

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

AUGUST 18, 2005

8:18 A.M.

PRESENT: Chairperson Linda Robertson, Vice Chairperson Frances Kukulis, Trustees William Blanchett, Wilfred A. Farrell, Mark Mitchell, and James Treadway.

ABSENT: Trustee John C.M. Davis. (arrived at 9:00 a.m.)

ALSO

PRESENT: Marie Vanerian, representative from Merrill-Lynch; Steven G. Schenk, representative from Tom Johnson Investment Management, Inc.; City Attorney William C. Brown, and City Treasurer Ronald J. Tobey,

CALL TO ORDER

Chairperson Robertson called the meeting to order at 8:18 a.m.

APPROVE AGENDA

Motion by Trustee Farrell to approve the Agenda as presented with the addition of the July 2005 Chemical Bank statement and to move the Tom Johnson presentation to beginning of meeting.

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

Vice Chairperson Kukulis asked that future agendas contain "citizen comment" sections like council agendas.

Investment Manager Report:

Steven G. Schenk, Tom Johnson Investment Management, Inc.

Steven G. Schenk, Vice President-Tom Johnson Investment Management, Inc. addressed the Board regarding their company philosophy; portfolio composition; fundamental strategy/analysis; limit fixed income (bonds) no lower than A; good return achieved; where the company is headed; and moderate growth economy—not looking for a recession.

Chairperson Robertson asked Mr. Schenk about Ford Motor Company. He said that we have a very sound investment policy. He also said that he anticipated between now and January 2007 that Ford Motor Credit Company will rebound and pay off the bond.

City Attorney William Brown asked Mr. Schenk if he would recommend any changes to the investment policy. Mr. Schenk commented 20% limit in industries; his preference for industry versus sectors; and he is comfortable with current policy.

Trustee Davis arrived at 9 a.m.

APPROVE MINUTES OF JUNE 16, 2005 REGULAR MEETING

Motion by Vice Chairperson Kukulis to approve the Minutes of the June 16, 2005 Regular Meeting as presented.

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

APPROVE PENSION CHECK REPORTS

Motion by Trustee Farrell to approve the Pension Check Reports as follows:

June, 2005	\$91,767.28
July, 2005	\$91,767.28

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

APPROVE STATEMENTS

Motion by Trustee Treadway to approve the Statements as follows:

Chemical Bank and Trust Company
June, 2005 and July, 2005

Fifth Third Bank
June and July, 2005

Tom Johnson Investment Management, Inc.
June 30, 2005

City of Owosso Employees Retirement Fund
June, June-Year Ending, and July, 2005

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

PAYMENT AUTHORIZATIONS

Motion by Vice Chairperson Kukulis to approve the following Payment Authorizations:

<u>Fifth Third Bank</u> Investment Management Services For period ending June 30, 2005	\$ 6,633.89
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<u>Tom Johnson Investment Management, Inc.</u> Investment Management Services For Period 04/01/05 through 06/30/05	\$ 9,532.73
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<u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – June, 2005	\$130,816.90
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<u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – July, 2005	\$ 92,921.33
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Motion supported by Trustee Davis and concurred in by unanimous vote.

COMMUNICATIONS

The following communications were placed on file:

Ronald J. Tobey, City Treasurer: Budget Spreadsheet (as requested at last meeting)
Eugene R. Hack, Chase Investment Counsel: Letter of Introduction.
CMA Money Fund – Annual Report – March 31, 2005
Lerach, Coughlin, Stoia, Geller, Rudman & Robbins, LLP: Corporate Governance Bulletin
MAPERS – Pension Scope-Summer 2005.
PlanSponsor: June and July, 2005.
Miscellaneous Conference Announcements

OLD BUSINESS

Ordinance Rewrite Re: IRS Regulations Update: William C. Brown, City Attorney

City Attorney Brown reported to the Board on the status of the ordinance rewrite. He reported that staff had met with Mr. Campbell, Attorney from Miller, Canfield, Paddock and Stone, on August 4th. We will be providing historical documents for Mr. Campbell and anticipate a draft for next meeting.

Expense Account Detail Report: Richard C. Williams, Finance Director

Ronald Tobey, City Treasurer, commented regarding his meeting with Finance Director Richard Williams. He distributed a memo and worksheet from Mr. Williams and a spreadsheet he created as follows:

MEMORANDUM

TO: Ron Tobey
FROM: Rick Williams
REFERENCE: Adjustments to Retirement System Expense Fund
DATE: 16 August 2005

Attached is a worksheet detailing recommended adjustments to the Expense Fund, all of which pre-date your stewardship of the records. Hopefully, the detail on the worksheet is self-explanatory but some items warrant further discussion.

If you and the board are in concurrence the City will make payment in the amount of \$22,156 for the following items: \$17,440 is comprised of numerous minor amounts over the course of several years pre-dating 1993 where audited expenses were greater than amounts requested for reimbursement. \$4,307 is an additional amount owing for ML advisory fees that were paid according to the minutes but not included for reimbursement and lastly \$409 is the amount owing for custodial fees from 1994-98 after applying the additional payment last year.

Recommended adjustments include recognition of custodial fees for fiscal years 1999-01 as an expense to the system in light of notices to the former Treasurer, Chair and board the costs were avoidable and clearly prudent to seek low cost or no cost alternatives without vested interest as a money manager. The net adjustment after payment by the City would be \$44,118.

I will be attending a conference and will not be able to attend the board meeting. If you or the board should have any questions I would be happy to follow up at the next meeting.

	Pre 1993	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/004
Merrill Lynch Fees		6028	0	4775	3524	2663	3377	1819	293	1993	1502
Admin. Fees		8,250	9,737	11,078	11,380	11,327	7,584	11,534	21,110	10,663	14,269
Custodial Fees		6,243	14,881	15,113	17,272	20,030	20,502	22,082	21,731	19,267	0
Sub Total	17,440	20,521	24,618	30,966	32,176	34,020	31,463	35,435	43,134	31,923	15,771
Payments /Credits		-29,000	0	-29,565	0	-27,500	-11,478	-13,292	-43,134	-12,656	-80,037
	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/004	
Admin. Fees Per Wksht	14,278	9,737	15,853	14,904	13,990	10,961	13,353	21,403	12,656	15,771	142,906
Admin. Fees Treas Wksht	16,779	9,737	12,503	14,839	13,975	7,583	13,353	21,403	12,656	15,771	138,599
Amount Owing for ML Fees	-2,501	0	3,350	65	15	3,378	0	0	0	0	4,307

Balance Owing Retirement System

Adjustments to Retirement Expense Fund

Cumulative Misc. Amounts Pre-dating 1993	17,440	Custodial Fees for FY's 99-01 & ML Fees	66,921
Additional ML Fees Per Above	4,307	Misc. Adj. to Treasury Wksht	<u>-647</u>
Bal Owing for Custodial Fees 1994-98 After Applying 45k	<u>409</u>	Treasury Worksheet	66,274
	<u>22,156</u>	Amount Due From City	<u>-22,156</u>
		Net Adjustment to Expense Fund	<u>44,118</u>

**CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM
EXPENSE ACCOUNT**

1993/1994 Year End Bal	(14,709.36)				
Auditor's Entry	32,150.00				
Misc.	<u>(35.75)</u>				
1993/1994	17,404.89	Custodial Expense		Auditor's Entry	City Payments
1994/1995 net change	(5,978.99)	6,242.51	16,778.50	-	(29,000.00)
1995/1996	24,617.78	14,880.78	9,737.00	-	-
1996/1997	27,616.22	15,112.85	12,503.37	-	-
1997/1998	2,547.04	17,272.13	14,839.46	(29,564.55)	-
1998/1999	6,216.23	19,740.77	13,975.46	-	(27,500.00)
1999/2000	28,085.87	20,502.02	7,583.85	-	-
2000/2001	<u>35,434.76</u>	22,081.71	13,353.05	-	-
	135,943.80				
undetermined balance	<u>100.00</u>				
balance @ end M. Robbins tenure	136,043.80				
2001/2002 beginning of year	(24,769.48)				(24,769.48)
2001/2002	-	21,730.82	21,403.30		(43,134.12)
2002/2003	19,266.69	19,266.69	12,656.56		(12,656.56)
2003/2004	-	-	15,771.03		(15,771.03)
2003/2004 for 02/03 custodial	(19,266.69)				(19,266.69)
2004/2005 payment toward old exp	(45,000.00)				(45,000.00)
2004/2005	25,762.25		25,762.25		
2005/2006 for 04/05	<u>(25,762.25)</u>				(25,762.25)
Unpaid Balance	66,274.32				

Prepared 7-15-05
Ronald J. Tobey, City Treasurer

There was Board discussion regarding Mr. Williams' request for the Board to write off the \$44,118. City Treasurer commented that the amounts were included in the budget but not paid.

Mr. Tobey commented that nothing was done improperly and it would be the Board's choice to waive the fees. He expressed concerns that the notice was given appropriately and with Charter language.

City Attorney Brown said that we could ask the City to pay the \$44,000.00. He commented further that there is a duty for the city to pay the fees according to ordinance/charter. He recommends talking to Mr. Williams prior to taking further action.

Mr. Williams and Mr. Guetschow will be asked to attend the next meeting.

Motion by Trustee Mitchell to table the matter until the October 20th meeting.

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

Done Away Fees Resolution Report: – Marie Vanerian, Merrill Lynch

Marie Vanerian, Merrill Lynch representative, reported that she had spoken with Leo Maxbauer from the Fifth Third Bank Detroit office and that the issue is resolved. Of the \$14,625 due, \$4,325 will be paid by Merrill-Lynch and Fifth Third Bank will pay the remainder by September 1, 2005.

She also reported that Fifth Third Bank is doing a lot of fixed income trading, 30 trades in 20 days. Ms. Vanerian commented that the Board needs to sit down with Fifth Third Bank and resolve the matter. She also reported that she will notify the Board when Fifth Third Bank makes the payment.

Interest Rate (5%) on Employee Contributions Report – Marie Vanerian, Merrill Lynch

Ms. Vanerian reported that a minimum interest rate is only required for defined contribution plans and does not apply to our defined benefit plan.

Discussion: Investment Policy Update Proposal

Ms. Vanerian commented regarding the proposed investment policy. There was Board discussion regarding state law requiring money managers to sign the policy and if the money managers had read the proposed policy.

City Attorney Brown reported that changes requested by Staff had been implemented and he felt that the proposed policy was okay. Ms. Vanerian will ask for the managers to review the policy after the Board accepts. Trustee Mitchell asked that the money managers give us written feedback if appropriate.

Consideration of Investment Policy Update

Motion by Trustee Farrell to adopt the following Investment Policy:

**Investment Policy Statement
For
City Of Owosso Employees Pension Plan**

August 2005

I. Introduction

Purpose of this Policy Statement

This policy statement outlines the goals and investment objectives for the City of Owosso Pension Plan (the "Plan"). Since this document is intended to provide investment guidelines for managing the Plan's investments, this document outlines certain specific investment policies that will govern how the Plan's investment goals are expected to be achieved. This statement:

- Describes an appropriate risk posture for the investment of the Plan's assets,
- Establishes investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets,

- Specifies the criteria for evaluating the performance of the investment managers and of the Plan as a whole,
- Defines the responsibilities of the Board of Trustees and other parties responsible for the management of the Plan.

The Board of Trustees believes that the investment policies described in this statement should be dynamic. These policies should reflect the Board of Trustees duties and investment philosophy regarding the investment of these assets. These policies will be reviewed and revised periodically to ensure they adequately reflect changes related to the City, the Plan and the capital markets.

Investment Objective

The funding obligations of the Plan are long term in nature; consequently the investments of the Plan's assets shall have a long term focus.

The Board of Trustees has adopted an investment objective of growth and income for the Plan. This investment objective:

- Is expected to achieve a positive rate of return for the Plan over the long- term that significantly contributes to meeting the Plan's current and future obligations, including actuarial interest and benefit payment obligations and to help ensure the solvency of the Plan over time while attempting to minimize the on-going funding cost to the City;
- Is expected to earn long-term returns from capital appreciation and a growing stream of current income;
- Recognizes that the assets are exposed to risk and the market value of the Plan may fluctuate from year-to-year. This volatile performance is acceptable, as long as the Plan is invested primarily for capital appreciation over the long-term;
- Is expected to earn long-term returns sufficient to maintain or grow the purchasing power of assets over the long-term;
- Implies a long-term time horizon available for investment in order to benefit from total returns that would normally accrue to a patient investment strategy;
- Diversifies the Plan's assets in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that may result from concentrated position.

It is expected that these objectives can be obtained through a well-diversified portfolio structure in a manner consistent with this investment policy.

This investment policy is intended to be a summary of an investment philosophy that provides guidance for the Trustees and other parties interested in the management of the Plan. The guidance and limitations set forth in this statement are intended to provide the Board of Trustees and the City with a clear understanding of the investment policies and objectives of the Plan. It is the intent of this investment policy statement to provide a meaningful framework for the investment objectives of the Plan and that these policies will not be overly restrictive given changing economic, business, and capital market conditions. It is intended that the objectives be sufficiently specific to be meaningful, but flexible enough to be practical. It is understood that there can be no guarantees about the attainment of the goals or investment objectives outlined here.

II. Information About the City of Owosso Employees Pension Plan

**The City of Owosso Employees Pension Plan
301 West Main Street
Owosso, Michigan 48867**

Primary Contact.....City Clerk & City Treasurer
Plan Fiscal Year End June 30th
Federal Tax ID #.....36-6004723

Purpose and Scope of the Plan

The City of Owosso, Michigan sponsors this defined benefit pension plan in order to provide participants with a source of retirement income along with that received from the participants' personal savings and Social Security. Assets of the Plan are also utilized to pay pension benefits for retired participants, disability benefits and to pay death benefits. The Plan was first established in 1945.

Cash Flow and Liquidity Needs

The Plan is funded by contributions from the City, participant contributions and investment earnings. Fund benefits can be paid in various ways pursuant to ordinance 2-420.

Regulatory Environment

The Plan operates in accordance with Michigan Public Act 1965, #314, Titled The Investment of Assets for Public Employee Retirement Systems 01 Plans Created and Established by the State or any Political Subdivision; and Owosso City Code 2-401 et seq.

