

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

FEBRUARY 15, 2007

7:04 A.M.

CALL MEETING TO ORDER

Chairperson Robertson called the meeting to order at 7:04 a.m.

ROLL CALL

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

ABSENT: Trustees Michael C. McCloskey and Mark D. Owen.

ALSO

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

APPROVE AGENDA

Motion by Vice Chairperson Kukulis to approve the Agenda as presented with the following additions/changes:

Payment Authorizations

- e. Ronald J. Tobey, City Treasurer
Report of Checks Written – January 2007 \$13,709.78
- f. Chemical Bank \$2,831.38
For period 12/01/2006 through 12/31/2006

New Business

- 3. Removal of Defined Benefit funds for Anita Kimbrough Ron Tobey, City Treasurer

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

APPROVE MINUTES OF DECEMBER 21, 2006 REGULAR MEETING

Motion by Trustee Farrell to approve the Minutes of the December 21, 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 Trustee Treadway to approve the consent agenda as follows:

- 1. Approve Pension Check Reports:
 - a. December 2006 \$ 111,824.52

b. January 2007 \$ 112,449.05

2. Approve Statements:

- a. Chemical Bank and Trust Company
December 2006
- b. Tom Johnson Investment Management, Inc.
December 2006
- c. City of Owosso Employees Retirement Fund
December 31, 2006 and January 31, 2007 (to be presented at the meeting).
- d. Merrill Lynch Consulting Services
January 1, 2006 through November 30, 2006

Payment Authorizations:

Payee	Amount
<u>City of Owosso, General Fund</u> Audit Costs	\$4,920.00
<u>Tom Johnson Investment Management, Inc.</u> For period 10/01/06 through 12/31/06	\$10,150.21
<u>Rigel Captial, LLC</u> For period 01/05/07 through 03/31/07	\$13,528.14
<u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – December, 2006 Report of Checks Written – January, 2007	\$121,629.39 \$113,709.78
<u>Chemical Bank and Trust</u> Investment Management Services for period of 12/01/2006 through 12/31/2006	\$2,831.38

Motion supported by Vice Chairperson Kukulis.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees McCloskey and Owen.

COMMUNICATIONS

- Rigel: 4th Quarter Performance Report

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

- Merrill Lynch: *4th Quarter AIM report, CD format*
- Leuthold Group; *Market Research Report*
- Gabriel, Roeder, Smith & Company: *News Scan, December 2006*
- National City: *Financial Market Outlook, January 2007*
- Institutional Investor: *December 2006 and January 2007*
- Corporate Governance: *1st Quarter 2007*
- Plan Sponsor: *December 2006, January 2007, and Special Edition*
- National City: *Corporate Insights, Winter 2007*
- MAPERS: *Pension Scope, Winter 2006*

OLD BUSINESS

STATUS REPORT - TRANSITION TO NEW MONEY MANAGERS Marie Vanerian, Merrill Lynch

Ms. Vanerian reviewed the transition process indicating money was transferred to the new managers the last business of the year, December 29, 2006. At that time the money was rebalanced to follow the ratios established by the Board.

She further indicated the transition from Fifth Third Bank to Franklin Templeton was the cause of some concern. The Fifth Third portfolio included many assets that were illiquid and unable to be sold due to their small bond increments. As the result of a conference call with Merrill Lynch Consultant Vanerian, the Merrill Lynch Compliance Department, Fifth Third Bank and Franklin Templeton Investments, Fifth Third agreed to advise Franklin Templeton as needed to liquidate the portfolio without compromising the selling price.

On behalf of the new money managers Ms. Vanerian sought permission from the Board for internet access to individual accounts to view changes and progress.

Motion by Vice Chairperson Kukulis to allow Franklin Templeton Institutional, LLC, M.D. Sass Associates, Inc., and Rigel Capital, LLC internet access to their individual Merrill Lynch accounts with viewing rights only.

Motion supported by Trustee Mitchell.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees McCloskey and Owen.

Ms. Vanerian also indicated Franklin Templeton and Rigel would be presenting proposed changes to the investment policy at the next board meeting.

NEW BUSINESS

DISCUSSION OF PROPOSED 2007-2008 BUDGET Ronald J. Tobey, City Treasurer

Mr. Tobey indicated there were few changes from year to year for the Retirement Board Budget. He also indicated that some money is budgeted to pay fees in case soft dollars are not available.

Motion by Vice Chairperson Kukulis to accept the 2007-2008 Retirement Board budget as presented.
 Motion supported by Trustee Farrell.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees McCloskey and Owen.

MERRILL LYNCH DISCLOSURE DISCUSSION Marie Vanerian, Merrill Lynch Consultant

Ms. Vanerian explained to the Board that Merrill Lynch had adopted a change in the conversion number used to change hard dollars to soft dollars. The new ratio will be 1.6 to 1 and is retroactive to January 1, 2003. A check was issued to the System for \$1,665.88 to cover the retroactive period.

Ms. Vanerian also reported Merrill Lynch will be issuing a monthly report to help the Board track soft dollars. In addition, Merrill Lynch will now allow soft dollars to be carried over from year to year.

In other news, Ms. Vanerian indicated Merrill Lynch had neglected to invoice the System for the cost of the manager searches performed in 2006 and has since decided the City will not be billed for those services. Ms. Vanerian suggested the budgeted funds be used to perform two more manager searches in the coming year.

REMOVAL OF DEFINED BENEFIT FUNDS FOR ANITA KIMBROUGH Ronald J. Tobey, City Treasurer

Motion by Trustee Treadway to allow the roll over of defined benefits funds for Anita Kimbrough into the pre-tax retirement account of her choice.

Motion supported by Vice Chairperson Kukulis.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees McCloskey and Owen.

INVESTMENT CONSULTANT REPORT.

Ms. Vanerian presented an overview of the following:

Total Portfolio Performance Summary for Period Ending 12/31/2006

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 12/91-09/06
Beginning Market Value	31,405		16,702
Net Contributions	-401		-10,389
Investment Earnings	1,486		26,178
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Ending Market Value	32,491	32,491
<u>CITIZENS COMMENTS</u>		

There were no citizen comments.

NEXT BOARD MEETING

The next board meeting is scheduled for April 19, 2007 at 7:00 a.m.

ADJOURNMENT

Motion by Vice Chairperson Kukulis for adjournment at 7:59 a.m.

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

Amy K. Kohagen, Owosso City Clerk