

**CITY OF OWOSSO
EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES
VIRTUAL REGULAR MEETING**

APRIL 22, 2020

7:15 AM

CALL TO ORDER:

Chairperson Farrell called the meeting to order at 7:17 a.m. then made the following announcement:

Due to the Governor's orders on social distancing and EO 2020-15 this meeting is being held as a virtual meeting. Opportunity will be provided for citizen comment. Those wishing to comment need to indicate they would like to comment by typing "Comment" along with their name in the chat dialogue and those joining via telephone may raise their hand by typing "*9" on their phone. Anyone wishing to comment must indicate so by 7:25 a.m.

ROLL CALL:

PRESENT: Trustees Richard Brewbaker, Jerome Haber, Douglas Morrice, Vice Chairperson Mark Mitchell, and Chairperson Wilfred Farrell.

ABSENT: Trustee Susan Osika.

ALSO

PRESENT: Gabriel Roeder Smith Consultant Kenneth Alberts; Graystone Consultant Brian Brice; Graystone Analyst Erik Burger; City Treasurer Katherine R. Fagan; Gabriel Roeder Smith Consultant Laura Frankowiak; City Attorney Scott J. Gould; City Manager Nathan R. Henne; and City Clerk Amy K. Kirkland.

Chairperson Farrell asked, for the sake of clarity during this virtual meeting, that Trustees please state their last name when making a motion or support.

APPROVE AGENDA:

Motion by Vice Chairperson Mitchell to approve the Agenda with the following change:

Move the Actuarial Report before the first session of Citizen Comments

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

APPROVE MINUTES OF FEBRUARY 26, 2020 REGULAR MEETING:

Motion by Vice Chairperson Mitchell to accept the minutes of the February 27, 2019 Regular Meeting with the following changes:

Remove Trustee Reed from the Roll Call and correct the typo in the item to approve the agenda.

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

CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM 75TH ANNUAL ACTUARIAL VALUATION

Kenneth G. Alberts and Laura Frankowiak of Gabriel Roeder Smith & Company were in attendance to present the 75th Annual Actuarial Valuation. Mr. Alberts noted that with the pending transfer to MERS the main results of importance in the valuation will be for the GASB reports. Again, due to the pending transfer to MERS, they felt that the experience study the system was due for was not necessary in its full form. They reviewed all of the assumptions and discovered the mortality table needed to be updated. All calculations were made using the most recent public table, and is similar to the table MERS will be using.

There was a small amount of gain as there were more deaths than anticipated, but this was outweighed by an increase in liabilities thanks to the new mortality table. Liabilities increased by \$1.2 million, and unfunded liabilities went up by approximately \$800,000. The portfolio recognized a 9.22% return for 2019 while the overall funding level went down slightly to 83.4%, again thanks to the new mortality table.

Mr. Alberts went on to note that while the report shows a suggested contribution the Board would be better served by going with the contribution suggested by MERS since the contribution is for the next year. If MERS does not suggest a number he recommended increasing the contribution over the one suggested in the report to make up for recent market losses.

Chairperson Farrell thanked Mr. Alberts and Ms. Frankowiak for their service to the Board over the years, saying it has been a good run.

Motion by Trustee Brewbaker to accept the 2019 Annual Actuarial Report as presented.

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

Moving on to Citizen Comments, Chairperson Farrell once again announced that those wishing to comment need to indicate they would like to comment by typing "Comment" along with their name in the chat dialogue and those joining via telephone may raise their hand by typing "*9" on their phone. Anyone wishing to comment needs to have indicated so by 7:25 a.m.

CITIZEN COMMENTS:

There were no citizen comments.

CONSENT AGENDA:

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

1. Approve Pension Check Reports:

a. February 2020	\$ 220,498.58
b. March 2020	\$ 221,023.53
c. April 2020	\$ 220,498.58

2. Approve Statements:

- a. City of Owosso Employees Retirement Fund
As of February 29, 2020
- b. City of Owosso Employees Retirement Fund
As of March 31, 2020
- c. Quarterly Fee Analysis
Fees paid in 1Q 2020

3. **Payment Authorizations:**

- a. Franklin Templeton Investments
For period 01/01/2020 through 03/31/2020 \$ 5,926.93
- b. Franklin Templeton Investments – SIK, former Fifth Third equities
For period 01/01/2020 through 03/31/2020 \$ 300.00
- c. Loomis Sayles/Natixis
For period 04/01/2020 through 06/30/2020 \$ 6,367.57
- d. Morgan Stanley – Graystone Consulting
For period 04/01/2020 through 06/30/2020 \$ 13,464.05
 - Consulting Fee \$ 12,382.46
 - MS UMA Fee \$ 1,081.58
- e. Money Manager Fees – Auto deduction from portfolio
For period March & April 2020 \$ 6,321.79
 - Mgr Fee – Aristotle \$ 2,532.07
 - Mgr Fee – Atlanta \$ 893.71
 - Mgr Fee – Causeway \$ 1,109.70
 - Mgr Fee – Cushing \$ 576.49
 - Mgr Fee – Harding \$ 1,209.82
- f. Katherine R. Fagan, City Treasurer
Report of Checks Written – February 2020 \$ 30,894.09
(less pension checks)
- g. Katherine R. Fagan, City Treasurer
Report of Checks Written – March 2020 \$ 1,048.74
(less pension checks)

4. **Death Acknowledgements:**

None

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

COMMUNICATIONS:

The following communications were originally emailed to the Board in the month of March:

1. Graystone – *1% Move, March 2, 2020*
2. Graystone – *Market Volatility*
3. City of Owosso – *MERS Meetings*
4. Graystone – *Market Volatility-Mike Wilson Call*
5. Graystone – *March 2020 US Public Policy US Economics Brief*

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. Pensions & Investments: February 24, 2020
- b. Pensions & Investments: March 9, 2020
- c. Pensions & Investments: April 6, 2020 (digital only)

Due to technical difficulties and to provide time for their resolution Chairperson Farrell suggested that New Business be addressed prior to Old Business.

