

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

AUGUST 17, 2006

7:00 A.M.

CALL MEETING TO ORDER

Chairperson Robertson called the meeting to order at 7:13 a.m.

ROLL CALL

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

ABSENT: None.

ALSO

PRESENT: City Attorney William C. Brown; City Treasurer Ronald J. Tobey; City; Merrill Lynch Investment Consultant Marie Vanerian and Client Associate Maral Demir.

Note – Trustee William Blanchett was deemed ineligible to serve on the Board due to a promotion to Sergeant prior to the meeting.

APPROVE AGENDA

Motion by Trustee Owen to approve the Agenda as presented.

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

APPROVE MINUTES OF JUNE 15, 2006 REGULAR MEETING

Motion by Trustee Farrell to approve the Minutes of the June 15, 2006 Regular Meeting as presented.

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

CITIZENS COMMENTS

There were no citizen comments.

CONSENT AGENDA

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

Pension Check Reports:

- | | |
|---------------|---------------|
| 1. June, 2006 | \$107,832.29 |
| 2. July, 2006 | \$ 104,962.15 |

Statements:

1. Chemical Bank and Trust Company
June and July, 2006
2. Tom Johnson Investment Management, Inc.
Period ending June 30, 2006

3. City of Owosso Employees Retirement Fund
 May 31, 2006; June 30, 2006 pre-closing entries;
 June 30, 2006 Year End; and July 31, 2006

Payment Authorizations:

Payee	Amount
<u>Fifth Third Bank</u> Investment Management Services for period 04/01/06 through 06/30/06	\$3,461.95
<u>Tom Johnson Investment Management, Inc.</u> Investment Management Services for Period 04/01/06 though 06/30/06	\$9,609.79
<u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – June, 2006 Report of Checks Written – July, 2006	\$149,305.38 \$105,940.66

Motion supported by Trustee Treadway.

Roll Call Vote.

AYES: Trustee Farrell, Vice Chairperson Kukulis, Trustees Mitchell, Owen, Chairperson Robertson, and Trustee Treadway.

NAYS: None.

COMMUNICATIONS

- Tom Johnson Investment Management, Inc. Client Privacy Policy

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

- Gabriel, Roeder, Smith and Company: *News Scan* and *Research Memo*
- Gabriel, Roeder, Smith and Company: *GRS Insight*
- PlanSponsor: June and July 2006
- Miscellaneous Conference Announcements

OLD BUSINESS

CONSULTING SERVICES DISCLOSURE STATEMENT. Marie Vanerian, Merrill Lynch.

City Attorney Brown commented that he had received a copy and felt the language was standard and acceptable.

NEW BUSINESS

APPLICATION FOR DISABILITY RETIREMENT – Gail L. Schultz

Motion by Vice Chairperson Kukulis to approve the application for disability retirement from Gail L. Schultz effective September 23, 2006.

Motion supported by Trustee Farrell.

Roll Call Vote.

AYES: Trustee Farrell, Vice Chairperson Kukulis, Trustees Mitchell, Owen, Chairperson Robertson, and Trustee Treadway.

NAYS: None.

Trustee Mitchell commented on his desire to see a more detailed written policy on the handling of disability retirements.

THIRD AMENDED DOMESTIC RELATIONS ORDER - Stanley

Motion by Vice Chairperson Kukulis to approve the Third Amended Domestic Relations Order for the City of Owosso Employee Retirement Systems dated June 13, 2006 as it relates to Ross L. Stanley and Diana K. Stanley n/k/a Babila summarized as follows:

The Alternate Payee shall receive no portion of the benefits from the Plan and the Plan shall pay no benefits to the Alternate Payee. This amends paragraph 5 of the Second Amended Domestic Relations Order dated April 27, 2006.

The Participant, the Alternate Payee and the Court intend this Order to be a DRO under the Plan and related legislation.

This assignment of benefits does not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan.

This assignment does not require the Plan to provide increased benefits, determined on the basis of actuarial equivalent values. This assignment does not require the Plan to provide benefits to the ex-spouse which are required to be paid to another ex-spouse under another Order previously determined to be a DRO or EDRO.

Since the Alternate Payee is to receive no portion of the benefits, the Alternate Payee will receive no survivorship benefits, and nothing will be paid after the death of the Participant.

In the event the administrator of the Plan determines this Order not to be a DRO satisfactory to the Plan, the Participant and the Alternate Payee hereby agree to submit to and request a court of competent jurisdiction to modify the Order to make it a DRO satisfactory to the Plan in such a manner that will reflect the parties' intent as herein expressed and thereafter to enter an Order modifying this Order to comply with the Plan and related legislation.