III. Responsibilities of the Plan Representatives

Board of Trustees

The Board of Trustees comprised of 7 members in an oversight capacity for establishing an investment policy for this Plan and for approved policies and guidelines.

It is expected that the objectives and policies described here will be used as the criteria for selecting and evaluating the appropriate investment managers for the management of the Plan's assets. Specifically, the responsibilities of the Board of Trustees shall include:

- Overseeing a long-term strategic investment plan for the Plan. This includes evaluating the City's risk tolerance and determining a long term asset allocation policy consistent with the long-term investment objectives, financial needs and circumstances of the Plan and of the City;
- Determining an appropriate investment manager structure and the selection or termination of investment managers;
- Monitoring and evaluating the performance of each investment manager and of the Plan as a whole;
- Overseeing cash flows of the Plan;
- The selection or termination of administrators, consultants, and custodian for the Plan;
- Such other duties as may be described in this policy or required by applicable laws and regulations.

Investment Consultant

The Investment Consultant retained by the Plan shall have the following responsibilities:

- To assist the Board of Trustees in strategic investment planning for the Plan. This includes providing assistance in developing an investment policy, asset allocation strategy, and investment manager structure.
- To provide to the Board of Trustees quarterly performance measurement reports for each of the investment managers and on the Plan as a whole, and to assist the Board of Trustees in interpreting the results;
- To act as a liaison between investment managers and the Plan, and thereby facilitate the communication of important information in the management of the Plan;
- Such other duties as may be mutually agreed to.

IV. Responsibilities of the Investment Managers

It is the intention of the Board of Trustees to utilize a combined approach of separately managed accounts with various investment management firms and investments in commingled or mutual funds. With respect to any mutual or other commingled funds that have been retained in the Plan the prospectus or Declaration of Trust

documents of the fund(s) will govern the investment policies of the fund investments. The following guidelines apply to separately managed accounts, except where specifically noted:

Fiduciary Responsibilities

Each investment manager is expected to manage their portfolio in a manner consistent with the investment objectives, guidelines, and constraints outlined in this statement and in accordance with applicable laws. This would include discharging their responsibilities with respect to the Plan consistent with "Prudent Investor" * standards, and all other fiduciary responsibility provisions and regulations. Experienced investment management firms will manage the Plan assets.

**Refers to a legal standard of care. In general, this standard of care governs the fiduciary responsibilities of the investment manager that traces back to Harvard College v. Amory which found that trustees should "...observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of capital to be invested."*

Each Investment Manager shall:

- Obtain and maintain bonds and other surety agreements sufficient in the amount to comply with all applicable laws and to protect the interests of the City;
- At all times are registered as an investment advisor under the Investment Advisors Act of 1940.

Security Selection/Asset Allocation

- Except as noted below, each investment manager shall have the discretion to determine their portfolio's individual security selections;
- Each investment manager will utilize a stable asset allocation strategy. The performance of each investment manager is measured versus a fully invested market index representative of the investment manager's style;
- The asset allocation strategy for each investment manager's portfolio can deviate from the overall Plan's asset allocation, however, the Board of Trustees is responsible for reviewing aggregate asset allocation, and may re-balance to the target allocation on a periodic basis.

Proxy Voting

Each investment manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Each investment manager shall vote proxies according to their established Proxy Voting Guidelines. A copy of those guidelines, and/or summary of proxy votes shall be provided to the Board of Trustees upon request.

V. Risk Tolerance

Investment theory and historical capital market return data suggests that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (*i.e.* volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Plan is the determination of an appropriate risk tolerance. The Board of Trustees examined two important factors that affect their risk tolerance:

Financial Ability to accept risk within the investment program and,

Willingness to accept return volatility.

Positive factors that contribute to a higher risk tolerance are:

1. The long-term time horizon available for investment, thus providing the opportunity to benefit from opportunities for growth that may accrue to a patient investment strategy;

2. The Board of Trustees willingness to accept short-term volatility in the market value of the Plan and in the funding ratio for the sake of earning higher long-term returns.

Offsetting these factors is:

1. As a defined benefit pension plan, the risk of investment losses is borne by the City and significant investment losses may require substantial contributions to the Plan to maintain required funding levels and such contributions may coincide with poor financial conditions for the City;
2. Cyclical economic activity can significantly influence the finances of the City and its financial ability to fund large unexpected contributions.

VI. Asset Allocation Strategy

In line with the return objectives and risk parameters of the Plan, the mix of assets should be generally maintained as follows (percentages are of the market value of the Plan):

Asset Class/ Investment Style	Minimum	Target Avg.	Maximum
Large / Mid Cap Equity Manager	30%	45%	50%
*Small /Mid Cap Equity Manager	0%	7.5%	7.5%
*International Equity	0%	2.5%	3%
Total Equity	30%	55%	60.5%
Investment Grade Fixed Income	40%	45%	70%
Cash and Cash Equivalents	0%	--	30%

Deviations from this asset mix guideline may be authorized in writing by the Board of Trustees, which may determine if the aggregate deviation constitutes a material departure from the spirit of the target allocation.

The maximum percentage designated for the "Cash and Cash Equivalents" category is intended to apply after the initial start-up of any one portfolio in the Plan. The Board of Trustees recognizes that this initial start-up period to become fully invested could be as long as three months after the initiation of a portfolio.

**Asset Classes currently assigned to Fifth Third Bank only.*

Rebalancing/Tactical Asset Allocation Procedures

Rebalancing

Since capital appreciation (depreciation) and trading activity in each individually managed portfolio can result in a deviation from the overall asset allocation, the aggregate asset allocation will be monitored and the Board of Trustees shall review and may rebalance the asset allocation and manager structure. During interim periods between rebalancing, should an allowable range for an asset class be violated, the Board of Trustees may decide whether to rebalance the existing assets to the target asset mix within three months of the time when the deviation is discovered. In addition, the Board of Trustees shall review the actual asset allocation periodically in order to ensure conformity with the adopted strategic asset allocation.

To achieve the rebalancing of the Plan, the Board of Trustees may instruct the City Treasurer to re-direct contributions and disbursements from individual investment managers as appropriate, in addition to shifting assets from one investment manager to another. The Board of Trustees shall coordinate all rebalancing actions with the Investment Consultant and the Investment Managers.

VII. Performance Objectives

The Board of Trustees will monitor the performance of the Plan's investments on a quarterly basis. The Board of Trustees will evaluate each investment manager's contribution toward meeting the investment objectives outlined below over a three- to five-year time period and a full market cycle, unless otherwise noted.

Style Index: It is desired that the Plan's investments earn returns higher than the "market," as represented by a benchmark index or mix of indexes reflective of the Plan's return objectives and risk tolerance. This benchmark or "style index" is to be constructed as follows: **45% S&P 500 / 7.5% Russell 2000 / 2.5% MSCI EAFE / 45% MLDM 1-10yr**. The Plan's investments are expected to exceed the average annual return of this benchmark on a risk-adjusted basis* over a three- to five-year rolling time period and a full market cycle.

**Typically based on a Sharpe ratio comparison, however, other risk-adjusted measures may be used.*

Secondary Performance Targets:

1. The real return goal (return after adjusting for inflation) for the Plan is 4%. Inflation shall be measured by the U.S All Urban Consumers Price Index ("CPI");
2. Earn a return at least equal to the current actuarial investment return (7.5%) as determined by the Plan's actuary;
3. Performance of the composite portfolio will be compared to a peer group comprised of other Public Retirement Plans.

