

**CITY OF OWOSSO
EMPLOYEES RETIREMENT SYSTEM BOARD**

JUNE 14, 2007

7:06 A.M.

CALL MEETING TO ORDER

Chairperson Robertson called the meeting to order at 7:06 a.m.

ROLL CALL

PRESENT: Chairperson Linda Robertson, Vice Chairperson Frances Kukulis, Trustees Wilfred A. Farrell, Michael C. McCloskey, and James R. Treadway.

ABSENT: Trustees Mark Mitchell and Mark D. Owen.

ALSO

PRESENT: City Attorney William C. Brown; City Clerk Amy K. Kohagen; Clerk's Assistant Roxane Cramer, City Treasurer Ronald J. Tobey; Merrill Lynch Investment Consultant Marie Vanerian; and Merrill Lynch Client Associate Maral Thomas.

APPROVE AGENDA

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

CONSENT AGENDA

Approve Statements:

- d. City of Owosso Employees Retirement Fund
May 31, 2007

OLD BUSINESS

- 1. Management of the defined contribution plan for the Department of Public Works.

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

APPROVE MINUTES OF APRIL 19, 2007 REGULAR MEETING

Motion by Vice Chairperson Kukulis to approve the Minutes of the April 19, 2007 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 Farrell to approve the consent agenda as follows:

- 1. Approve Pension Check Reports:

- a. April 2007 \$ 111,977.09
- b. May 2007 \$ 111,753.45

2. Approve Statements:
 - a. Franklin Templeton Investments
As of March 31, 2007
 - b. MD Sass
As of March 31, 2007
 - c. Rigel Capital
As of March 31, 2007
 - d. City of Owosso Employees Retirement Fund
April 30, 2007 and May 31, 2007

Payment Authorizations:

Payee	Amount
<u>MD Sass</u> For period 01/01/07 through 03/31/07	\$11,334.15
<u>Franklin Templeton Investments</u> For period 01/01/07 through 03/31/07	\$ 8,476.71
<u>Gabriel Roeder Smith & Company</u> For period 07/01/06 through 06/30/07	\$ 16,030.00
<u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – April 2007	\$128,993.59
<u>Ronald J. Tobey, City Treasurer</u> Report of Checks Written – May 2007	\$117,653.57

Motion supported by Trustee Treadway.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees Mitchell and Owen.

COMMUNICATIONS

- Amy K. Kohagen, City Clerk – Fire Division Union Employees Representative Election Results

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

- Franklin Templeton Fixed Income Report: *1st Quarter 2007*
- Rigel Capital: *Large Cap Growth, 1st Quarter Comments*
- National City: *Financial Market Outlook, April and May 2007*
- Gabriel, Roeder, Smith & Company: *News Scan, April 2007*
- Gabriel, Roeder, Smith & Company: *GRS Insight, April 2007*
- iShares: *Semi-Annual Report – January 31, 2007*
- Corporate Governance: *2nd Quarter 2007*
- National City: *Corporate Insights, Spring 2007*
- Plan Sponsor: *April and May 2007*
- Institutional Investor: *April and May 2007*

OLD BUSINESS

MANAGEMENT OF THE DEFINED CONTRIBUTION PLAN FOR THE DEPARTMENT OF PUBLIC WORKS EMPLOYEES William C. Brown, City Attorney

In response to an inquiry from Trustee Mitchell City Attorney Brown indicated that ICMA manages the funds in the defined contribution plan on behalf of City employees. He also indicated he would be distributing further information on the subject to Board members in the near future.

NEW BUSINESS

POLICE TRANSFERS TO MERS Ronald J. Tobey

City Treasurer Tobey laid out the details of the recent transfer of police officers from the Retirement System to MERS. He indicated that approximately 4 people had been transferred recently with MERS requiring much less money than his calculations indicated. He brought the issue to MERS and was reassured the lower amount was appropriate and their system was well funded. He felt the lower funding level inadvertently pitted one retirement group against another by overfunding one group and underfunding the other. Continued skepticism led him to contact James Kos of Gabriel, Roeder, Smith & Company. Mr. Kos expressed concern over the low amount of money required by MERS to complete the transfers and indicated he felt MERS should be contacted yet again regarding this discrepancy. Mr. Tobey was seeking Board approval to contact MERS again regarding the funding required for employee transfer.