NEW BUSINESS:

Set Special Meeting

Chairperson Farrell indicated that a special meeting will be required for the Board to determine how much money should be allocated to each group in the pension system when the transfer to MERS is made, based on the latest actuarial valuation. He asked that Trustees begin thinking about what type of formula you feel would be fair.

Trustees Brewbaker asked about whether the Retirement Ordinance would remain the same after the transfer to MERS. He is concerned because various union contracts make reference to the original ordinance. City Attorney Gould reassured Trustee Brewbaker that while changes to the Retirement Ordinance would need to be made that the references will remain available.

Vice Chairperson Mitchell noted that there was still no agreement with the General City Non-union group as of today. He also encouraged the history of the Retirement Ordinance be maintained. City Manager Henne indicated that he had intended to meet with the General City Non-union group but then the pandemic took hold. He said he could organize a virtual meeting if desired. Chairperson Farrell said he and the rest of the Board would like to see that meeting held. City Manager Henne indicated he would set up the meeting.

Chairperson Farrell directed that a special meeting be scheduled for Tuesday, May 5, 2020 at 9:00 a.m. for the purpose of determining the money that will be allocated to each employee group in the pension system prior to its transfer to MERS.

Cancellation of May Election

City Clerk Kirkland explained that the System is required to hold an election for one employee member of the Board in May of each year. She went on to say that with the transfer to MERS effective as of June 1, 2020 there is really no need to hold another election as the Board will only exist for another few months at the most.

Motion by Vice Chairperson Mitchell to forego any future Retirement Board elections due to the pending transfer to MERS.

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

OLD BUSINESS:

Liquidation of Former Fifth Third Securities

Chairperson Farrell summarized the situation saying MERS does not want to accept the remaining Securities in Kind (SIK) held by Franklin Templeton. The question before the Board this morning is how to proceed from here. Graystone Consultant Brice indicated they could attempt to sell the securities again, though market conditions will make liquidity difficult and potentially costly. They would need to know how low the Board would be willing to go and what to do in the case they are truly unable to sell them. Board members individually expressed a desire to liquidate the securities at any value, given the fact that they represent a very small portion of the portfolio and no one is very eager to hold on to them until they mature (the City did indicate it would do so if absolutely necessary).

Motion by Trustee Brewbaker to liquidate the SIK at Franklin Templeton at any cost.

Motion supported by Vice Chairperson Mitchell.

Consultant Brice asked what information MERS might need from the City in order to include the value of the securities in the overall portfolio should the City be forced to hold on to them.

Cushing MLP Update

Graystone Consultant Brice gave a brief summary of the situation facing MLPs with the OPEC price war and the market effects of COVID-19. The concern is the MLPs will cut their dividend rates to weather the storm. The system will also not be in the MLP market to see its eventual upturn due to the transfer to MERS. Chairperson Farrell asked whether the Board should liquidate the funds now or wait until closer to the June 1 transfer date. Mr. Brice indicated the Board would want to remain fully invested as long as possible. Discussion ensued regarding what time period would give Franklin Templeton sufficient opportunity to liquidate the portfolio and get the best price.

INVESTMENT CONSULTANT REPORT:

First Quarter 2020 Performance Report

Consultant Brice noted that March really pulled the markets down for the quarter. GDP impact of COVID-19 will be severe, but the economy is expected to recover faster than prior recessions, particularly in light of the record fiscal stimulus the federal government as introduced into the economy. Forecasters are hoping to see a sharp upward movement in the economy once we get past the COVID-19 crisis.

Performance Update, through April 13, 2020

Graystone Analyst Burger noted that the portfolio was down 16% for the quarter, but still performed better than the policy index. Six of eight money managers have outperformed their benchmarks over the course of the 1st quarter and the portfolio has recovered approximately 23% of what was lost in this latest downturn. The total portfolio is down 13% over the year.

Motion by Chairperson Farrell to direct Franklin Templeton to liquidate the securities in kind portfolio at any cost, begin liquidation of all other Franklin Templeton securities on May 1st to gain the best price, and direct the remaining managers to sell as close to May 31st as possible.

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

CITIZENS COMMENT:

There were no citizen comments.

Trustee Haber thanked City Manager Henne for getting the meeting with General City Non-Union employees set up.

Chairperson Farrell thanked Mr. Henne for facilitating the technical side of this morning's meeting.

NEXT BOARD MEETING:

Special Meeting – May 5, 2020 7:15 a.m.

Regular Meeting – June 24, 2020 7:15 a.m.

ADJOURNMENT:

The meeting was adjourned at 9:07 a.m.

Amy K. Kirkland, City Clerk