VIII. Investment Strategy

Selection Criteria for Investment Managers

Investment managers retained by the Plan shall be chosen using the following criteria:

- Past performance, considered relative to other investments having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the investment manager;
- How well the manager's investment style or approach complements other assets in the Plan;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm;
- Reasonable fees, relative to investment style and expected risk and return;
- Ability and willingness to service this account on a customized basis, as described in this investment policy or otherwise agreed to;
- Type and appropriateness of reporting and investor communication materials;
- An assessment of the likelihood of future investment success, relative to other opportunities.

The Plan may utilize a multi-manager structure of complementary investment styles and asset classes to invest the Plan's assets. Any changes to the investment manager structure shall be attached to this investment policy.

The Board of Trustees may retain additional investment managers to invest the assets of the Plan. Additional managers may be expected to diversify the Plan by investment style, asset class, and management structure that may enhance the probability of the Plan achieving its long-term investment objectives.

IX. Investment Guidelines

For Commingled Investments*: The investment guidelines for any commingled or mutual funds and limited partnerships are detailed in the prospectus or Declaration of Trust for the individual funds. Where there are differences between the investment guidelines of the fund and this investment policy, the Declaration of Trust (or prospectus) shall govern.

**Commingled funds are pooled investment vehicles where investors own shares of the fund, but do not own the underlying investments of the fund. Commingled funds such as mutual funds, limited partnerships or trust funds are sold to investors by prospectus or trust document only. These documents are the controlling investment guidelines of the fund and the investment advisor(s) to the fund have a fiduciary and legal obligation to abide by the provisions of the prospectus (or trust document), but do not have a fiduciary obligation to the Plan. Therefore, should the Plan invest in a pooled investment vehicle, these investment guidelines are not controlling over the fund investment and there is the possibility that fund investments may engage in transactions that are otherwise prohibited by this investment policy. For example, investing in other asset classes that would not*

otherwise be permitted for an investment manager, utilizing futures and options strategies or cash holdings at higher levels than what is permitted in this policy.

For Separately Managed Accounts: Investment activity must be consistent within the requirements of this policy, the Plan's management agreement with the investment manager, and applicable laws. Where there are differences between the investment guidelines included in the investment manager's investment management agreement and this investment policy, the investment guidelines included in the investment management agreement shall govern.

A. Asset Allocation

Each investment manager has been delegated responsibility for establishing and maintaining the asset allocation strategy for their individual portfolio.

Unless otherwise noted below, under normal market conditions, each investment manager is expected to be invested consistent with their investment style as described in Section XIV and any relevant investment management agreement with the selected investment advisor(s). During the initial three months of the relationship after being retained by the Plan, the investment manager may hold cash and cash equivalents in larger proportions in order to invest their portfolio on an orderly basis. Thereafter, the manager is expected to follow asset allocation guidelines with respect to cash and cash equivalents outlined in Section XIV of this policy statement.

B. Permitted Securities

Domestic Securities

The securities purchased shall be registered with the Securities and Exchange Commission, and traded on a recognized U.S. stock exchange or over-the-counter-market.

Equity securities include: common stocks, real estate securities (defined below) and securities convertible into common stock of U.S.-based companies.

Convertible securities include: securities that are convertible into the common stock of U.S. or non-U.S. based companies. This would include convertible bonds, convertible preferred stock, and mandatory convertible securities (e.g. PERCs*(1), CHIPS*(2), ELKs*(3)). All convertible securities purchased must be U.S. dollar denominated securities. Individual convertible securities should be rated "BBB" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. For the purposes of asset allocation, convertible securities shall be considered equities.

**(1) Preference Equity Redemption Cumulative Stock. A limited term, limited participation, convertible preferred stock with an enhanced dividend.*

**(2) Common-linked Higher Income Participation Security – Modeled on PERCs, but unlike PERC, which is issued by the corporation which issued the underlying, CHIPS are issued by a third party, frequently a financial intermediary.*

**(3) Equity-Linked Security – Similar to CHIPS.*

Real Estate Securities Include: Equity REITs mortgage REITs, CMO or mortgage-related securities REITs, Health Care REITs, and equities of real estate operating companies. Equity REITs are those securities that meet the National Association of Real Estate Investment Trusts' (NAREIT) asset mix definition of an equity REIT (currently, equity REITs are those where 75% of assets are equity financed properties). REITs may be perpetual life REITs or finite life REITs.

Fixed Income Securities Include: Domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies, U.S. corporations, Yankee bonds and notes (bonds or notes issued by non-U.S. based corporations and governments but traded in the U.S.), securitized mortgages (e.g. GNMA's, FNMA's, FHLMC's), collateralized mortgage obligations, asset-backed securities, taxable municipal bonds, and preferred stock.

International Securities

Allowable international securities are limited to: sponsored and unsponsored American Depositary Receipts (ADR's) or American Depositary Shares (ADS's) or other depositary securities of non-U.S. based companies traded in the U.S., closed-end country funds, exchange-traded funds and securities convertible or exchangeable into common stocks of non-U.S. companies.

C. Diversification Requirements

To minimize the risk of large losses, each investment manager shall maintain adequate diversification in their portfolio. Subject to the constraints outlined in this investment policy, each investment manager shall have the discretion to determine their portfolio's individual security selections.

Domestic Large/Mid Capitalization Equity Portfolio(s)

- Investments in any individual equity security should not exceed 5% of the market value of the investment manager's portfolio;
- Holdings of any single issue in each investment manager's portfolio shall not exceed more than 5% of the market value of the total outstanding common stock of any one company;
- The maximum allocation to any single sector in a portfolio shall not exceed the greater of 20% of the market value of the investment manager's portfolio or 150% of the economic sector weighting in the investment managers primary equity policy index. Economic sector definition shall be according to the investment managers own classification, which shall be provided to the Board of Trustees upon request.
- Equities are limited to large and medium capitalization stocks. The minimum market capitalization at the time of purchase should be greater than \$1 billion;
- From time-to-time, the investment manager may invest in U.S. dollar denominated equities of non-US companies that otherwise conform to the provisions of this investment policy.

Small/Medium Capitalization Equity Portfolio(s)

- Investments in any one individual security should not exceed approximately 5% of the market value of the investment manager's portfolio;
- Equities are limited to small and medium capitalization stocks. The market capitalization of any one equity security shall be between \$100 million and \$10 billion at the time of purchase;
- Holdings of any single issue in this investment manager's portfolio shall not exceed more than 5% of the market value of the total outstanding common stock of any one company*;
- There is no constraint on the economic sector allocations of the portfolio. It is understood the investment manager may concentrate portfolio holdings in a limited number of economic sectors from time-to-time;
- From time-to-time, the investment manager may invest in U.S. dollar denominated equities of non-US companies that otherwise conform to the provisions of this investment policy.

