



BOARD OF WATER AND LIGHT
May 26, 2020 - 5:30 p.m. via WebEx Meetings
REO Town Depot, 1201 S. Washington Ave., Lansing, Michigan
REGULAR BOARD MEETING AGENDA
AND PENSION FUND TRUSTEES MEETING AGENDA
(PENSION FUND TRUSTEES MEETING TO IMMEDIATELY FOLLOW REGULAR BOARD MEETING)

BWL full meeting packets and public notices/agendas are located on the official web site at <https://www.lbwl.com/about-bwl/governance>.

Due to public safety concerns resulting from the COVID-19 Pandemic, this meeting will be conducted via WebEx Conferencing. Instructional options to be in attendance are as follows:

1. Event Address for Attendees for Regular Board Meeting and Pension Fund Trustees Meeting:

<https://lbwlevents.webex.com/lbwlevents/onstage/g.php?MTID=e8ef7cb279d53081052e06bb9285d2f9d>

Event Number for Attendees for Regular Board Meeting and Pension Fund Trustees Meeting: 794 634 521

Event Password for Regular Board Meeting and Pension Fund Trustees Meeting: ymNa&dFVU57

2. Audio Conference for Regular Board Meeting and Pension Fund Trustees Meeting:

United States Toll +1-408-418-9388

Access Code: 794 634 521

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1. Roll Call

2. Pledge of Allegiance


3. Approval of Minutes

a. Regular Board Meeting Minutes of January 28, 2020

4. Public Comment on Agenda Items

Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter not on the agenda may do so immediately prior to adjournment.

Options for Public Comment (PC) participation include:

- Raising your hand by clicking on the hand icon button  in the Participants panel
- Submitting written comments by email to mdenise.griffin@lbwl.com (By the End of PC)
- Submitting written comments to 1201 S. Washington Ave., Lansing, 48911

5. Communications

- a. Mail from BWL retiree Jerry Burns re: Defined Benefit Pensioners lump sum payment
- b. Electronic mail from Mark Lawrence of Mayor Schor’s Office re: Street Lighting Style

6. Committee Reports

- a. Committee of the Whole Meeting (April 28, 2020) – Tony Mullen, Chairperson
- b. Finance Committee Meeting (May 26, 2020) – Ken Ross, Chairperson

7. Manager’s Recommendations

- a. IT Communications Policy

8. Unfinished Business

9. New Business

10. Resolutions/Action Items

- a. Return on Equity (ROE) Renewal
- b. Delegation of Auth. to General Manager Retraction and Amendment to Defined Contribution Plan & Trust 2
- c. Delegation of Authority to the General Manager to Amend Plans for Compliance
- d. Defined Benefit (DB) Investment Policy Statement
- e. Voluntary Employees Beneficiary Association (VEBA) Investment Policy Statement
- f. Capital Project Exceedance - AE – Electric Annual Account
- g. Capital Project Exceedance - Tainter Gate Trunnion Pin Replacement
- h. Fiscal Year 2021-2026 Budget and Forecast

11. Manager's Remarks


12. Commissioners' Remarks

13. Motion of Excused Absence

14. Public Comment

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15. Adjournment

Persons with disabilities who need an accommodation to fully participate in this meeting should contact the Office of the BWL Corporate Secretary at (517) 702-6033 or mdenise.griffin@lbwl.com or utilize TTY by dialing 7-1-1 (a statewide **telephone** relay number that connects deaf, deaf-blind, hard of hearing, and/or speech impaired people who use text telephones (**TTYs**) with standard (voice) **telephone** users). A 24-hour notice may be needed for certain accommodations. An attempt will be made to grant all reasonable accommodation requests.

STATE OF MICHIGAN EXECUTIVE ORDER #2020-4: Declaration of a statewide State of Emergency due to the spread of the novel coronavirus (COVID-19).

STATE OF MICHIGAN EXECUTIVE ORDER 2020-75 - Temporary authorization of remote participation in public meetings and hearings, public bodies subject to the Open Meetings Act, including boards, commissions, committees, subcommittees, authorities, councils and nonprofit boards, can use telephone- or video- conferencing methods to continue meeting and conducting business during the coronavirus (COVID-19) public health crisis, so long as they follow certain procedures to ensure meaningful access and participation by members of the public body and the general public. (**Rescission of Executive Order 2020-48**)

Posted: May 21, 2020

M. Denise Griffin

BWL Corporate Secretary (517) 702-6033

PENSION FUND TRUSTEES MEETING AGENDA AND MEETING PACKET BELOW



PENSION FUND TRUSTEES MEETING

AGENDA

May 26, 2020

5:30 P.M. – 1201 S. Washington Ave.

Lansing, MI – REO Town Depot

Board of Water & Light Headquarters

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Call to Order

Roll Call

Public Comments on Agenda Items

- 1. Pension Fund Trustees Meeting Minutes of November 19, 2019.....**TAB 1**
- 2. Acceptance of the Voluntary Employees Beneficiary Association (VEBA) Investment Policy.....**TAB 2**
- 3. Acceptance of the Defined Benefit (DB) Investment Policy Statement.....**TAB 3**

Other

Adjourn

Persons with disabilities who need an accommodation to fully participate in this meeting should contact the Office of the BWL Corporate Secretary at (517) 702-6033 or mdenise.griffin@lbwl.com or utilize TTY by dialing 7-1-1 (a statewide telephone relay number that connects deaf, deaf-blind, hard of hearing, and/or speech impaired people who use text telephones (TTYs) with standard (voice) telephone users). A 24-hour notice may be needed for certain accommodations. An attempt will be made to grant all reasonable accommodation requests.

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**MINUTES OF THE BOARD OF COMMISSIONERS MEETING
LANSING BOARD OF WATER AND LIGHT**

January 28, 2020

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, January 28, 2020.

Chairperson David Price called the meeting to order at 5:30 p.m.

Present: Commissioners David Price, Beth Graham, Deshon Leek, David Lenz, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Michael Froh (Meridian Township), Douglas Jester (East Lansing), and Larry Merrill (Delta Township).

Absent: None

Corporate Secretary Griffin declared a quorum.

Commissioner Beth Graham led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, Seconded by Commissioner Zerkle, to approve the Regular Board Meeting minutes of November 19, 2019.

Action: Motion Carried

PUBLIC COMMENTS

None.

COMMUNICATIONS

Electronic Mail received from Steve Rall re: Energy and Climate Issues - *Referred to Management. Received and Placed on File*

Board Chair David Price presented the Finance Committee Report on behalf of Finance Committee Chair Ken Ross:

**FINANCE COMMITTEE
Meeting Minutes
January 14, 2020**

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, January 14, 2020.

Board Chairperson David Price, Chaired the Finance Committee on behalf of Commissioner Ken Ross, called the meeting to order at 5:30 pm and asked Corporate Secretary Griffin for the roll call.

Present: Commissioners David Price, Beth Graham, David Lenz (arrived at 5:47pm), Tony Mullen, and Sandra Zerkle (Alternate Member). Also, present: Commissioners Tracy Thomas, and Non-Voting Commissioners Douglas Jester (East Lansing) (arrived at 5:32pm) and Mike Froh (Meridian Township).

Absent: Commissioner Ken Ross

The Corporate Secretary declared a quorum.

Public Comments

None.

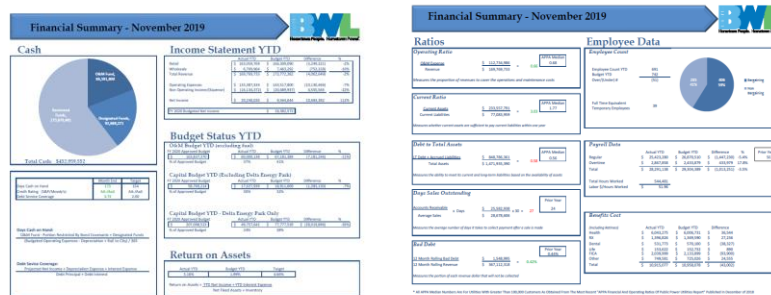
Approval of Minutes

Motion by Commissioner Mullen, Seconded by Commissioner Zerkle, to approve the Finance Committee meeting minutes of November 5, 2019.

