

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

DECEMBER 13, 2017

7:15 AM

CALL MEETING TO ORDER:

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

ROLL CALL:

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

ABSENT: Trustee Elaine Greenway.

ALSO

PRESENT: Graystone Consultant Timothy Brice; City Attorney William C. Brown; Graystone Analyst Erik Burger; City Treasurer Katherine R. Fagan; and City Clerk Amy K. Kirkland.

APPROVE AGENDA:

Motion by Trustee Fox to approve the Agenda as presented.

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

APPROVE MINUTES OF OCTOBER 25, 2017 REGULAR MEETING:

Motion by Vice Chairperson Mitchell to accept the minutes of the October 25, 2017 Regular Meeting as presented.

Motion supported by Trustee Fox 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. October 2017 | \$ 238,254.51 |
| b. November 2017 | \$ 237,797.70 |

2. **Approve Statements:**

- a. Quarter to Date Statement
For Period 10/01/2017 through 12/04/2017

(1) Total Portfolio
- b. City of Owosso Employees Retirement Fund
As of October 31, 2017
- c. City of Owosso Employees Retirement Fund
As of November 30, 2017

3. **Payment Authorizations:**

- a. Loomis Sayles/Natixis
For period 10/01/2017 through 12/31/2017 \$ 15,169.550
- b. MAPERS
2018 Membership Fee \$ 100.00
- c. Katharine R. Fagan, City Treasurer
Report of Checks Written – October 2017 \$ 53,092.80
(less pension payments)

4. **Death Acknowledgements:**

None.

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

COMMUNICATIONS:

- 1. VanOverbeke, Michaud & Timmony, P.C. – *Proposed pension legislation*
- 2. M.D. Sass – *Retirement announcement: Hugh Lamle, President*
- 3. Natixis Investment Managers – *Name change announcement*
- 4. Milliman Pension Plan Services – *Solicitation for service*
- 5. Morgan Stanley – *On the Markets, November 2017*
- 6. Gabriel Roeder & Smith – *NewsScan October 2017*
- 7. Gabriel Roeder & Smith – *NewsScan November 2017*
- 8. Gabriel Roeder Smith - *GRS Insight, October 2017*
- 9. Gabriel Roeder Smith - *Research Memorandum, November 29, 2017*

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

- 10. Institutional Investor: *October 2017*
- 11. Institutional Investor: *November 2017*
- 12. Pensions & Investments: *October 16, 2017*
- 13. Pensions & Investments: *October 30, 2017*
- 14. Pensions & Investments: *November 13, 2017*
- 15. Pensions & Investments: *November 27, 2017*

Chairperson inquired about the proposed pension legislation. Consultant Timothy Brice noted that it is rapidly changing, but it appears that the Legislature desires pension legislation similar to the emergency

manager law. He said he would be happy to forward any MAPERS emails related to proposed legislation on to the Board if desired.

OLD BUSINESS:

Medical Director Search

Chairperson Farrell indicated he had made contact with the hospital once again and received the names of two potential candidates (Drs. Bustamante and Patsy). He said he would reach out to both of them in the coming weeks and report back to the Board in February.

Master Limited Partnership Recommendations

Mr. Brice introduced the discussion by detailing the reasons why Morgan Stanley was suggesting MLPs to their clients saying that the global economy has started to pick up as well as oil prices, setting a good scene for MLPs. Morgan Stanley predicts expected returns for the asset class in the 11% range over the course of the next 10 years.

Mr. Brice went on to note some of the qualities of MLPs: index funds for this class are more expensive than those from active managers, current MLP valuations in this class are more attractive than other parts of the market, and MLPs are very liquid with less expensive fee structures than other investments.

Mr. Brice suggested the Board consider interviewing some managers to learn more about them and see if they would be comfortable utilizing MLPs as an investment. Of the firms recommended by Morgan Stanley he recommended interviewing Salient and Cushing. He further suggested the Board look to move 2.5% to 5% of the portfolio to this asset class, possibly phasing in the investment over a period of time.

Chairperson Farrell noted that two of the recommended managers on the list have only a five year track record. Mr. Brice indicated that the firms had been trading in MLPs much longer than five years, it was simply not in a package for investors like the Board but tailored more toward high net-worth individuals.

The Board decided to interview Cushing and Salient with interviews scheduled for the February 2018 meeting.

NEW BUSINESS:

Asset Allocation Update - Timothy Brice and Erik Burger, Graystone

Mr. Burger detailed the System portfolio noting that it was overweight in domestic and international equities and at the lower threshold in fixed income. He said the 4th quarter was proving to be another strong quarter so far. Year to date performance is 18.63%, with the index at 15.23%.

Mr. Brice noted that an overall portfolio review would be presented at the February 2018 meeting. He said he had no concerns with any of the managers currently.

Chairperson inquired about the retirement of Hugh Lamle and the affect it may have on MD Sass. Mr. Brice noted that Mr. Lamle's departure was a retirement, meaning there had been some succession planning. Due diligence has proven the firm is maintaining well since the departure.

Consultant Performance Review. (This item was moved to follow the Investment Consultant Report.)

INVESTMENT CONSULTANT REPORT:

Portfolio Performance Update (This item was combined with the Asset Allocation Update.)

Misters Brice and Burger were excused from the meeting with thanks and wishes for a Merry Christmas.

Consultant Performance Review (as scheduled during the June 28, 2017 meeting)

Chairperson Farrell made note of the emails from Michael Holycross that were distributed to the board in hard copy form. He went on to say that he had become aware of further questions regarding some of Mr. Holycross's former portfolios. That being said he acknowledged that he didn't think the Board would ever get an answer as to what really happened. The Brice Group has expressed an interest in continuing their service to the Board, but he was open to entertaining all options.

Board members expressed the following in their discussion: there is great communication with the Brice Group; Mr. Holycross's emails were viewed as bad-mouthing the competition; maintaining the current arrangement as long as the Board is pleased with the service; and the fact that the Brice Group tried to participate in the RFP process but was blocked by the Holycross Group. City Attorney Brown suggested that he would need clear and convincing evidence that a consulting change was warranted before he would consider making a change. Board members expressed the fact they were comfortable with the current arrangement. Staff members expressed no concerns other than with fees.

With regard to consulting fees Chairperson Farrell said he would like staff to look into the cause of the tremendous increase in fees and report back at the next meeting. He noted that an increase in fees had been anticipated but not that much.

CITIZENS COMMENT:

There were no citizen comments.

Chairperson Farrell wished everyone a merry Christmas and a happy New Year.

NEXT BOARD MEETING:

The next board meeting is scheduled for February 28, 2018 at 7:15am

ADJOURNMENT:

The meeting was adjourned at 8:27 a.m.

Amy K. Kirkland, City Clerk