**It is recognized, however, that an investment manager's holdings of a single issue in all portfolios firm wide may exceed this limit. This constraint applies only to the Plan's holdings.*

International Equity Portfolio

Subject to the usual standards of fiduciary prudence, the investment manager shall have the discretion to determine their portfolio's country allocations. However, the country allocations and portfolio structure should conform to these guidelines:

- Investments in any one security shall not exceed 5% of the market value of the investment manager's portfolio;
- Currency hedging is not permitted (it is recognized, however, that mutual or other commingled funds may engage in hedging activity);
- No fewer than three countries represented in the portfolio;
- No more than 20% of the market value of the portfolio may be invested in countries not represented in the MSCI EAFE Index plus Canada;

- Non-U.S. dollar denominated equity securities are not permitted;
- No investments in securities of US based companies or convertible into the securities of US based companies.

Fixed Income Portfolio(s)

- Fixed income securities (except for those listed below) shall be rated “BAA”* (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. The minimum dollar-weighted average credit quality rating of the fixed income portfolio is “AA”. Asset backed securities, mortgage backed securities, and CMOs shall be rated “AAA” (or its equivalent) at the time of purchase by a nationally recognized statistical rating agency;
- Should a security be down graded below “BAA-” (or its equivalent), the investment manager will advise the Board of Trustees (or an authorized representative) and the Investment Consultant in writing of this change and be able to provide the Board of Trustees (or an authorized representative) with a recommended course of action;
- Fixed income securities of a single issuer or issue, with the exception of U.S. Government and Agency securities, are limited to no more than 5% of the market value of the portfolio;
- The maximum maturity of any single security should not exceed 30 years. The dollar weighted duration of the fixed income portfolio should be within $\pm 10\%$ of the dollar weighted duration of the performance benchmark;
- No more than 30% of the market value of the investment manager's portfolio may be invested in a single sector of the corporate fixed income market. Sector definitions shall be according to the investment manager's own classifications, which should be provided to the Board of Trustees upon request;
- The investment manager(s) shall not use derivative securities to increase the portfolio risk.

**All rating categories, including qualifiers “+” and “-“ for S&P and “1”, “2” and “3” for Moody's. In the event of a “split rated” security, that is a security with non-equivalent rating classifications from different rating agencies, the lower of the credit quality ratings shall apply.*

Cash and Equivalents

It is generally expected that the investment manager will remain fully invested in equities or fixed income securities; however, it is recognized that cash reserves may be utilized from time to time to provide liquidity or to implement some types of investment strategies. Cash reserves shall be held in the custodian's money market fund*, short-term maturity Treasury securities, or high quality money market instruments.

**The Board of Trustees, prior to purchase, must approve investments in money market funds other than the custodian's money market fund. For investments in mutual or commingled funds, the prospectus or Foundation documents of the fund(s) will govern the investment policies of the fund investments.*

D. Exclusions

The Plan's assets in separately managed accounts may not be used for the following purposes:

- Short Sales;
- Purchases of letter stock, private placements (including “144A” securities), or direct payments;
- Leveraged transactions;
- Commodities transactions;
- Puts, calls, straddles, or other option strategies;
- Purchases of real estate, oil and gas properties, or other natural resources related properties with the exception of Real Estate Investment Trusts or marketable real estate securities;
- Investments in non-US dollar denominated securities;
- Investments in limited partnerships except for publicly traded Master Limited Partnerships;
- Investments in futures, use of margin, or investments in any derivatives not explicitly permitted in this policy statement;
- Investments by the investment managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Board of Trustees).

The investment manager acknowledges the general guidelines presented in this investment policy and will seek to manage the portfolio in accordance with these guidelines. The investment manager will monitor the portfolio and will use its best efforts to correct any deviations from these guidelines as soon as reasonably practicable.

Transactions or unanticipated market actions that cause a deviation from these policy guidelines shall be brought to the attention of the Board of Trustees by the investment manager prior to executing transactions, when practical. Such deviations may be authorized in writing by the Board of Trustees, who can determine if the deviation constitutes a material departure from the spirit of this policy.

The Board of Trustees, unless approved in writing, prohibits any other security transaction not specifically authorized in this policy statement. Requests by investment managers to execute transactions that are not currently authorized in this policy should be made prior to executing such transactions.

X. Investment Transactions

For separately managed accounts only: Trading for the Plan is directed by and is the responsibility of each investment manager to whom the Board of Trustees has granted the discretionary authority to determine (subject to the investment objectives and policies outlined herein) the securities to be bought or sold on behalf of the Plan, the amount of such securities, and the brokers or dealers to be used in such transactions. The investment manager is generally obligated, absent the Board of Trustees' direction to the contrary, to effect transactions with or through those brokers or dealers that in the investment manager's view are capable of providing best price and execution of client orders.

All mutual fund shares purchased are to be purchased at net asset value and are not subject to the imposition of any sales charges.

XI. Meetings and Communications

For separately managed accounts only:

- As a matter of course, each investment manager shall keep the Board of Trustees or the Investment Consultant apprised of any material changes in the investment manager's outlook, investment policy, and tactics;
- Each Investment manager shall reconcile with the custodian on a monthly basis, and provide monthly statements of assets and transactions to the client;
- A representative of each investment manager shall be available on a reasonable basis for telephone communication or a meeting with the Board of Trustees and the Investment Consultant, at a mutually convenient time and place, to review and explain their portfolio's investment results;
- Any material event that affects the ownership or capital structure of the investment management firm, changes in senior investment personnel or any other material event that affects the management of this account must be reported promptly to the Board of Trustees and the Investment Consultant. This requirement does not include routine employee stock ownership transactions or partnership announcements;
- The Investment Consultant will provide written performance reports for each separately managed account and the composite of these accounts;
- The custodian shall provide monthly statements of assets and transactions.

XII. Performance Evaluation

As noted above, the Board of Trustees, with the assistance of their Investment Consultant will monitor the performance of the investment managers and of the Plan on a quarterly basis.

The Board of Trustees will evaluate each investment manager's success in achieving the investment objectives outlined in this document over at least a three- to five-year time horizon. The Board of Trustees realizes that most investments go through cycles. Therefore, there will be periods of time in which the investment objectives are not met or when some investment managers fail to meet their expected performance targets.

The Plan's (and investment manager's) performance should be reported in terms of rate of return and changes in dollar value. The returns should be compared to appropriate market indexes for the most recent quarter and for annual and cumulative prior time periods.

The Plan's asset allocation in separately managed accounts and the allocation to any commingled funds shall be reported on a quarterly basis.

Risk as measured by volatility, or standard deviation of quarterly returns, shall be evaluated after twelve quarters of performance history have accumulated. An attribution analysis* shall also be performed for the separately managed accounts, to evaluate how much of each portfolio's investment results are due to the investment managers' investment decisions, as compared to the effect of the financial markets. It is expected that this analysis will use the "style index" as the performance benchmark for evaluating both the returns achieved and the level of risk taken.

The investment managers' performance will also be evaluated in similar fashion according to the performance standards summarized in the attached "Performance Standards".