Action: Motion Carried.

November YTD Financial Summary

Chief Financial Officer (CFO), Heather Shawa presented the following Year to Date Financial Review:



Total Cash decreased about \$1.1 million from the prior month. Out of the \$273 million of the restricted funds, \$230 million is restricted for the bond proceeds for Delta Energy Park. Days Cash on Hand was 173 and 165 is projected for December due to biannual return on equity payment to the city. Total revenue is \$169.7 million compared to a budget of \$173.7 but with the underspend on operating expenses there is a positive net income actual to budget of \$20.2 million compared to the budget of \$9.5 million. December revenue is short by \$2 million but continued underspend of operating expenses and non-operating expenses, and the \$1 million VEBA adjustment will cause the net income to be \$1.6 million better than budget.

Commissioner Price inquired about the potential help that was brought in for the possible ice storm and what was the outcome. General Manager Peffley responded that about 200 people were involved and \$200-250,000 was spent for labor and lodging.

Commissioner Graham questioned if the decrease in the income was because of the GM strike. CFO Shawa responded that about \$1 million was because of the GM strike.

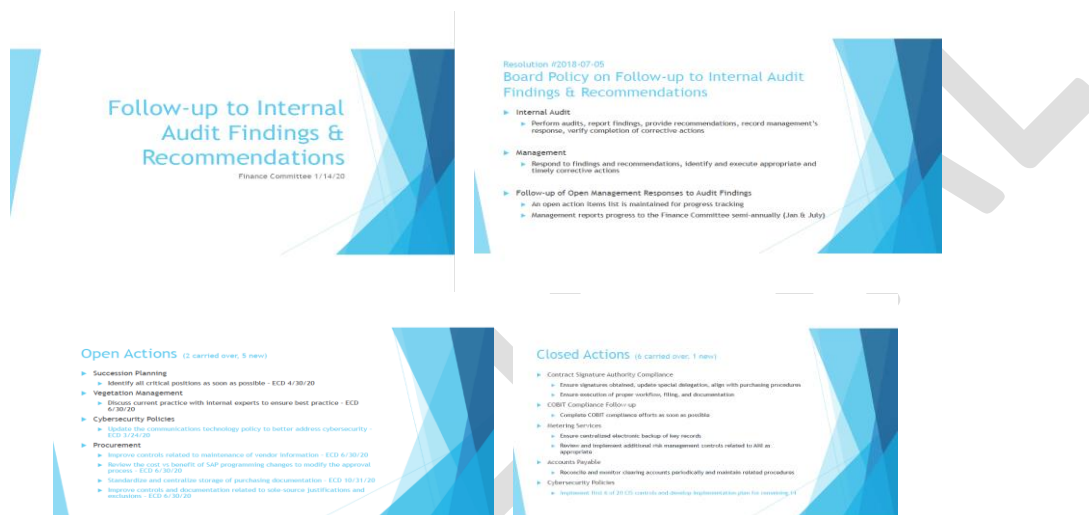
CFO Shawa stated that Capital Budget YTD, excluding Delta Energy Park, was on budget. Delta Energy Park's difference from budget is from the timing of major bid packages that are being procured and budget will be caught up in the fiscal year. There are two of the five Debt ratios that are lagging due to the issuance of more

debt and two holiday days at the end of the month. Employee data is under compared to budget and vacancies are being filled with contract temporaries and some overtime.

Commissioner Zerkle asked if there was a drastic change, does the staff investigate to find a logical reason or explanation. Ms. Shawa responded that the Finance and Accounting team determine the variances on a monthly basis and the finance team also conducts a midyear review.

Biannual Follow-up to Internal Audit Findings & Recommendations

Chief Financial Officer Heather Shawa introduced Mr. Scott Taylor, Finance Manager who presented the follow-up to the internal audit findings and recommendations.







Mr. Taylor stated that there is a Board resolution that calls for a follow-up regarding progress made on corrective actions related to audits and reviewed the responsibilities of Internal Audit and Management areas, open actions, closed actions

Commissioner Zerkle asked if the answers are returned to the internal auditor when the managers fix or answer their open audit actions, and if an item is brought to the board if the internal auditor doesn't believe a satisfactory answer has been achieved. Mr. Taylor responded that after the internal auditor drafts the report, the finance department meets with the departments and develops responses to the actions. The responses are reviewed with the internal auditor to determine whether the findings were addressed and then the General Manager signs off on the responses.

Internal Audit Status Report

Internal Auditor, Mr. Wesley Lewis, presented the Internal Audit Status Report. The revised audit plan includes conducting three audits instead of six audits, due to the transition in the internal audit position and the addition of the Principal Auditor, Brian Schimke. The internal audit management software system and information analytics tool technology upgrades are progressing with IT and the assigned vendor.

| | | | |
|--|--|--|---|
|  Internal Audit Status Report | <p>Overview</p> <ul style="list-style-type: none"> • Revised FY 2020 Audit Plan and Progress Report • Other Items | <p>Revised FY 2020 Audit Plan and Progress Report</p> <ol style="list-style-type: none"> 1. <i>Cash Management and Treasury Audit (First Time Audit) - Kicked off on 9/30/2019 and is in progress.</i> 2. <i>Fixed Assets (Last audited in May 2012) - Kicked off on 10/21/2019 and in progress.</i> 3. <i>Energy Risk Management (Last Audited in June 2013) - Scheduled kickoff is 4/6/2020.</i> <p><small>* As previously reported, this plan, along with all dates, are subject to change.</small></p> | <p>Other Items</p> <ol style="list-style-type: none"> 1. Staffing Update - New Principal Auditor 2. Current Technology Upgrades <ul style="list-style-type: none"> • Internal Audit Management Software System • Information Analytics Tool, with Artificial Intelligence 3. ISO Certification for Internal Audit 4. CISA Exam Progress |
| <p>Presented by: Wesley Lewis, Director of Internal Audit Finance Committee Meeting January 14, 2020</p> |  Finance Committee Meeting 1/14/2020 2 |  Finance Committee Meeting 1/14/2020 3 |  Finance Committee Meeting 1/14/2020 4 |

Commissioner Thomas asked Internal Auditor Lewis, whether the three audits were created by him and he affirmed.

Motion by Commissioner Mullen, Seconded by Commissioner Zerkle, for the Committee to accept the revised FY 2020 Audit Plan.

Action: Motion Carried.

Other

Motion by Commissioner Mullen, Seconded by Commissioner Zerkle, to excuse Commissioner Ross from tonight's meeting.

Action: Motion Carried.

Commissioner Thomas commended the BWL for the work done during the storm and the success of the vegetation program. GM Peffley responded that a lot of positive comments were received, including from the Mayor of East Lansing and Delta Township Councilmembers.

Adjourn

Commissioner Price adjourned the meeting at 6:02 p.m.

Respectfully submitted
David Price, Acting Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

There were no Manager's Recommendations.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS/ACTION ITEMS

There were no Resolutions/Action Items.

MANAGER'S REMARKS

General Manager Richard Peffley presented a video of the third and final combustion turbine being transported to the new plant site. The new plant is well within the budget parameters and on schedule for completion in June/July of 2021.

GM Peffley reported that BWL, for the third consecutive year, received the APPA RP3 designation of diamond, the highest-level rating. The Reliable Public Power Provider award is awarded to companies that perform an operational self-check by bench marking on national levels. The RP3 designation is a sign of a utility that is focused on operating an efficient, safe, and reliable distribution system. The RP3 designation gives the BWL national recognition for providing excellent service to its customers, community leaders, and state and federal regulatory agencies. The designation represents the quality of the utility based on industry recognized leading

practices of reliability, safety, workforce development, and system improvements. There are approximately 2,030 utilities, of which 107 have a diamond rating, 100 have a platinum rating, and 66 have a gold rating.

