

**CITY OF OWOSSO  
EMPLOYEES RETIREMENT SYSTEM BOARD**

**SEPTEMBER 29, 2005**

**8:01 A.M.**

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

**ABSENT:** None.

**ALSO**

**PRESENT:** Marie Vanerian, representative from Merrill-Lynch; Dennis S. Mullins, Senior Relationship Manager from Fifth Third Asset Management, Inc.; City Attorney William C. Brown, and City Treasurer Ronald J. Tobey,

**CALL TO ORDER**

Chairperson Robertson called the meeting to order at 8:01 a.m.

**INVESTMENT MANAGER REVIEW – FIFTH THIRD BANK**

Dennis Mullins, Senior Relationship Manager from Fifth Third Asset Management, Inc. introduced himself. Marie Vanerian, Investment Consultant from Merrill-Lynch was also present.

Chairperson Robertson explained the reason for calling this Special Meeting was because of the lack of response from Fifth Third representatives.

Mr. Mullins distributed copies of "A Presentation for Investment Management Services – City of Owosso Pension Plan, September 29, 2005" to Board Trustees. He commented that he kind of knew what had transpired prior to his coming on board. He talked about the development of Fifth Third Asset Management, Inc. as centralized management of asset management in one office (Cincinnati – headquarters; Grand Rapids – fixed income) for institutional customers.

Mr. Mullins commented regarding his prior experience and the experience of the asset management team. He reported that there should be fewer turnovers in representatives than we have previously experienced. John Schmitz and his team will manage our assets. This team only provides service to institutional clients such as pension funds and endowments.

Chairperson Robertson asked Mr. Mullins why it had taken so long for us to be placed in "your" group. Mr. Mullins commented that this dedicated institutional asset management division was created only about a year ago. Chairperson Robertson commented that the Board hasn't been happy with Fifth Third Bank management services during her tenure. Mr. Mullins responded that "(the City's) is not a pretty file to read through".

Ms. Vanerian commented regarding the problems with previous representatives from Fifth Third Bank. She commented that she doesn't feel that the previous representatives were trained to handle our type of account. Trustee Farrell questioned Mr. Mullins' lack of response. Ms. Vanerian commented regarding her attempt to contact Mr. Mullins and that when she finally connected with him she understood what he did.

Trustee Mitchell commented regarding the "layers we have had to wade through to get to this point". Mr. Mullins commented regarding the company trying to get things straightened out by taking the opportunity to step out and take charge of asset management away from the bank management group. He commented regarding the looming argument about trading issues and fees. He determined that a check needed to be cut to settle the issue and move on. It took a while to get the check to us because of their administrative layers.

Chairperson Robertson asked Mr. Mullins if he managed the investment of our portfolio. Mr. Mullins responded that John Schmitz and his team were the managers of our portfolio. Mr. Mullins serves as the proxy for John Schmitz in meeting with clients. It is their strategy to keep John Schmitz in the office "watching the screens", working with investors; working with the trading departments, and research, etc.

Trustee Kukulis asked who we contact if Mr. Mullins is not available. Mr. Mullins advised that his partner, Jennifer Trowbridge, should be contacted.

Ms. Vanerian asked if our changing investment strategies had anything to do with us ending up with Mr. Mullins. Mr. Mullins reported that the timing was coincidental.

Mr. Mullins commented the fixed income portion of the portfolio is still managed by Mitch Shapely in the Grand Rapids office. He also commented regarding their quality core investment philosophy. Trustee Farrell asked if the returns we have seen previously were because of a different strategy. Ms. Vanerian answered yes. Trustee Farrell asked how long they have been using the new strategy. Ms. Vanerian answered two or three months.

There was further discussion involving costs to the Pension Fund; Ms. Vanerian looking for a style to cut down on transaction costs; higher fixed trades than the other two management groups; and continuing done-away fees. Trustee Kukulis asked why we were still incurring all these done-away fees. Ms. Vanerian said she is taking care of these fees. Mr. Mullins commented that trading should be all straightened out and that he will work with Ms. Vanerian to make sure that we don't pay any done away fees.

Mr. Mullins summarized his comments by saying that 1) the key to having your portfolio with them is focus; we are the only type of clients they serve; and 2) having dedicated professional investment professionals to handle our accounts and meet our goals. He also commented that turnover of their staff is non-existent.

Chairperson Robertson thanked Mr. Mullins for coming to our meeting. She said that the Board has been disappointed with the prior services of Fifth Third Bank and hopes that our relationship will be better going forth.

Trustee Mitchell asked Mr. Mullins if this has been a growing pain of Fifth Third Bank. Mr. Mullins responded "transitional pain"; and that he came from the outside to help fix asset management concerns. The Bank Trust Model is part of the past and is not done that way any more. He commented that technology has made it so that banking is not local anymore. He commented that it is important the Board provides the oversight it does and not important that our assets are not being managed "down the street". Chairperson Robertson commented that it is important that our manager maintain good, current contact with our Board when the bank down the street is not managing our assets.

Mr. Mullins is willing to meet with the Board quarterly if necessary. He will coordinate with Merrill-Lynch and follow their lead. Ms. Vanerian commented that the Board meets with the managers at least once a year. She also commented that they were working on a better relationship. She also commented about working with Mr. Mullins to get the done away fee issue resolved and that she had provided him with background information on prior activities to get "him on board".

## **OTHER BUSINESS**

Ms. Vanerian distributed bound copies of recently adopted Investment Policy to Trustees.

Ms. Vanerian also requested information from the Trustees regarding their name, address, DOB, and SSN for account information related to the Patriot Act.

## **ADJOURNMENT**

Motion by Trustee Davis to adjourn the meeting at 9:25 a.m.

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

---

Gail L. Schultz, Owosso City Clerk