**Performance attribution measures include, but are not limited to, the "stock selection score" and "asset allocation score". These attributions measure the value added (or subtracted) versus the manager's policy index that is attributable to individual security selections and weightings that are different from the policy index standard. The asset allocation score measures the value added (or subtracted) by not continually rebalancing the asset allocation of the manager's portfolio back to the implied asset allocation of the manager's policy index.*

Guidelines for Corrective Action*

The Board of Trustees recognizes the importance of a long-term focus when evaluating the performance of investment managers. The Board of Trustees understands the potential for short-term periods when the performance of individual managers may deviate from the performance of representative market indexes. The Board of Trustees, however, may consider an extra level of scrutiny, which may include termination, of an investment manager based on the following conditions:

- Any material event that affects the ownership or capital structure of the investment management firm, or the management of this account (such as described in Section XI). Failure on the part of the investment manager to notify the Board of Trustees and the Investment Consultant may be grounds for termination;
- Any material client servicing deficiencies, including a failure to communicate in a timely fashion significant changes as outlined in Section XI of this investment policy;
- Violation of terms of contract without prior written approval of the Board of Trustees constitutes grounds for termination;
- Diversification strategy – as part of their overall asset allocation strategy, the Board of Trustees may utilize a multi-manager structure of complementary investment styles and asset classes to invest the Plan's assets. Therefore, it is very important that investment managers remain consistent with the intended investment style at the time the manager was engaged. Any changes or modifications to an investment manager's initial investment style must have prior approval from the Board of Trustees.
- The Board of Trustees will not, as a rule, terminate an investment manager on the basis of short-term performance. If the organization is sound and the firm is adhering to its investment style and approach, the Board of Trustees will allow a sufficient interval of time over which to evaluate performance. The Board of Trustees expects the Investment Consultant will provide guidance to determine an appropriate length of time. The investment manager's performance will be viewed in light of the firm's particular investment style and approach, keeping in mind at all times the Plan's diversification strategy as well as the overall quality of the relationship;
- The investment manager may be replaced at any time as part of an overall restructuring of the Plan. The Board of Trustees reserves the right to terminate an investment manager for any other reason in accordance with any applicable investment management agreements.

**The Board of Trustees recognizes that communication requirements outlined here may not be practical or feasible for commingled or mutual funds in which the Plan may invest.*

XIII. APPROVAL

The City of Owosso Employees Pension Plan

It is understood that this investment policy is to be reviewed periodically by the Board of Trustees to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers. Should the Board of Trustees permit a deviation from this policy or implement a change in policy, the circumstances and rationale for the change shall be documented and attached to this investment policy.

The Board understands and agrees that the provisions of this document are subject to any relevant investment advisory agreement and to the extent of any conflict, the terms of the investment advisory agreement controls. The Board further understands that this investment policy statement does not provide any additional rights other than those that are described in the investment advisory agreement.

Chairman, Board of Trustees

Date

Investment Manager (Separately Managed Accounts Only)

Deviations from the investment policies and constraints outlined in this document may be authorized in writing by the Board of Trustees, which can determine if the aggregate deviation constitutes a material departure from the spirit of this investment policy.

The Board of Trustees, who can approve and implement changes, will review the investment policy as set forth in this document periodically. If at any time the investment manager believes that these objectives cannot be met or that the investment guidelines constrict performance, the Board of Trustees should be so notified in writing. By initial and continuing acceptance of these objectives and guidelines, the investment manager agrees to abide by the provisions of this document effective as of _____, 2005.

Investment Manager

XIV. INVESTMENT MANAGER SELECTIONS AND PERFORMANCE STANDARDS

It is desired that each investment manager and the Plan produce a level of return higher than the “market,” as represented by the style index standards shown in the table below. Each investment manager is expected to exceed the average return of the benchmark on a risk-adjusted basis over three- to five-year time periods. In addition, the investment managers are expected to exceed the policy index benchmark measured on a compound annual return basis and annualized over three- to five-year holding periods. Inflation shall be measured by the US CPI-U Index.

Investment Manager	Investment Objective/ Investment Style	Style Index Standard
Total Plan	Long-term growth and income. This is a balanced approach expected to earn long-term returns sufficient to keep pace or exceed the Plan’s liability growth rate, to fund plan benefits at a reasonable cost, and to keep pace with inflation.	Primary: 45% S&P 500/ 7.5% Russell 2000/ 2.5% MSCI EAFE/ 45% MLDM 1-10 yr Secondary: Rates of return should provide a premium of 4% over Inflation. Dollar weighted returns in excess of the Plan’s actuarial interest rate assumption 7.5%. Peer group comparisons to other public pension plans.
	Diversified portfolio invested in domestic and international equities, investment grade fixed income, real estate and cash equivalents.	Volatility is expected to be similar to the style index.
Domestic Large/Mid Cap Equity Portfolio	Seeks long-term growth. Current income is a secondary objective. Domestic large medium capitalization equity, may invest in stocks with growth and value characteristics.	Primary: 100% S&P 500 Secondary: Secondary comparisons to 100% S&P 500- a peer group universe comprised of other professionally managed large cap equity portfolios, such as ranking in the top half. Volatility is expected to be similar to, but may be higher than, the style index.
Domestic Small	Aggressive growth and diversification of the total Plan through exposure to smaller, less	Primary: 100% Russell 2000 Index

Cap Equities	seasoned companies. Current income is not a consideration. Domestic, small and medium capitalization equities and cash equivalents. Invests in stocks with growth and value characteristics.	Secondary: Secondary comparisons to 100% Russell 2000 Stock Index – a peer group universe comprised of other professionally managed small cap growth and/or value equity portfolios. Volatility is expected to be similar to, but may be higher than the style index.
International Equities	Long-term growth. Current income is a secondary consideration. Portfolio is expected to diversify the total portfolio through exposure to U.S. dollar denominated equity securities of non-US based companies and cash equivalents. The investment manager does not hedge against fluctuations in exchange rates.	Primary: 100% MSCI EAFE Stock Index (net) Secondary: Secondary comparisons to 100% EAFE Index- a peer group universe comprised of other professionally managed international equity portfolios. Volatility is expected to be similar to the style index.
Intermediate Domestic Fixed Income	Current income and volatility control. Manager invests in domestic investment grade fixed income and cash equivalents.	Primary: 100% ML Domestic Master Bond Index 1-10 yr. Secondary: Secondary performance comparisons to 100% MLDM 1-10 yr- a peer group comprised of other professionally managed fixed income portfolios. Volatility is expected to be similar to the style index.