GM Peffley also reported that there was a very successful staging for the recent storm warning. More than 200 people were on site, about 130 on the day run and 70 at night. The East Lansing mayor, Delta Township supervisor, and three council members felt that the BWL was prepared for the storm.

Commissioner Ross congratulated BWL on the preparedness for the past imminent storm. He asked whether there was a fundamental reason for the about the persistent short outages issues on the west side area. GM Peffley responded that testing equipment was placed on several houses in order to track the outages. It was found that there was a relay setting that was too tight, or sensitive, an adjustment was made about two weeks ago and there hasn't been an outage since.

Commissioner Zerkle inquired about the third turbine of the new plant and whether there were only two at this site. GM Peffley responded that there are two smaller turbines of half the size at REO. Commissioner Zerkle asked for the comparison of power output at REO and the new plant. GM Peffley responded that the REO plant can put out a 100 MW of electricity on a cool day with the two turbines, the new plant will be capable of a 250 MW output and Erickson has an output of 160 MW. When the new plant is completed, there will be two combustion turbines and a steam turbine that will make it the most efficient high-tech plant in the country.

COMMISSIONERS' REMARKS

Commissioner Thomas recognized the new Principal Auditor, Brian Schimke, and welcomed him.

Commissioner Ross recognized Internal Auditor, Wesley Lewis, who recently received CISO certification. Commissioner Price informed that the Joint City of Lansing and Board of Water and Light Committee of the Whole meeting will be a dinner meeting and held at the REO Depot on March 30, 2020.

PUBLIC COMMENTS

None.

ADJOURNMENT

Chair Price adjourned the meeting at 5:45p.m.

TO THE GREAT B.W.L.

3-3-2020

PO BOX 13007

LANSING, MICHIGAN

ZIP 48901-3007

FROM JERRY BURNS - RETIREE

4200 ESTATE SAINT JOHN #331

CHRISTIANSTED, VIRGIN ISLANDS

ZIP 00820-5172

NOTE: HOW FORTUNATE I WAS ALONG WITH OTHERS
TO HAVE WORKED FOR SUCH A GREAT
COMPANY, AS WELL AS RECEIVING ALL
BENEFITS LIVING HERE IN THE
UNITED STATES VIRGIN ISLANDS AND NOTE
HOW DETAILED THIS INFORMATION IS FOR
THIS ONE-TIME PAYMENT!

Jerry Burns

Dear Defined Benefit Pensioner,

The Lansing Board of Water and Light Commissioners approved a one-time, lump sum payment for Defined Benefit Pensioners equal to \$65 for each year retired prior to July 1, 2019. For this calculation, partial years was rounded up to the next full year.

This one-time amount was paid in addition to your regular pension payment this month and is shown on the line labeled "Lump Pen 1 Time" on your enclosed Pay Statement.

Any income tax withholding on this extra payment was based on W4-P information on file with the Lansing Board of Water and Light. If you have any questions about this payment, please contact Benefits & Payroll at (517) 702-7011 or send an E-Mail to Benefits_Payroll@lbwl.com.

From: Lawrence, Mark [<mailto:Mark.Lawrence@lansingmi.gov>]

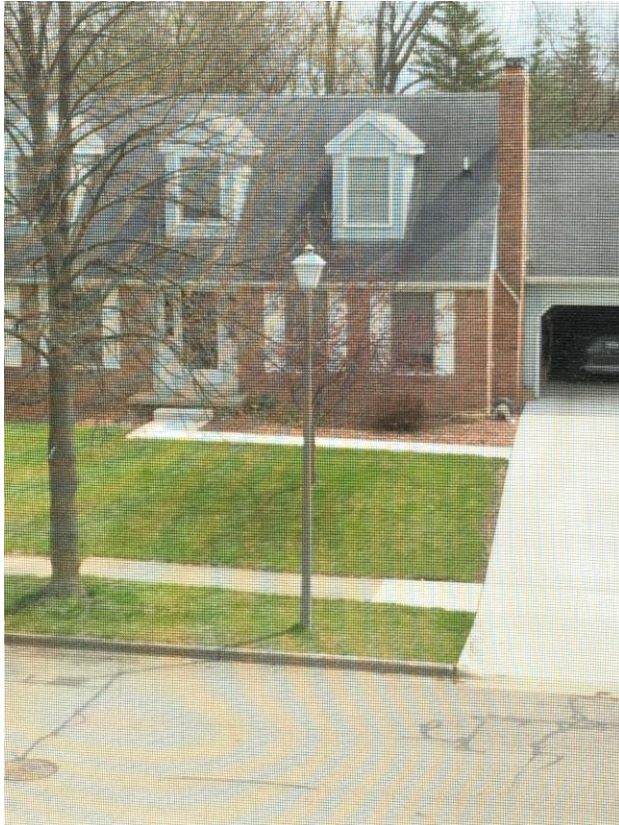
Sent: Tuesday, April 28, 2020 3:20 PM

To: MDenise Griffin <MDenise.Griffin@lbwl.com>

Subject: Street Light Question

[EXTERNAL] This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

- ITD



Denise:

Question for later, not now, are the attached style of streetlights slated to be changed out to the acorn style?

Thanks,

Mark Lawrence

Citizen Advocate

City of Lansing – Office of Mayor Andy Schor

124 W. Michigan Ave. | Lansing, MI 48933

O: [517-483-4141](tel:517-483-4141)



Andy Schor, Mayor



CENSUS 2020

COMMITTEE OF THE WHOLE
Meeting Minutes
April 28, 2020

Due to public safety concerns resulting from the COVID-19 Pandemic, the Committee of the Whole meeting for the Lansing Board of Water and Light (BWL) was conducted via WebEx Conferencing in Lansing, MI, at 3:00 p.m. on Tuesday, April 28, 2020.

Committee of the Whole Chair Tony Mullen called the meeting to order at 3:00 p.m.

Present via WebEx: Commissioners Tony Mullen, Beth Graham, Deshon Leek, David Lenz, David Price, Ken Ross, Tracy Thomas, Sandra Zerkle, and Non-Voting Members: Mike Froh (Meridian Township), Doug Jester (East Lansing) and Larry Merrill (Delta Township).

Absent: None.

A quorum was declared.

General Manager Dick Peffley introduced the Board of Water and Light's new Human Resources Executive Director, Lynnette Keller. Ms. Keller provided Commissioners with a quick acquaint of herself.

On behalf of the Board of Commissioners', Vice Chair Mullen welcomed Ms. Keller as well as the sign language interpreter, Ms. Rebekah Heinze.

Public Comments

There was a communication received via email from Mark Lawrence regarding LED and acorn style streetlights. There were no public comments.

Approval of Minutes

Motion by Commissioner Thomas, Seconded by Commissioner Ross, to approve the Committee of the Whole Meeting minutes of November 5, 2019, February 20, 2020 and February 25, 2020.

Motion Carried by the following Roll Call Vote:

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and

Nays: None

LED Light Replacement Plan

General Manager Peffley introduced BWL Electric System Integrity Engineers, Alex Porter and Brian Coots, who presented the LED Light Replacement Plan.

Lansing Board of Water & Light LED Conversion



Current System

| Fixture Type | Quantity |
|----------------------|---------------|
| High Pressure Sodium | 26,543 |
| Incandescent | 103 |
| Induction | 27 |
| LED | 6,173 |
| Mercury Vapor | 617 |
| Metal Halide | 317 |
| Grand Total | 34,487 |



Asset Management



Public Relations

Public relations are an integral part of the project. They ensure that the public is kept informed of the progress and any changes. This helps to build trust and support for the project.



