

**CITY OF OWOSSO
EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES
REGULAR MEETING
OWOSSO CITY HALL COUNCIL CHAMBER**

OCTOBER 26, 2016

7:15 AM

CALL MEETING TO ORDER:

Chairperson Farrell called the meeting to order at 7:17 a.m.

ROLL CALL:

PRESENT: Trustees Richard Brewbaker, Burton Fox, Elaine Greenway (7:44 a.m.), Andrew Reed, Vice Chairperson Bobbi Jo Perry, and Chairperson Wilfred Farrell.

ABSENT: None.

ALSO

PRESENT: City Attorney William C. Brown; Graystone Consultant Michael Holycross; City Clerk Amy K. Kirkland; City Treasurer Andrea K. Smith.

APPROVE AGENDA:

Motion by Trustee Foxt to approve the Agenda noting the change in the MD Sass invoice as well as the distribution of hard copies of the Graystone invoice.

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

APPROVE MINUTES OF AUGUST 24, 2016 ORGANIZATIONAL MEETING:

Motion by Trustee Fox to accept the minutes of the August 24, 2016 Organizational Meeting as presented.

Motion supported Trustee Brewbaker and concurred in by unanimous vote.

APPROVE MINUTES OF AUGUST 24, 2016 REGULAR MEETING:

Motion by Trustee Fox to accept the minutes of the August 24, 2016 Regular Meeting as presented.

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

CITIZEN COMMENTS:

There were no citizen comments.

CONSENT AGENDA:

Motion by Trustee Sedlak to approve the consent agenda as follows:

Approve Pension Check Reports:

- | | |
|-------------------|---------------|
| a. August 2016 | \$ 220,563.41 |
| b. September 2016 | \$ 220,563.41 |

Approve Statements:

- a. Atlanta Capital – Small Cap
3Q 2016
- b. Franklin Templeton Investments – Fixed Income
As of September 30, 2016
- c. Harding Loevner – International Growth
3Q 2016
- d. Loomis Sayles/Natixis – Large Cap Growth
3Q 2016
- e. MD Sass – Large Cap Value
3Q 2016
- f. NFJ-Allianz – International Value
3Q 2016
- g. City of Owosso Employees Retirement Fund
As of August 31, 2016
- h. City of Owosso Employees Retirement Fund
As of September 30, 2016

Payment Authorizations:

- | | |
|--|---------------|
| a. <u>Franklin Templeton Investments</u>
For period 07/01/16 through 09/30/16 | \$ 6,849.35 |
| b. <u>Franklin Templeton Investments</u> – former Fifth Third equities
For period 07/01/16 through 09/30/16 | \$ 300.00 |
| c. <u>Loomis Sayles/Natixis</u>
For period 10/01/2016 through 12/31/2016 | \$ 14,215.51 |
| d. <u>M.D. Sass</u>
For period 07/01/16 through 09/30/16 | \$ 9,229.05 |
| e. <u>Morgan Stanley – Graystone Consulting</u>
For period 10/01/2016 through 12/31/2016 | \$ 25,134.39 |
| f. <u>Andrea K. Smith, City Treasurer</u>
Report of Checks Written – August 2016 | \$ 287,964.23 |
| g. <u>Andrea K. Smith, City Treasurer</u>
Report of Checks Written – September 2016 | \$ 222,688.05 |

Death Acknowledgements:

- a. Roselyn Geeting, beneficiary of Marvyn Geeting, passed September 23, 2016.

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

COMMUNICATIONS:

- Amy K. Kirkland, City Clerk – MD Sass Fee Concession
- Amy K. Kirkland, City Clerk – Election of General City Non-union member postponed
- Amy K. Kirkland, City Clerk – Status of medical director
- Morgan Stanley – *On the Markets, October 2016*
- Gabriel Roeder & Smith – *NewsScan September 2016*
- Gabriel Roeder & Smith – *Perspectives, October 2016*
- MD Sass – *Third Quarter Outlook, October 2016*

Trustee Sedlak indicated that he had spoken with a number of General City Non-Union members and was concerned that no one would come forward to take his spot on the board once he retires. He said that he would be willing to stay on if needed.

The discussion then shifted to the status of the System's medical director. City Clerk Kirkland indicated that the System's long-time medical director had taken a fellowship in Georgia and would be unable to serve any longer. She went on to say that she was unsure of the process to appoint another medical director. City Attorney Brown said he thought the Board could simply make the appointment, without the need for a big process. Chairperson Farrell said he would check the list of doctors at the hospital to see if anyone fit the bill.

OLD BUSINESS:

Graystone Consultant Holycross noted that per the request made during the August meeting his staff had secured a fee concession from MD Sass (as reflected in the adjusted invoice).

MD Sass Performance & Status

Mr. Holycross provided Board members with a handout illustrating MD Sass's performance during the third quarter as well as over the course of the last 5 years. The portfolio was up for the quarter beating the benchmark 4.65 to 3.48. It appeared they gained ground with their sector allocation, but missed out on some returns due to poor stock choices. Mr. Holycross indicated that while Sass was up in the latest quarter they have underperformed the benchmark by about 10% over the last year. This underperformance combined with a management fee that remains high in comparison to other available large cap managers makes it hard for him to recommend keeping the manager. He said they would continue to monitor the firm through the 4th quarter according to the instruction of the Board.