**Asset Allocation – Risks and Rewards
Annual Returns 1946-2004**

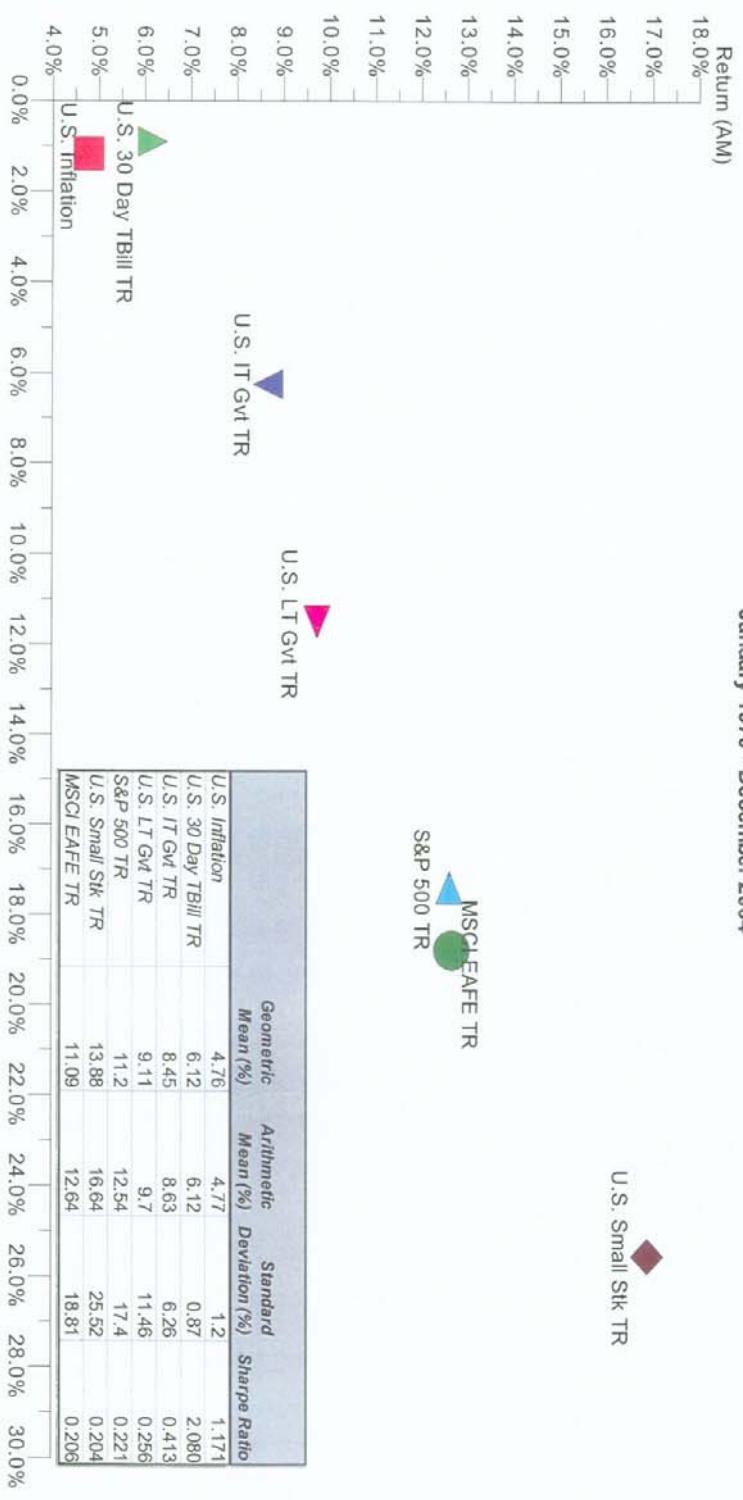
	Geometric Mean (%)	Arithmetic Mean (%)	Standard Deviation (%)	Sharpe Ratio	Highest Return (%)	Lowest Return (%)	Number Positive Years	Number Negative Years	Average Up Period Return (%)	Average Down Period Return (%)	Annual Return in Excess of Inflation (%)
100% Stocks	11.57	12.89	17.06	0.7556	52.62	-26.47	45	14	20.15	-10.47	7.21
100% Bonds	5.93	6.11	6.29	0.9705	29.1	-5.14	52	7	7.13	-1.49	1.79
100% Cash	4.63	4.67	3.04	1.5376	14.71	0.35	59	0	4.67	N/A	0.54
U.S. Inflation	4.07	4.13	3.59	1.149	18.16	-1.8	57	2	4.31	-1.15	0.00
90% Stocks 10% Cash	10.96	12.02	15.25	0.7883	46.62	-23.37	45	14	18.54	-8.93	6.62
80% Stocks 10% Cash 10% Bonds	10.47	11.31	13.54	0.8351	41.06	-20.35	45	14	17.10	-7.30	6.15
70% Stocks 20% Bonds 10% Cash	9.96	10.61	11.89	0.8919	35.68	-17.26	47	12	15.02	-6.68	5.66
60% Stocks 30% Bonds 10% Cash	9.43	9.92	10.32	0.9608	30.47	-14.12	47	12	13.73	-5.03	5.15
50% Stocks 40% Bonds 10% Cash	8.88	9.24	8.86	1.0428	25.52	-10.92	48	11	12.22	-3.81	4.62

40% Stocks 50% Bonds 10% Cash	8.31	8.56	7.55	1.1348	24.4	-7.66	48	11	11.04	-2.23	4.07
30% Stocks 60% Bonds 10% Cash	7.71	7.9	6.47	1.2206	25.12	-4.34	53	6	9.03	-2.06	3.50
20% Stocks 70% Bonds 10% Cash	7.1	7.25	5.75	1.2592	25.82	-2.95	55	4	7.88	-1.53	2.91
10% Stocks 80% Bonds 10% Cash	6.46	6.6	5.52	1.1963	26.49	-3.61	57	2	6.91	-2.19	2.30
No Stocks 90% Bonds 10% Cash	5.81	5.96	5.81	1.027	27.15	-4.26	52	7	6.90	-1.00	1.67

The investment strategy and implementation ideas shown in this report should be considered to be an illustration that may be impacted by market conditions. The outcomes are not guaranteed and your actual results could differ significantly for many reasons. The performance does not include the deduction of transaction costs, taxes, or advisory fees. The deduction of such costs and fees would reduce performance. It is not possible to invest directly into an index.

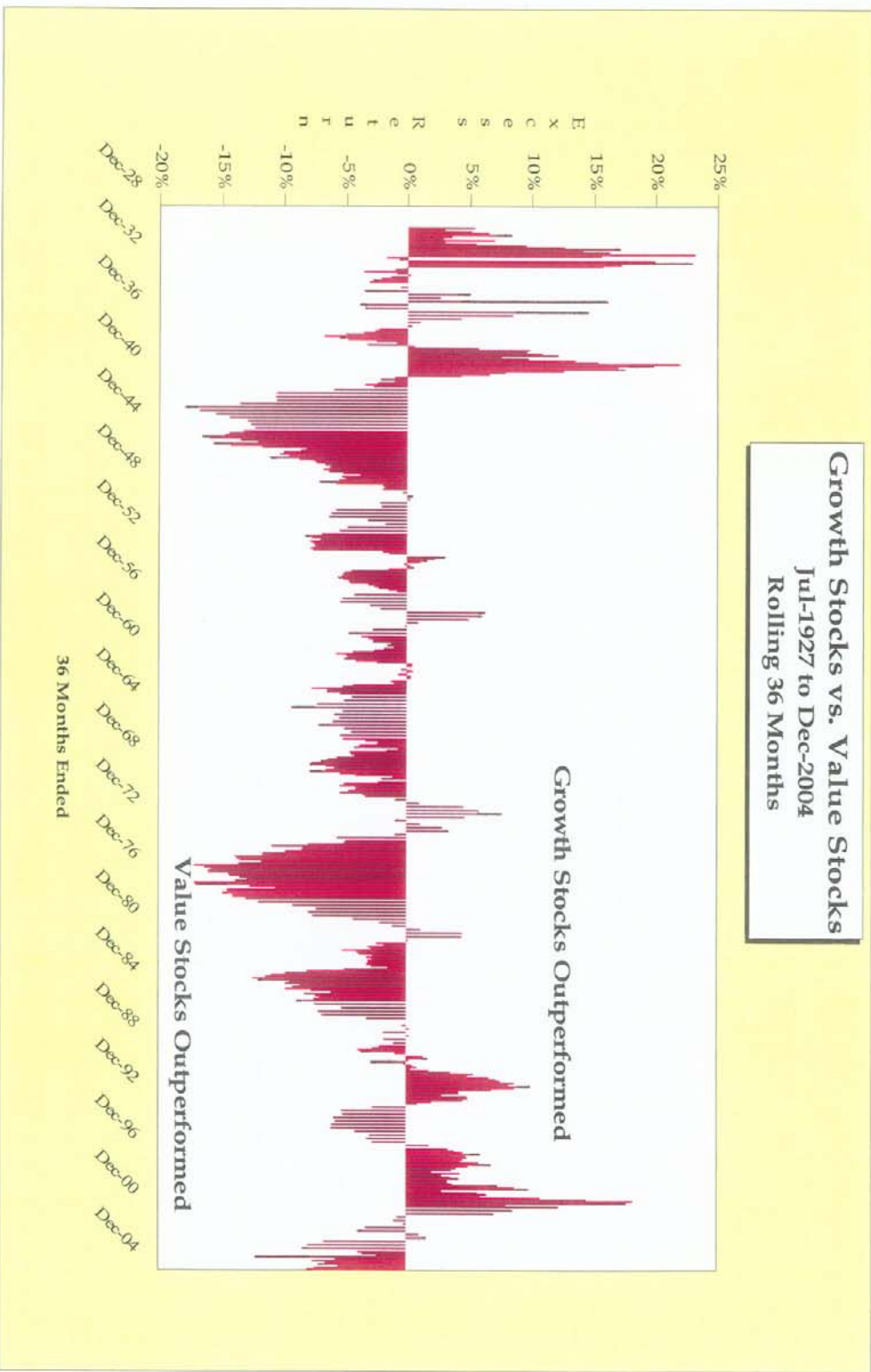
Long term Performance of World Capital Markets