Dark-Sky Compliance



Dark-Sky Benefit



Project Scope

| Item | FY21 | FY22 | FY23 | TOTAL |
|-------------------------|------------------------|------------------------|------------------------|-------------------------|
| Lights Replaced | 2,100 | 6,173 | 6,800 | 15,073 |
| Energy Savings (\$M) | 2,213 | 792 | 871 | 4,876 |
| Energy Investment (\$M) | 1,428 | 476 | 467 | 2,371 |
| MATERIAL COST | \$ 3,041,024.00 | \$ 3,762,285.76 | \$ 3,348,487.20 | \$ 10,151,796.96 |
| LABOR COST | \$ 1,976,244.00 | \$ 2,496,875.04 | \$ 2,155,575.68 | \$ 6,628,694.72 |
| TOTAL COST | \$ 5,017,268.00 | \$ 6,259,160.80 | \$ 5,504,062.88 | \$ 16,780,491.68 |

Additional Considerations



Commissioner Lenz asked the presenters to provide information regarding the amount of light that is emitted under the new street lamps with the LED lights which cause a high lumen output directly under the lamp. Mr. Porter responded that there is an increase of lumen output with the LED lamps, but the acorn design of the new light fixtures reduces the glare in the area around the lamps.

Commissioner Leek asked if both the light fixtures and light bulbs are being replaced and if both are in the budget. Mr. Coots responded that just the fixtures are being replaced and he will follow up for the Commissioners on the budgeting that will be needed for the light bulbs.

Commissioner Jester inquired about the controls on the lamps. Mr. Porter responded that most lamps have a three-pin connector for the lamps to be on or off, but the acorn light fixture replacements have seven-pin receptacles which will allow for adjusting the amount of light emitted.

Commissioner Froh asked for the source of the LED bulbs that would be placed in the lamps. Mr. Porter responded that most of the fixtures are produced in Ohio and nearby states, and that bids will be reviewed from local distributors.

Commissioner Ross inquired about the differences between the several types of lights currently in use. Mr. Porter responded that in the past, most lights installed were mercury vapor lights but in the 1970's, high pressure sodium lights were put into use as those lights were more efficient. After 2012, LED's were put into use, and now BWL is moving toward white light.

Commissioner Merrill asked whether the \$5 million transition cost incurred per year for the new lighting would be spread across the board for rate payers or would it also include municipalities and

special assessment districts. Mr. Porter responded that the rates will be at a reduced cost for customers. Chief Financial Officer (CFO) Heather Shawa responded that a cost to service rate for the street lighting customers was implemented and will be updated with the \$5 million transition cost at the time of the cost.

Commissioner Zerkle commented that the corridors that recently had new light fixtures installed appeared safer for pedestrians and asked at what locations lights would be shut off at night. Mr. Porter responded that lights would remain on at night unless there was an event, such as the Silver Bells parade, that warranted a dimming of the lights.

Return on Equity (ROE) Renewal Agreement

GM Peffley and CFO Heather Shawa presented and reviewed the Return on Equity (ROE) Renewal Agreement which is expiring June 30, 2020 and asked for approval of the resolution for the ROE Amendment No. 5. CFO Shawa reported that the amendment asks for a two-year extension of the agreement, including specific dollar amounts for 2021-2022 and a recommended fixed dollar amount for this fiscal year based on what was initially forecasted and budgeted. If forecasted revenues are met and exceeded, the amendment allows for an upward adjustment of 3% of excess revenues.

Commissioner Mullen asked whether the 3% adjustment was the 6.2% to 9.2 % change or 3% of the total dollar value. CFO Shawa responded the 3% related to any revenues that would have resulted in a calculated amount in excess of the fixed budgeted amount.

Commissioner Price commented that he would support the amendment but would support it cautiously as the recommendations were arrived before the full effect of COVID-19 was known. The agreement provides the city with a certain amount but income from residential and business customers is uncertain.

Commissioner Zerkle asked why a straight dollar amount was recommended rather than a percentage and why a two-year rather than one-year extension was requested. CFO Shawa responded that economic development and new industry materializing with an unknown amount supported a two-year agreement with a fixed base amount for both parties.

Commissioner Ross commented that the amendment was trading vacillation for certainty and was made based on the scenario that if BWL had a shortfall then the city budget would have a shortfall. GM Peffley responded that negotiations took place regarding the benefits of a flat rate rather than a higher percentage.

Motion by Commissioner Price, Seconded by Commissioner Thomas to forward the proposed Resolution for Return on Equity Agreement Renewal Amendment No. 5 dated April 28, 2020 to the full Board for consideration.

Motion Carried by the following Roll Call Vote:

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and
Nays: None

Revised IT Communications Policy

Corporate Secretary Griffin noted that a revised redlined version of the Revised IT Communications Policy was received after the posting of the packet.

Motion by Commissioner Price, Seconded by Commissioner Thomas to accept the late item redlined IT Policy amendment.

Action: Motion Carried

CFO Shawa reported that the IT Communications Policy was revised based on recommendations from the IT internal audit performed and asked for acceptance of the resolution for the Revised IT Communications Policy. The intent of the revision is to clarify the purpose of the operational policy and mission of the BWL cyber security steering committee and to promote safe and secure use of all communication for all employees, contractors and clients which access BWL non-public systems.

Commissioner Zerkle asked if the duplication in the policy of the phrase “assets include but are not limited to...” was intended. CFO Shawa responded that the late item revised redlined version corrected the duplication. Commissioner Zerkle asked what was considered incidental personal use that would be allowed. GM Peffley responded that incidental use of BWL technology was considered answering a limited phone call or email. Commissioner Zerkle asked if the policy complies with what was requested from the audit review and Internal Auditor Wesley Lewis affirmed.

Commissioner Mullen asked if the audits performed by BWL CIO also look for seemingly simple violations. CFO Shawa responded that security system tools scan daily and continuously, and patches are made weekly/monthly or based on a planned schedule.

Motion by Commissioner Price, Seconded by Commissioner Thomas to forward the proposed Resolution for Revised IT Communications Policy to the full Board for consideration.

Motion Carried by the following Roll Call Vote:

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and

Nays: None

Human Resources Committee Business

Human Resources Committee Chair Tracy Thomas conducted the Human Resources business portion of the committee meeting and introduced CFO Shawa and BWL General Counsel Mark Matus who presented the Retirement Plan Committee Updates.

Retirement Plan Committee Updates

CFO Shawa reported that there were three information updates from prior delegations to the General Manager and the Retirement Plan Committee (RPC). The new Executive Director of HR, Lynette Keller, has been added to the RPC which consists of the CFO, the Executive Director of HR, and the Manager of Finance. Operating procedures which have been reviewed by the BWL legal department and executives were officially adopted by the RPC. In the Defined Contribution(DC) Plan there is a Plan

Coordinator Change that makes the administrative and investment changes on behalf of the DC Plan and who is the person on record with ICMA, the DC Plan administrator. Historically that position was held by an employee in the BWL Payroll and Benefits department but has now been assigned by delegation of the General Manager to the RPC.

General Counsel Mark Matus reported that the Trust 2 is a plan that was transitioned out of the Defined Benefit Program and consists of about 25 people who have been in the plan since the 80's. The purpose of the resolution is to remove the potential conflict of the General Manager having authority over the plan with the two board appointed employees in it and give authority to the Commissioners.

Commissioner Thomas commented that the implementation of the authority three months ago was to except the three employees. Mr. Matus responded that this resolution is to correct that.

Commissioner Zerkle asked whether the HR Committee negotiates with the employee regarding the plan or if the employee is automatically part of the plan if wanted. Mr. Matus responded that the employee is assigned to the plan and the HR Committee has influence on what the terms are.

Motion by Commissioner Graham, Seconded by Commissioner Leek to forward the proposed Resolution for Delegation of Authority to the General Manager Retraction and Amendment to Defined Contribution Plan and Trust 2 to the full Board for consideration.

Motion Carried by the following Roll Call Vote:

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and
Nays: None

Mr. Matus stated that the purpose of the resolution to amend plans for compliance was to clarify the administrative duties for compliance.

Motion by Commissioner Price, Seconded by Commissioner Graham to forward the proposed Resolution for Delegation of Authority to the General Manager to Amend Plans for Compliance to the full Board for consideration.

