a.m.

ADJOURNMENT:

The meeting adjourned at 8:32 a.m.

Amy K. Kirkland, City Clerk