Motion by Vice Chairperson Kukulis to initiate contact with MERS to rectify possible underfunding.

There was general discussion regarding MERS liability in relation to the lower funding level, if MERS could come back on the City pension plan, handling things properly now to avoid trouble in the future, trusting MERS in regard to future transactions, inquiring at MERS with someone other than our regular contact, documentation of previous employee transfers, the amount of exposure being referred to, the Board's responsibility to mitigate potential liabilities, and insisting on written documentation when addressing the problem.

Motion supported by Trustee Treadway.

Motion by Vice Chairperson Kukulis to amend the previous motion to include "in writing".

Motion to amend supported by Trustee Treadway.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees Mitchell and Owen.

CONSIDERATION OF INTEREST RATE (CURRENTLY 5%) ON EMPLOYEE CONTRIBUTIONS

There was general discussion about how long the interest rate had been fixed at 5% and how it equated to the market interest rate.

Motion by Trustee Farrell to set the Interest Rate on Employee Contributions at 5%.

Motion supported by Trustee McCloskey.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees Mitchell and Owen.

2006 SUMMARY ANNUAL REPORT AND LIST OF EXPENSES PAID BY SOFT DOLLARS REPORT

Motion by Trustee Farrell to accept the 2006 Summary Annual Report and List of Expenses Paid by Soft Dollars Report as follows:

CITY OF OWOSSO EMPLOYEES RETIREMENT SYSTEM
2006 Summary Annual Report and List of Expenses Paid by Soft Dollars

The Public Employees Retirement System Investment Act requires the City of Owosso Employees Retirement System to prepare and issue a summary annual report and to publish and make available annually a list of all expenses paid by soft dollars. The following information is provided for the year 2006.

The name of the retirement system is the City of Owosso Employees Retirement System. The Retirement System's investment fiduciaries are:

BOARD OF TRUSTEES: Wilfred Farrell
Frances Kukulis
Michael McCloskey
Mark Mitchell
Mark Owen
Linda Robertson
James Treadway

INVESTMENT MANAGERS: Fifth Third Bank
Chemical Bank and Trust
Tom Johnson Investment Mgt. Inc.

As reported in the actuarial valuation for the annual period ending December 31, 2006, the Retirement System's valuation assets were \$32,505,226 and its actuarial accrued liabilities were \$29,886,924, which produced a funded ratio of 108.8.

For the annual period ending December 31, 2006, the Retirement System's investment performance on a mark to market basis (net of manager fees and transaction costs) was 11.4%. On December 31, 2006, the market value of the assets was \$32,166,976.

For the annual period ending December 31, 2006, the Retirement System's non-soft dollar expenses were \$114,364 and benefit payments and member refunds were \$1,369,398. Expenses paid by soft dollars totaled \$8,600. Employer contributions required for the year covered by the report total \$130,844.

Motion supported by Trustee Treadway.

Roll Call Vote.

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

NAYS: None.

ABSENT: Trustees Mitchell and Owen.

INVESTMENT CONSULTANT REPORT.

Ms. Vanerian presented an overview of the following:

Total Portfolio Performance Summary for Period Ending 03/31/2007

	Source of Funds Thousands of Dollars		
	Quarter		Cumulative 12/91-09/06
Beginning Market Value	32,526		16,702
Net Contributions	-320		-10,709
Investment Earnings	343		26,556
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Ending Market Value	32,550		32,550

Ms. Vanerian also commented on the status of the investment policy review (ongoing) and the status of the transition between Fifth Third Bank and Franklin Templeton Investments (transition is progressing and she is keeping track of all correspondence).

CITIZENS COMMENTS

There were no citizen comments.

NEXT BOARD MEETING

The next board meeting is scheduled for August 16, 2007 at 7:00 a.m.

ADJOURNMENT

Motion by Vice Chairperson Kukulis for adjournment at 8:15 a.m.

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

Amy K. Kohagen, Owosso City Clerk