Motion Carried by the following Roll Call Vote:

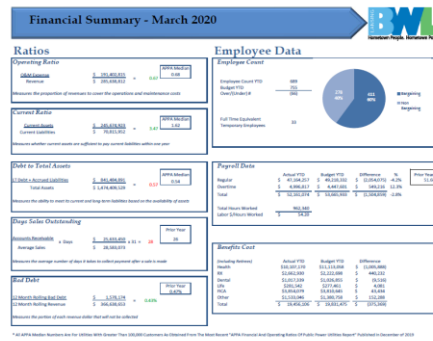
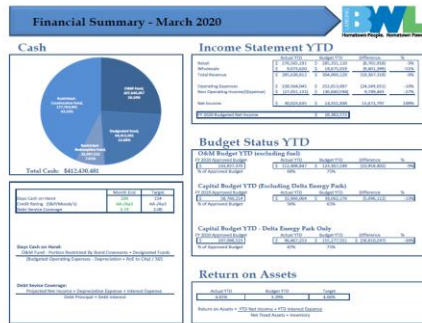
Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and
Nays: None

Finance Committee Business

Finance Committee Chair Ken Ross conducted the Finance business portion of the committee meeting.

March YTD Financial Summary

CFO Shawa presented the March YTD Financial Summary.



The financial summary is based on financials going into the COVID-19 pandemic. The impact of the pandemic will be provided in the April and May financial summary. CFO Shawa reported the following: Cash remained steady; Days Cash on hand was at a strong 200; YTD actual revenues was \$285.6 million under the budget of \$304 million, a majority of which is from wholesale and relates to recent planned and unplanned Belle River outages and the Pegasus Wind project; Net Income YTD was \$30 million compared to \$14 million budget YTD; the FY 2020 budget of \$18 million may be adjusted due to COVID-19; some scheduled projects will be deferred and some will be worked on as planned, and the Return on Assets is expected to be on track. Day sales Outstanding and Bad Debt are expected to be below average due to COVID-19. Employee data, payroll data and benefits cost are consistent with budget.

Commissioner Froh asked what models are being used to identify and categorize the potential losses from commercial revenues. CFO Shawa responded that the models are internal financial models and the finance department is looking for decreases in load and is working with Key Account representatives who are keeping in contact with large customers. The modeling involves sensitivity analysis using forecasts of customer load. The current plan is to develop a one-year to two-year best case/worst case scenarios. CFO Shawa stated that continuous updates will be provided to commissioners.

Commissioner Jester asked if a change in residential consumption was seen. CFO Shawa replied that a change hasn't been seen in residential, however a 15-20% Commercial and Industrial impact is anticipated. GM Peffley responded that there are plans from history where the budget can be reduced from 5% to 10%. CFO Shawa responded that budget and six-year forecasts will be presented in the May meeting.

Commissioner Zerkle inquired about the daily budget regarding residential and commercial income. GM Peffley responded that the BWL will be looking at the revenue that is received when shelter in place restrictions are lifted for businesses, as that is 80% of revenue.

Commissioner Ross commented that he asked the General Manager and CFO to look at the financial impact of the pandemic on the BWL and the challenges right now, as the data is evolving. He stated there might be commodity opportunities as the price of oil is decreasing.

Capital Project Exceedance

Commissioner Ross stated the reason for Capital Project Exceedances is for projects that have an estimate for funding that has an issue requiring an increase in funds. Management is to keep the board aware and discloses to the board any authorizations needed for funding. GM Peffley added that in the

past some capital budgets were over-estimated and they didn't hit the threshold to be brought before the board.

Chief Financial Officer Heather Shawa provided information on the Capital Project Exceedances.

AE- Electric Annual Account Resolution

CFO Shawa requested approval of a resolution to increase the funding for the Electric Annual Account from \$11.6 million to \$14.2 million which is a 22% increase. Two specific line items make up 95% of the request, \$1.7 million for increase for extra businesses, and \$700, 000 for street light replacement which has been accelerated.

Motion by Commissioner Price, Seconded by Commissioner Thomas to forward the proposed Resolution for Capital Project Exceedance AE – Electric Annual Account to the full Board for consideration.

Motion Carried by the following Roll Call Vote

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and

Nays: None

Tainter Gate Trunnion Pin Replacement Resolution

Legal Counsel Matus gave a description of the Trunnion Pin. CFO Shawa provided information on the requested increase in the budget for the trunnion pin replacement on the Tainter gate. The length of construction time was under estimated and additional safety measures are being undertaken.

Commissioner Zerkle asked for the percentage amount of renewables that were received from the dam. GM Peffley responded that about .1-.2% would be received from the dam if power was being generated from it.

Commissioner Lenz asked whether there is an error in budgeting when capital project budgets go over budget and what is the average or percentage of projects that are over budget. Commissioner Ross responded that the information would be brought to a later Finance meeting.

Motion by Commissioner Price, Seconded by Commissioner Leek to forward the proposed Resolution for Capital Project Exceedance Tainter Gate Trunnion Pin Replacement to the full Board for consideration.

Motion Carried by the following Roll Call Vote

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and

Nays: None

Revised Investment Policy Statements

Finance Manager, Mr. Scott Taylor, presented the Revised Investment Policy Statements. The primary purpose for the investment policy statements are to establish the investment objectives, the asset

allocation policy, the investment performance standards and the procedures for managing the plan assets. Mr. Taylor reviewed both plans together as they are nearly identical. Changes to the DB and VEBA plans include administrative and language changes, updates to the RPC, a change to the target rate of return, addition of real estate investments, and policies become effective upon approval by the Board. The VEBA plan includes investing a higher percentage in real estate investments.

Commissioner Ross commented that the Board of Trustees are responsible for periodic decision making for the plans and authority was delegated to the RPC, for the day to day management of the plans. The resolutions are to update the policies so that the RPC can manage the plans.






Motion by Commissioner Ross, Seconded by Commissioner Zerkle to consider and vote on the proposed Resolutions for Statement of Investment Policies, Procedures and Objectives Defined Benefit (DB) and VEBA Plans together and forward both Resolutions to the full Board for consideration.

Motion Carried by the following Roll Call Vote

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and
Nays: None

Internal Audit Update

Internal Auditor, Mr. Wesley Lewis, provided the internal audit update.

| | | | |
|--|---|---|--|
|  Internal Audit Status Report Presented by: Wesley Lewis, Director of Internal Audit Finance Committee Meeting April 28, 2020 | <p style="text-align: center;"><u>Overview</u></p> <ul style="list-style-type: none"> • Revised FY 2020 Audit Plan and Progress Report • Other Items | <p style="text-align: center;"><u>Revised FY 2020 Audit Plan and Progress Report</u></p> <ol style="list-style-type: none"> 1. Cash Management and Treasury Audit – Fieldwork has wrapped up and the audit is in the reporting stage. 2. Fixed Assets – Fieldwork is wrapping up and the audit is entering the reporting stage. 3. Energy Risk Management – The audit was kicked off and is in progress. <p><small>* As previously reported, this plan is subject to change.</small></p> | <p style="text-align: center;"><u>Other Items</u></p> <ol style="list-style-type: none"> 1. FY 2021 Risk Assessment Process 2. Progress Report on New Audit Tools 3. CISA Certification (New Official) 4. Update on Ongoing Education and Certification of IA Staff |
|  |  |  |  |

Commissioners Zerkle and Thomas congratulated Mr. Lewis for obtaining CISA certification.

Other

Commissioner Mullen stated that an email was received from Mark Lawrence regarding the LED and acorn style streetlights. The correspondence was sent to GM Peffley for a response.

Commissioners Price, Zerkle, and Mullen thanked Corporate Secretary, Denise Griffin; IT Analyst, Ben McDonald; and Commissioners Mullen, Thomas, and Ross for a well-run online meeting.

Commissioner Ross asked about the scheduling for the next Board meeting and the Return on Equity agreements that are to be sent to City Council. The Corporate Secretary responded that the Board Meeting would be held on Tuesday, May 26, 2020 as set by resolution; the Committee meetings will be scheduled as needed and or requested by the chair of a committee.