Risk vs. Return
January 1970 - December 2004



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Growth Stocks vs. Value Stocks
 Jul-1927 to Dec-2004
 Rolling 36 Months



Merrill Lynch
 The investment strategy and implementation ideas shown in this report should be considered to be an illustration that may be impacted by market conditions. The outcomes are not guaranteed and your actual results could differ significantly for many reasons. The performance does not include the deduction of transaction costs, taxes, or advisory fees. The deduction of such costs and fees would reduce performance. It is not possible to invest directly into an index.

Twenty Year View on Asset Class Returns: Periodic Table

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Intl	58.72%	69.84%	24.93%	28.59%	39.43%	8.95%	46.84%	18.41%	32.94%	8.06%	38.19%	23.97%	38.53%	42.16%	28.29%	11.83%	9.44%	10.28%	47.25%	20.70%
Lg Cap Growth	21.67%	21.87%	6.93%	25.02%	31.69%	8.42%	38.37%	10.52%	18.88%	4.15%	37.58%	22.98%	33.38%	28.58%	27.30%	6.18%	4.42%	1.78%	38.17%	18.33%
Lg Cap Div	31.73%	21.04%	0.50%	21.67%	26.13%	30.47%	7.82%	18.59%	3.15%	37.60%	21.99%	29.89%	20.33%	21.20%	6.08%	2.49%	-10.03%	31.78%	15.71%	10.88%
SMD Cap	31.05	18.98	5.25%	16.61%	21.88%	-2.85%	25.18%	7.40%	13.15%	1.32%	28.45%	18.49%	22.38%	17.67%	1.04%	-1.23%	-4.42%	15.66%	26.68%	10.88%
Div Portfolio	30.69%	15.25%	15.07%	15.98%	16.26%	-3.10%	22.58%	6.75%	10.08%	0.17%	27.57%	13.90%	20.79%	14.87%	13.78%	-3.02%	-11.71%	-20.48%	10.34%	10.34%
Lg Cap Value	28.88	14.45	3.66%	11.60%	14.53%	6.85%	16.00%	5.99%	9.75%	-0.63	18.47%	6.36%	9.65%	6.99%	12.22%	-8.10%	-11.89%	-20.85%	23.00%	9.13%
Fixed Income	22.13	6.75%	2.76%	7.88%	10.60%	-19.46%	12.50%	3.93%	3.19%	-1.82%	11.55%	5.31%	5.33%	5.23%	4.85%	-13.96%	-12.73%	-22.10%	4.10%	4.34%
Cash	8.49%	5.80%	-8.80%	6.83%	8.99%	-25.20%	6.36%	-11.65%	1.89%	-2.92%	6.03%	3.63%	2.06%	-2.55%	-0.62%	22.08%	-21.21%	20.59%	1.15%	1.33%



The investment strategy and implementation ideas shown in this report should be considered to be an illustration that may be impacted by market conditions. The outcomes are not guaranteed and your actual results could differ significantly for many reasons. The performance does not include the deduction of transaction costs, taxes, or advisory fees. The deduction of such costs and fees would reduce performance. It is not possible to invest directly into an index.

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

Trustee Mitchell asked that changes be highlighted in final draft including dates and the changes made. Ms. Vanerian said that she could do a historical addendum of changes for the back of the policy.

NEW BUSINESS

MAPERS Fall Conference

Trustee Farrell commented that he would like to attend a conference in the spring.

Motion by Vice Chairperson Kukulis to send two members to the MAPERS Fall Conference.

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

Chairperson Robertson and Trustee Treadway volunteered to attend the Conference.

Report: Marie Vanerian, Merrill-Lynch: Complete picture of the portfolio showing stocks and bonds held by Money Managers

Ms. Vanerian presented the Board with copies of each money manager’s portfolio synopsis.

INVESTMENT MANAGER REPORT

Merrill-Lynch: Second Quarter 2005 Executive Summary Report

Ms. Vanerian commented regarding the second quarter stock market, real estate, federal intention to slow the real estate bubble down, best performers are the utilities, financial and health care.

Ms. Vanerian presented an overview of the following:

Total Portfolio Performance Summary for Period Ending 06/30/2005

	Source of Funds Thousands of Dollars		
	Quarter	Year to Date	Cumulative 12/91-6/05
Beginning Market Value	29,710	30,140	16,702
Net Contributions	-255	-424	-8,779
Investment Earnings	481	220	22,013
Ending Market Value	29,936	29,936	29,936

There was discussion regarding Fifth Third Bank, the amount of funds they hold, concern with who is handling our account at Fifth Third Bank, and meeting with Fifth Third Bank representatives.

There was further discussion regarding manager search procedures.

Trustee Davis left the meeting at 10:23 a.m.

Chairperson Robertson called a special board meeting for Thursday, September 22nd at 8 a.m. to meet with representatives from Fifth Third Bank to discuss the Board’s concerns.

The Board took a recess from 10:26 a.m. through 10:34 a.m.

Ms. Vanerian distributed copies of the description of the progress to go through in Manager Identification.

Ms. Vanerian obtained Trustees’ signatures for account documents.

NEXT BOARD MEETING -October 20, 2005

Motion by Trustee Farrell to set the meeting time of 7 a.m. starting with the October meeting and all meetings thereafter.

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

The City Clerk will notify the City Council of the time change.

City Attorney Brown recommended using a Consent Agenda format to reduce the time of the meeting.

ADJOURNMENT

Motion by Vice Chairperson Kukulis to adjourn the meeting at 10:47 a.m.

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

Gail L. Schultz, Owosso City Clerk