Motion supported by Trustee Treadway.

Roll Call Vote.

AYES: Trustee Farrell, Vice Chairperson Kukulis, Trustees Mitchell, Owen, Chairperson Robertson, and Trustee Treadway.

NAYS: None.

MAPERS Fall Conference

There was general discussion regarding who would attend and the cost of attendance.

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

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

SERVICE CREDIT REEMPLOYED MEMBERS. Ronald J. Tobey, City Treasurer.

City Treasurer Tobey described the similarities and differences between the Retirement Ordinance and the Reciprocal Act, both of which may govern the eligibility of former retirement system members reentering the system. Treasurer Tobey posed two questions: Would the City allow former members of the system to buy back in upon returning to service within the guidelines provided by the Reciprocal Act? If so, upon retirement will two factors be used to calculate the pension or will the old service time be added to the new service time? It was pointed out there is one current employee affected by this situation.

There was general discussion regarding whether buying back time includes the principal plus the rate of return, drawbacks to adding the Reciprocal Act allowance, the need to be fair in respect to returning City of Owosso employees and those coming from other municipalities, the need to change the Retirement Ordinance to reflect decisions made by the Board and Council, the number of employees potentially affected by the proposed change, and the need to act quickly to prevent affected personnel from becoming ineligible due to time requirements.

Motion by Vice Chairperson Kukulis to recommend changes to the Retirement Ordinance to reflect the Reciprocal Act and allow employees to buy back into the system for previous time served with two factors used to calculate the pension (if needed).

Motion supported by Trustee Farrell.

Roll Call Vote.

AYES: Trustee Farrell, Vice Chairperson Kukulis, Trustees Mitchell, Owen, Chairperson Robertson, and Trustee Treadway.

NAYS: None.

There was further discussion regarding how to apply the Ordinance and the Reciprocal Act with a system that is closed to new hires and concern regarding establishing policies that are retroactive. It was agreed this change is not to be applied retroactively.

Motion by Trustee Owen to recommend City Council review of Section 4-411(c) of the Code of Ordinances with the recommendation it reflect the Reciprocal Act and allow employees to buy back into the system for previous time served with two factors used to calculate the pension (if the member is currently in the system).

Motion supported by Trustee Treadway.

Roll Call Vote.

AYES: Trustee Farrell, Vice Chairperson Kukulis, Trustees Mitchell, Owen, Chairperson Robertson, and Trustee Treadway.

NAYS: None.

REVIEW OF INVESTMENT MANAGER SEARCH. Marie Vanerian, Merrill Lynch.

Due to the large amount of information that needs to be reviewed Ms. Vanerian suggested scheduling a separate meeting to consider the information presented in the Investment Manager Search books. The Board tentatively agreed to meet on Wednesday, September 20, 2006 at 6:00pm at Eddie O'Flynn's. Invitations will be issued to City Manager Gregg G. Guetschow, City Treasurer Ronald J. Tobey, and Finance Director Richard C. Williams.

Ms. Vanerian also prompted the Board to indicate the school of thought they wish to pursue in relation to the investment manager search. There was general discussion regarding the advantages and disadvantages of Core management vs. Value/Growth management. Asked for her opinion Ms. Vanerian stated that in her experience Value/Growth management produced better results as managers have expert knowledge in their given area rather than general knowledge about the entire field similar to Core managers. She also indicated that monitoring Value/Growth managers may be easier as goals and benchmarks are more clear cut. She also pointed out that concentrating on a Value/Growth approach would preclude current investment managers from the search.

It was agreed to pursue a Value/Growth approach with the Investment Manager Search.

INVESTMENT CONSULTANT REPORT. Marie Vanerian, Merrill Lynch.

Ms. Vanerian presented an overview of the following:

Total Portfolio Performance Summary for Period Ending 06/30/2006

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 12/91-03/06
Beginning Market Value	31,197		16,702
Net Contributions	-292		-9,708
Investment Earnings	-390		23,521
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Ending Market Value	30,515		30,515

CITIZENS COMMENTS

There were no citizen comments.

NEXT BOARD MEETING

The next special board meeting is scheduled for September 20, 2006 at 6:00 p.m.
The next board meeting is scheduled for October 19, 2006 at 7:00 a.m.

ADJOURNMENT

Motion by Trustee Mitchell for adjournment at 9:09 a.m.

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

Amy K. Kohagen, Owosso Deputy City Clerk