Commissioner Leek commended GM Peffley on his response to COVID-19, by stopping shutoffs, and donating \$5,000 to United Way. Commissioner Leek asked if there was any way to assist low income rate payers during this pandemic by giving them credits. GM Peffley responded that longer times are being allowed to pay amounts due for both residential and commercial rate payers and the Executive Director of Customer Operations and Communications is looking into ways that the BWL can assist customers.

Commissioner Jester commended the BWL on their response to the COVID-19 pandemic.

GM Peffley expressed his appreciation to the Board, Ron Byrnes, and the BWL employees for working together and for helping to develop a return to work strategy. At the request of a commissioner the following information was provided by General Manager Peffley.

BWL FTE

| | |
|---|-----|
| Total employees (includes 25 contractors) | 700 |
| Employees working remote | 320 |
| Employees on stand down (paid to stay home) | 115 |
| Employees working on site or in the field | 260 |
| Employees on FLMA | 5 |

(Next week, employees who are currently on stand down will begin to return to work)

Delta Energy Park Contractors

| | |
|--|---------|
| Pre-COVID-19 workers onsite | 260 |
| Post-COVID-19 workers onsite | 50* |
| Normal staffing at this stage of the project | 300-350 |

*Staffing over time has increased to 150 as of 4/30/20.

Adjourn

Motion by Commissioner Price to adjourn the meeting. The meeting was adjourned at 5:32 p.m.

Respectfully Submitted
Anthony Mullen, Chair
Committee of the Whole

Finance Committee Meeting Report
May 26, 2020
Ken Ross, Chair

The Finance Committee met on **May 26, 2020**.

The Administration presented updates and/or information on:

- The April YTD Financials.
- The FY21 Operating and Capital Budget and Operating and Capital Forecast for the Fiscal Years 2022-2026. A Resolution approving the Budget and Forecast is on the agenda this evening for consideration.

Thank you and that concludes my Report,
Ken Ross, Finance Chair

5-26-20

Proposed Resolution
Communications Technologies Policy

WHEREAS, Internal Audit performed an audit of Cybersecurity Policies and recommended enhancements to the Communications Technologies Policy of 2016; and

WHEREAS, management has developed additional operating policies supporting the use of communications technologies and has created a Cyber Security Steering Committee to monitor and maintain those policies since the establishment of the Communications Technologies Policy in November 2016; and

WHEREAS, management has proposed a revised Communications Technologies Policy to incorporate these changes in operations as well as recommended enhancements;

RESOLVED, that the Board of Commissioners hereby adopts the revised Communications Technologies Policy as recommended by Staff.

Proposed Resolution
Return on Equity/Payment in Lieu of Taxes

WHEREAS, the City of Lansing has expressed a desire to continue the Agreement Between the City of Lansing and The Board of Water & Light dated June 30, 1992 (the Agreement), which has been subsequently extended by means of four Amendments thereto in 2001, 2012, 2013 and 2018, respectively;

WHEREAS, the Board of Commissioners Committee of the Whole (COW) considered the City of Lansing's request on April 28, 2020;

WHEREAS, the General Manager recommended the Agreement be extended by two (2) years at a specific dollar amount for Fiscal Years 2020, 2021, and 2022, with some limited upward adjustment for FY 2021 and 2022 if the BWL's revenues significantly exceed its forecast, which would be memorialized as Amendment No. 5;

WHEREAS, the COW has considered the proposed Amendment #5, agreed with the General Manager's recommendation and approved the Amendment, including authorization for the General Manager to execute the Amendment, and the Amendment shall be forwarded to the Board of Commissioners for approval at the May 2020 meeting.

RESOLVED, the proposed Amendment 5 to the Agreement Between the City of Lansing and The Board of Water & Light dated June 30, 1992 is approved by the COW, including authorization for the General Manager to execute the Amendment, and shall be forwarded to the Board of Commissioners for approval at the May 2020 meeting.

Proposed Resolution
Delegation of Authority to the General Manager Retraction and
Amendment to Defined Contribution Plan and Trust 2

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the Lansing Board of Water and Light Defined Contribution Plan and Trust 2 (the "Plan");

WHEREAS, in Resolution #2019-11-01, the Sponsor delegated authority to the General Manager ("GM") and the Retirement Plan Committee (the "Committee") that permitted the GM and Committee to alter the plan design to address business needs and industry practices for the Plan (the "Delegation") as well as for other plans maintained by the Sponsor; and

WHEREAS, the Sponsor wishes to retract the Delegation as it relates to the Plan only and not to any other plans maintained by the Sponsor; and

WHEREAS, the Sponsor intends to reserve its authority to amend the Plan, to freeze the Plan, or to terminate the Plan; and

WHEREAS, the Sponsor wishes to restate the Plan's Adoption Agreement to alter the Plan's eligibility provisions.

THEREFORE, it is:

RESOLVED, that the Sponsor hereby retracts the Delegation as it relates to the Plan only and retains its authority to amend the Plan, to freeze the Plan, or to terminate the Plan, unless and until otherwise resolved; and

FURTHER RESOLVED, that, after its review, the Sponsor adopts and approves the attached restated Adoption Agreement, effective as stated therein; and

FURTHER RESOLVED, that the Chair of the Board is hereby authorized to execute the restated Adoption Agreement and related documents on behalf of the Sponsor; and

FURTHER RESOLVED, that the Sponsor indemnifies and holds harmless the GM and each member of the Committee from and against all liability of any kind, including, without limitation, court costs, attorneys' fees and other expenses that arise from any legal or administrative proceeding of any kind that is brought by any person, entity or government agency in connection with the GM's or the Committee's discharge of its duties relating to the Plan; provided, however, that this indemnification shall not apply with regard to any proceeding in which the GM or a Committee member is found to have been grossly negligent or to have violated a law or committed a crime.

Proposed Resolution
Delegation of Authority to the General Manager to Amend Plans for Compliance

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the (a) Lansing Board of Water and Light Defined Contribution Plan and Trust 1; (b) Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust; (c) Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions; and (d) Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (collectively the "Plans"); and

WHEREAS, in Resolution #2019-11-01, the Sponsor delegated authority to the General Manager ("GM") and the Retirement Plan Committee (the "Committee") that permitted the GM and Committee to alter the plan design to address business needs and industry practices for the Plans; and

WHEREAS, the Sponsor wishes to delegate authority to amend the Plans for compliance purposes due to changes in the law ("Compliance Amendments") to the GM who may further delegate such authority to the Committee or any successor of the Committee performing the same duties; and

WHEREAS, the Sponsor intends to reserve its authority to freeze the Plans or to terminate the Plans.

THEREFORE, it is:

RESOLVED, that the Sponsor expressly delegates to the GM authority to adopt Compliance Amendments for the Plans; and

FURTHER RESOLVED, that the Sponsor expressly delegates to the GM the authority to further delegate to the Committee the authority to adopt Compliance Amendments for the Plans; and

FURTHER RESOLVED that the Sponsor requires all Compliance Amendments to be communicated to the Board at the next regularly scheduled meeting of the Board; and

FURTHER RESOLVED that the Sponsor ratifies all adopted Compliance Amendments that have been adopted by the GM or Committee prior to this delegation; and

FURTHER RESOLVED that the Sponsor reserves its authority to freeze the Plans or to terminate the Plans; and

FURTHER RESOLVED, that the Sponsor indemnifies and holds harmless the GM and each member of the Committee from and against all liability of any kind, including, without limitation, court costs, attorneys' fees and other expenses that arise from any legal or administrative proceeding of any kind that is brought by any person, entity or government agency in connection with the GM's or the Committee's discharge of its duties relating to the Plans; provided, however, that this indemnification shall not apply with regard to any proceeding in which the GM or a Committee member is found to have been grossly negligent or to have violated a law or committed a crime.

