



**LANSING BOARD OF WATER & LIGHT
PENSION FUND TRUSTEES ANNUAL MEETING
November 15, 2016**

The Pension Fund Trustees of the Lansing Board of Water & Light (BWL) met at the BWL Headquarters – REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, November 15, 2016. Chairperson David Price called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Trustees Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price and Tracy Thomas.

Absent: Trustees Mark Alley, Ken Ross and Sandra Zerkle

Public Comments

There were no public comments.

Approval of Minutes

Motion by Trustee Thomas and Seconded by Trustee McCloud to approve the Minutes from the November 17, 2015 Pension Fund Trustees’ Annual Meeting.

Action: Motion Carried

General Manager Peffley introduced Chief Financial Officer Heather Shawa-DeCook who highlighted the Resolutions that were being considered for approval or acceptance.

The 1st Resolution, consistent with prior years, was to accept the audited financial statements in which all 3 pension plans have a clean unmodified opinion.

The 2nd and 3rd Resolutions were to acknowledge the Defined Benefit (DB) and VEBA Trust Plan Resolutions which were approved by the full Board in September. Resolutions 2 and 3 amended the DB and VEBA Trust documents, approved the new investment policy statements and created a Retirement Plan Committee. The Committee is comprised of the Chief Financial Officer, the Executive Director of Human Resources, and the Manager of Finance. The two Resolutions also delegated the authority described in the new investment policy statements to the newly formed Retirement Plan Committee.

FY 2016 Financial Information Relative to DB, DC and VEBA Plan and Proposed Resolution Adopting the Audited Financial Statements

Chief Financial Officer, Heather Shawa-DeCook provided an overview of the Board of Water & Light’s different Pension Plans.

Ms. Shawa-DeCook provided information on the FY 2016 performance of the Defined Benefit Plan (DB), VEBA Trust Plan and Defined Contribution Plan (DC).

Defined Benefit Plan

Ms. Shawa-DeCook stated that Defined Benefit (DB) Plan currently has 400 participants, only 11 of those being active. As of the valuation date of February 29, 2016, the Plan had \$63.6 million in plan assets and \$62 million in plan liabilities. The BWL is currently over-funded by \$1.6 million. This results in a Funded Ratio of 102.6% - down roughly 13.2% from the prior year. For FY 2016, the BWL had \$47,000 in investment income, which equates to an 8.5% return. Ms. Shawa-DeCook stated that these results are reflective of the market.

In FY 2015, the BWL paid out \$1.7 million in investment income, equaling an approximately 2% return. For FY 2016 the BWL paid \$7.9 million in benefits; administrative fees were \$388,000.

Retirement Pension Plan – VEBA

Ms. Shawa-DeCook stated that the VEBA Trust, as of the actuarial valuation date of Feb 29, 2016, has 742 active participants and 713 retiree participants. The VEBA plan had \$145 million in plan assets and \$205 million in plan liabilities. The BWL was 70.8% funded; down just under 8% from the prior year. For FY 2016, the BWL had \$949,000 in investment income, equaling a 0.6% return. For the prior FY, the BWL had \$3.6 million in investment income, equating to a 2% return. The BWL paid out \$9.4 million in benefits, and administrative fees were \$832,000.

Ms. Shawa-DeCook stated that currently the BWL's VEBA Plan is projected to be fully funded within 10 years. However, she noted the projection is based on several key assumptions; one to point out was the Rate of Return on Investments over the long range, averaging 7.5%. Also, there were key assumptions on healthcare inflation rates and the mortality rates. Ms. Shawa-DeCook stated that the plan is expected to continue the trend of making steady progress towards becoming fully funded. She noted that there are some upcoming pronouncements over the next 2 fiscal years for the VEBA plan, for which the BWL is prepared for; the Gasby 74 will be effective June 30, 2017 and the Gasby 75 on June 30, 2018.

Defined Contribution (DC) Plan – 401A

Ms. Shawa-DeCook stated that the BWL currently has 915 participants in the DC Plan, of which 705 are active employees and 210 are retirees and beneficiaries. For FY 2016, the DC Plan had \$171 million in plan assets, a decrease of \$2 million from the prior year. As of FY 2016, the annual fees incurred by plan participants were approximately \$975,000, or 0.57% of assets. Approximately \$90,000 additional expenses were incurred by some plan participants.

For the DC FY 2016, the BWL had \$6.6 million in investment income, which equates to a 4% return.

For FY 2016, the BWL contributed \$5.7 million into the Plan. Retired Plan participants withdrew \$4 million in regular distributions, and an additional \$3.9 million was rolled out into other retirement plans.

Ms. Shawa-DeCook stated that employees are allowed to take out loans against the DC plan. Currently, the BWL has 371 loans outstanding, slightly less than 396 from last year. The average carrying value of the loan outstanding is approximately \$4.3 million. The average loan amount outstanding is approximately \$11,621.00. Overall loan usage has been trending down over the last 3 years.

ICMA, the BWL's DC provider, has in the past provided comparisons of the BWL's plan to a typical 401A plan and observed that the BWL's employees are more sophisticated in their investment approach: Employees rely less on stable value, they utilize investment advice more and they tend to invest in typical investments, such as specialty funds and guarantee minimum withdrawal benefit funds. To assist employees in making informed decisions about retirement savings goals, the BWL offers a robust education by providing employees opportunities to meet with ICMA on a weekly basis, as well as a user-friendly website with an array of online, digital and printed educational data.

Ms. Shawa-DeCook provided additional information:

- The Plan and Trust documents for all 3 plans are currently undergoing a review by internal and external legal counsel. The primary objective of this review is to make sure that corresponding Plan and Trust documents are clearly stated, properly aligned and in compliance with relevant law which has changed over time.
- The BWL's current agreement with ICMA for the Administration of the DC Plan expires in July of 2017; there will be a RFP Process as these services have not been bid out since 2008.

PROPOSED RESOLUTION

Acceptance of 2016 Audited Financial Statements For Defined Benefit Pension Plan, Defined Contribution Pension Plan, And Retiree Benefit Plan (VEBA)

Motion by Trustee Thomas, Seconded by Trustee Mullen, to forward the Resolution to the full Board for consideration.

Action: Motion Carried

Acknowledgement of Amendment of Pension Plan Trust; and Delegation of Investment Authority Resolution

Motion by Trustee McCloud, Seconded by Trustee Mullen, to acknowledge the Amendment to the Pension Plan Trust and the Delegation of Investment Authority.

Action: Motion Carried

Acknowledgement of Amendment of Retiree Medical Plan Trust; and Delegation of Investment Authority Resolution

Motion by Trustee Mullen, Seconded by Trustee Thomas, to acknowledge the Amendment to the Retiree Medical Plan Trust and the Delegation of Investment Authority.

Action: Motion Carried

Excused Absences

Motion by Trustee McCloud, Seconded by Trustee Thomas, to excuse Trustees Mark Alley, Ken Ross and Sandra Zerkle from tonight's meeting.

Action: Motion Carried

Adjourn

There being no further business, the Pension Fund Trustees meeting adjourned at 5:18 p.m.