Retiree Service on the Board of Trustees

City Attorney Brown highlighted the resolution before the Board noting that the resolution was based on two assumptions: 1. That the retiree belongs to a closed employee group, and 2. That the same group would be the only group to vote for the retiree board member. He went on to say that he felt it was best to address the resolution first so that it could function as a guide when preparing the text of the ordinance amendment.

There was discussion regarding how the trustee election process should be changed to accommodate the inclusion of retirees on the Board. Consultant Holycross indicated that some other Michigan systems include retirees on the board and this Board may benefit from finding out how they handle the issue. He

suggested contacting the City of Warren retirement system to see how they handle the mechanics of retiree service on the board. Trustee Sedlak noted that it would be his preference to require that a retiree must be a member of the group they represent and that active employees be given the first opportunity to fill a vacancy for their group. There was a consensus to see what other systems do in regard to retiree service on the board, in the meantime City Attorney Brown will draw up the ordinance for submission to City Council.

Motion by Trustee Brewbaker to authorize the following resolution requesting City Council amend the Retirement Ordinance to allow the service of retirees on the Board of Trustees.

RESOLUTION NO. R-01-2016

**RESOLUTION OF CITY OF OWOSSO
RETIREMENT SYSTEM BOARD**

WHEREAS the Owosso Code at Section 2-403 creates a Board of Trustees for the Owosso Retirement System;

WHEREAS the ordinance currently requires seven (7) members on the Board of Trustees consisting of:

- (1) The mayor or a councilman who is not eligible to participate in the retirement system as a member or retirant;
- (2) A second councilman who is not eligible to participate in the retirement system as a member or retirant;
- (3) A citizen who has the qualifications required by the Charter for holding an elective city office and who is not eligible to participate in the retirement system as a member or retirant, to be appointed by the council;
- (4) A police officer member to be chosen by the police officer members;
- (5) A firefighter member to be chosen by the firefighter members; and
- (6) Two (2) general city members: One (1) general city member to be chosen by non-unionized general city members and one (1) general city member to be chosen by the unionized general city members.

WHEREAS new general city members and new AFSCME union members have been closed out of the pension plan; and

WHEREAS the number of employees available to serve on the Board of Trustees is thereby reduced and it would be beneficial to have a retiree serve on the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF OWOSSO RETIREMENT SYSTEM BOARD OF TRUSTEES:

FIRST: That the Owosso City Council amend City Code Section 2-403 to allow a retiree on the Retirement System Board of Trustees.

SECOND: That the Amendment call for the retiree Board Member to be elected from any closed employee group, including but not limited to general city members and AFSCME union members, after it has been determined that no active members are willing and able to serve.

THIRD: That the amendment require that only active and retired members of a closed employee group including but not limited to general city members and AFSCME union members will vote for the retiree Board Member.

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

NEW BUSINESS:

Application for Retirement – P. Ockerman

Motion by Trustee Sedlak to approve the application for retirement from Pamela Ockerman effective November 24, 2016.

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

Application for Retirement – P. Skutt

Motion by Trustee Fox to approve the application for retirement from Patricia Skutt effective November 26, 2016.

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

Application for Retirement – M. Sedlak

Motion by Trustee Fox to approve the application for retirement from Mark Sedlak effective December 11, 2016.

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

Chairperson Farrell said he was sad to see so many people retiring. He went on to thank Trustee sk for his service to the Board and the City.

INVESTMENT CONSULTANT REPORT:

3rd Quarter 2016 Performance Measurement Report

Consultant Holycross gave a brief synopsis of the outlook for 2017 saying that he believed stocks would continue to grow over the coming year and the portfolio should remain overweight in equities. He warned that the end of the market cycle could be near but it was not yet time to take up a defensive position. He indicated that Loomis Sayles is doing well, Aristotle is now up and running, Atlanta Capital had a difficult quarter, NFJ is down again for the quarter, and Franklin is hanging tough in a flat market.

Mr. Holycross relayed his concern with NFJ noting that since 2012 they have underperformed the benchmark in 12 out of 17 quarters. He said their long-term history is good but our experience with them is not. The firm has also lost approximately half of their assets under management. He said he believed that there were better options out there that the Board should consider and suggested the funds be moved to an index fund until a new manager could be selected.

Motion by Trustee Brewbaker to terminate the contract with NFJ and purchase and index fund in that asset class.

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

Mr. Holycross indicated he would have 1 or 2 firms for recommendation to the Board at the next meeting.

CITIZENS COMMENT:

There were no citizen comments.

Chairperson Farrell noted that he had received a solicitation from Millman, a company that performs independent third party reviews of pension systems. He said anyone interested in exploring this option should contact him.

City Treasurer Smith reported that she had learned an immense amount of information when she attended the fall MAPERS conference and suggested that all trustees attend a future conference.

NEXT BOARD MEETING:

The next board meeting is scheduled for December 14, 2016 at 7:15am

ADJOURNMENT:

The meeting adjourned at 8:44 a.m.

Amy K. Kirkland, City Clerk