Proposed Resolution
Revised Defined Benefit Plan Investment Policy Statement

WHEREAS, the Lansing Board of Water & Light (the “Sponsor”) sponsors the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions (the “Defined Benefit Plan”); and

WHEREAS, the Retirement Plan Committee, established by the Sponsor and delegated certain duties by the Trustees related to the investment of Defined Benefit Plan assets, periodically reviews the target rate of return for each plan and, as the result of its most recent review, recommends the target rate of return for the Defined Benefit Plan be reduced from 7.0% to 6.5%; and

WHEREAS, the Retirement Plan Committee also periodically reviews the investment policy statement, formally known as the Statements of Investment Policies, Procedures and Objectives, for the Defined Benefit Plan and, as the result of its most recent review, recommends revisions to the language within the Defined Benefits Plan’s investment policy statement; and

WHEREAS, the Retirement Plan Committee along with the General Manager recommends the Sponsor adopt the revisions which reflect these recommendations in the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to adopt the revisions reflected in the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee along with the General Manager, the Sponsor adopts and approves the attached Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions Statement of Investment Policies, Procedures and Objectives.

Proposed Resolution
Revised VEBA Investment Policy Statement

WHEREAS, the Lansing Board of Water & Light (the "Sponsor") sponsors the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (the "VEBA"); and

WHEREAS, the Retirement Plan Committee, established by the Sponsor and delegated certain duties by the Trustees related to the investment of VEBA assets, periodically reviews the target rate of return for each plan and, as the result of its most recent review, recommends the target rate of return for the VEBA be reduced from 7.5% to 7.0%; and

WHEREAS, the Retirement Plan Committee also periodically reviews the investment policy statement, formally known as the Statement of Investment Policies, Procedures and Objectives, for the VEBA and, as the result of its most recent review, recommends revisions to language within the VEBA's investment policy statement; and

WHEREAS, the Retirement Plan Committee along with the General Manager recommends the Sponsor adopt the revisions which reflect these recommendations in the attached Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to adopt the revisions reflected in the attached Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that, after its review, and based on the recommendation from the Retirement Plan Committee along with the General Manager, the Sponsor adopts and approves the attached Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures and Objectives.

Proposed Resolution
Capital Project Budget Exceedance Approval:
AE – Electric Annual Account

WHEREAS, Lansing Board of Water & Light’s (BWL) Policy 15-02, entitled Capital Project Exceedance Approval necessitates BWL Board of Commission approval for aggregate total budget amounts for electric, water, steam and chilled water “annual” capital projects that are expected to exceed their previously approved budget by both 15% and \$200,000 prior to completion of the project; and

WHEREAS, the previously approved budget for Capital Project AE – Electric Annual Account was \$11,633,349; and

WHEREAS, the projected final total cost for Capital Project AE – Electric Annual Account is \$14,200,000, should the projects be completed; and

WHEREAS, BWL staff and management reviewed the project cost in detail, which includes but is not limited to the rationale and circumstances for the increased budget projection; and

WHEREAS, BWL staff and management recommends that the Capital Project AE – Electric Annual Account be completed despite the projected increased cost; and

RESOLVED, the BWL Board of Commissioners approve completion of Capital Project AE – Electric Annual Account with a projected final total cost of \$14,200,000.

Proposed Resolution
Capital Project Budget Exceedance Approval:
PE-20203 MP – Tainter Gate Trunnion Pin Replacement

WHEREAS, Lansing Board of Water & Light's (BWL) Policy 15-02, entitled Capital Project Exceedance Approval necessitates BWL Board of Commission approval for specific capital projects that are expected to exceed their previously approved budget by both 15% and \$200,000 prior to completion of the project; and

WHEREAS, the previously approved budget for Capital Project PE-20203 MP – Tainter Gate Trunnion Pin Replacement was \$1,653,565; and

WHEREAS, the projected final total cost for Capital Project PE-20203 MP – Tainter Gate Trunnion Pin Replacement is \$2,011,000, should the project be completed; and

WHEREAS, BWL staff and management reviewed the project cost in detail, which includes but is not limited to the rationale and circumstances for the increased budget projection; and

WHEREAS, BWL staff and management recommends that the Capital Project PE-20203 MP – Tainter Gate Trunnion Pin Replacement be completed despite the projected increased cost; and

RESOLVED, the BWL Board of Commissioners approve completion of Capital Project PE-20203 MP – Tainter Gate Trunnion Pin Replacement with a projected final total cost of \$2,011,000.

PROPOSED RESOLUTION
Fiscal Year 2021-2026 Budget and Forecast

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2021 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2022-2026 is hereby accepted as presented; and

FURTHER RESOLVED, that the Corporate Secretary be directed to make the appropriate filings with the Lansing City Clerk's office in accordance with the Lansing City Charter regarding the above actions.

Staff Comments:

Staff recommends an operating and maintenance budget of \$329.4M and a capital budget of \$198.9M for Fiscal Year 2021.

The Operating and Capital Forecast for Fiscal Years 2022-2026 includes potential rate increases in Fiscal Years 2022-2026. The potential rate increases are for forecast purposes only and have not been approved through a public rate hearing process. The forecast rate increases are subject to revision and, in any case, prior to implementation, must be subject to the BWL's formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL's authority to set just and reasonable rates and defines the public hearing process.

In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5 and Section 5-203.6, staff recommends the Finance Committee approve the budget and forecast for presentation and adoption by the Board at its May 26, 2020 board meeting.



LANSING BOARD OF WATER & LIGHT PENSION FUND TRUSTEES MEETING MINUTES November 19, 2019

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 19, 2019.

Board Chairperson David Price called the meeting to order at 5:01 p.m.

Chairperson Price provided some background information on how Commissioners serve as Trustees of the Pension Funds. Commissioner Price welcomed the new 3rd Ward Commissioner, Mr. Deshon Leek, and asked the Corporate Secretary to call the roll.

Present: Trustees Beth Graham, Deshon Leek, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas (arrived at 5:08 p.m.), and Sandra Zerkle (arrived @ 5:15 p.m.)

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Trustee Mullen and Seconded by Trustee Ross to approve the minutes from the November 13, 2018 Pension Fund Trustees' Annual Meeting.

Action: Motion Carried

Pension Fund

Chief Financial Officer Shawa reviewed and provided detailed information from the following Memorandum and Dashboard:

| MEMORANDUM | | | |
|---|-----------------|-----------------|--|
| From: Heather Shawa, Chief Financial Officer | | | |
| To: Board of Water and Light Pension Trustees | | | |
| Date: November 14, 2019 | | | |
| Subject: Annual Pension Trustees Meeting – November 19, 2019 | | | |
| <p>At the Annual Trustees Meeting to be held November 19, 2019, staff will give a brief overview of FY 2019 performance of the Defined Benefit Plan (DB), the Post-Employment Benefit Plan (VEBA), and the Defined Contribution and Deferred Compensation Plans (DC). Representatives from Asset Consulting Group (ACG) and Benesset Retirement Consulting (Benesset) will be present concerning DB and VEBA. ICMA/ATO and Platte Moran Financial Advisors (PMFA) representatives will also be in attendance concerning DC.</p> <p>Audited financial reports for each of the plans are included in the meeting packet. Elder Tilly has provided each plan with an unmodified opinion, indicating the financial statements present fairly, in all material respects, the financial position of each plan as of June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.</p> <p style="text-align: center;"><u>DB AND VEBA UPDATES</u></p> <p>Actuarial Report Overview</p> <p>Included in the packet are the actuarial reports for DB and VEBA. These actuarial reports were prepared by Benesset using census data as of February 29, 2019 and financial data as of June 30, 2019. Benesset calculated the funding status and actuarially determined contribution (ADC) for each plan. Of note, the VEBA funding status increased significantly from FY 2018 to FY 2019. This is primarily due to a large decrease in assumed post-65 health care premiums. This will be covered in further detail during the meeting. A brief overview of the complete report for each plan is shown below.</p> | | | |
| DB | As of 6/30/2019 | As of 6/30/2018 | |
| Actuarially Determined Contribution | \$0 | \$0 | |
| Total Pension Liability | \$53.8 million | \$55.8 million | |
| Fiduciary Net Position | \$60.4 million | \$62.4 million | |
| Funded Status | 112.3% | 111.9% | |
| Net Pension (Asset) / Liability | (\$6.6 million) | (\$6.6 million) | |

| VEBA | As of 06/30/2019 | As of 06/30/2018 |
|-------------------------------------|------------------|------------------|
| Actuarially Determined Contribution | \$7.0 million | \$7.5 million |
| Total OPEB Liability | \$142.5 million | \$103.5 million |
| Fiduciary Net Position | \$192.2 million | \$194.0 million |
| Funded Status | 131.2% | 92.4% |
| Net OPEB (Asset) / Liability | (\$44.6 million) | \$19.4 million |

Asset Class Allocation

Investments for DB and VEBA are directed by the plan sponsor, BWL, under the guidance of the current Statement of Investment Policies, Procedures and Objectives (IPSO) for each plan. The IPSO for each plan is included in the Trustee packet. Listed below are the asset class allocations for both DB and VEBA. Each of these allocations fall within the allowable allocation range as dictated by the IPSO for each plan.

| Asset Class | Fund Allocation as of 06/30/2019 | |
|------------------------------------|----------------------------------|--------|
| | DB | VEBA |
| US Large Cap Equity | | |
| Loomis Caynes | 12.55% | 17.25% |
| Vanguard Russell 1000 | 12.44% | 15.03% |
| US Small/Mid Cap Equity | | |
| Atlanta Capital | 9.58% | 0.00% |
| Artislate | 0.00% | 9.89% |
| Non US Equity | | |
| Hanover Loevner Intl Equity | 9.86% | 9.46% |
| Lazard Intl Equity | 9.71% | 9.35% |
| Fixed Income | | |
| JPMorgan Fixed Income | 19.00% | 21.24% |
| Fidelity Tactical Bond | 9.97% | 5.03% |
| BlackRock Strategic Income | 6.97% | 4.77% |
| Real Assets | | |
| AEPI Core Property Trust | 5.09% | 7.88% |
| Cash & Cash Equivalents | | |
| Cash & Cash Equivalents | 1.99% | 0.06% |

Management Fees

The current IPSO prescribes that consideration will be given to fees prior to retaining professionals. The following table lists all fees associated with DB and VEBA funds as of June 30, 2019.

| Manager Fee | Custodial Fee | ACG Fee* | Total Fee |
|--------------------------------|---------------|----------|-----------|
| US Large Cap Equity | | | |
| Loomis Caynes | 0.04% | 0.02% | 0.04% |
| Vanguard Russell 1000 | 0.08% | 0.02% | 0.04% |
| US Small/Mid Cap Equity | | | |
| Atlanta Capital | 0.92% | 0.02% | 0.04% |
| Artislate | 0.88% | 0.02% | 0.04% |
| Non US Equity | | | |
| Hanover Loevner Intl Equity | 0.81% | 0.02% | 0.04% |
| Lazard Intl Equity | 0.81% | 0.02% | 0.04% |
| Fixed Income | | | |
| JPMorgan Fixed Income | 0.30% | 0.02% | 0.04% |
| Fidelity Tactical Bond | 0.35% | 0.02% | 0.04% |
| BlackRock Strategic Income | 0.74% | 0.02% | 0.04% |
| Real Estate | | | |
| AEPI Core Property Trust | 1.10% | 0.02% | 0.04% |

* ACG advisory fee is a flat dollar cost. For purposes of this report, this fee is shown as a weighted average of total assets under management.

Performance of Investment Managers

The charts on the following page show the DB and VEBA investment returns from inception through June 30, 2019 for the investment managers employed by the BWL as of June 30, 2019. These returns are compared to the market index that most closely resembles each investment manager's style as listed in the current, respective DB and VEBA IPSOs. Note that due to differing individual portfolio start dates, and different investment sectors, the comparative market index will vary from manager to manager.

| DB | Inception Date | Return | Index |
|------------------------------|----------------|--------|--------|
| Loomis Sayles | 01/13 | 16.02% | 16.24% |
| Vanguard | 08/17 | 7.70% | 7.61% |
| Atlanta Capital | 08/18 | 10.33% | -0.16% |
| Harding Lovelner Intl Equity | 09/17 | 4.18% | 2.82% |
| Lazard Intl Equity | 09/17 | 3.35% | 3.26% |
| JP Morgan | 01/09 | 4.35% | 3.89% |
| Fidelity Tactical Bond | 09/18 | 7.85% | 7.15% |
| BlackRock Strategic Income | 09/17 | 3.26% | 3.25% |
| AEW Core Property Trust | 01/19 | 2.67% | 1.99% |

| VEBA | Inception Date | Return | Index |
|------------------------------|----------------|--------|--------|
| Loomis Sayles | 01/13 | 16.42% | 16.24% |
| Vanguard | 08/17 | 7.71% | 7.76% |
| Aristotle | 08/18 | -4.05% | -0.16% |
| Harding Lovelner Intl Equity | 09/17 | 4.18% | 2.82% |
| Lazard Intl Equity | 09/17 | 3.35% | 3.26% |
| JP Morgan | 01/09 | 4.35% | 3.89% |
| Fidelity Tactical Bond | 09/18 | 7.83% | 7.15% |
| BlackRock Strategic Income | 09/17 | 3.33% | 3.29% |
| AEW Core Property Trust | 01/19 | 2.67% | 1.99% |

DC UPDATES

During Q3 of Fiscal Year 2019, as recommended by PMFA, the BWL implemented various DC fund lineup and fee structure changes. The changes benefit participants in the following ways:

- Simplified investment menu using best in class fund managers
- Lowest cost version of each investment option
- Increased access to passive investments
- Consistent default age matrix for all plans
- Increased transparency of plan costs
- More equitable split of plan costs

DISPLAYED VALUES MAY NOT TOTAL OR MATCH OTHER REPORTS DUE TO ROUNDING

The investment options are continually monitored by PMFA. During the monitoring process, PMFA will recommend proposed changes to the Retirement Plan Committee as necessary. For reference below, Exhibit 1 shows the fund lineup, consisting of 40 funds, prior to the changes, and Exhibit 2 shows the fund lineup, consisting of 26 funds, after the changes.

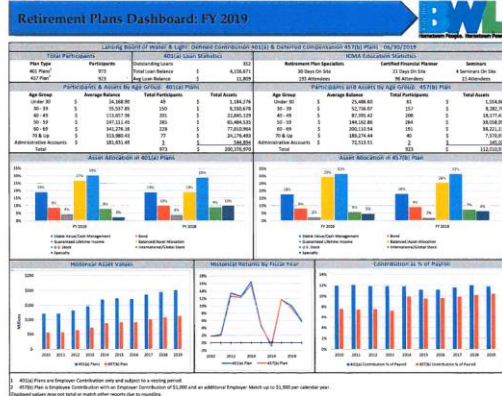
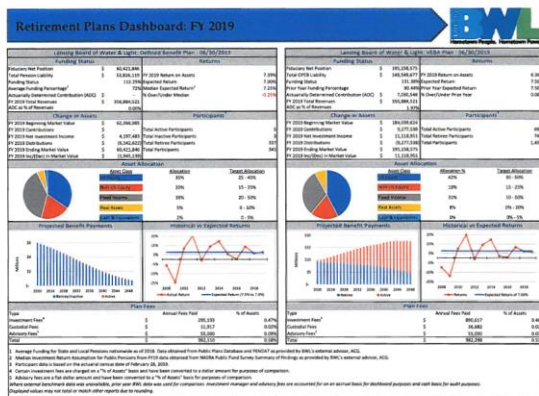
EXHIBIT 1

| Investment Option | Fund Name | Investment Objective |
|-------------------|--|---|
| 1 | Investment Option: Global Bond | Investment Objective: Global Bond |
| 2 | Investment Option: Global Equity | Investment Objective: Global Equity |
| 3 | Investment Option: Global Fixed Income | Investment Objective: Global Fixed Income |
| 4 | Investment Option: Global Multi-Sector | Investment Objective: Global Multi-Sector |
| 5 | Investment Option: Global Real Estate | Investment Objective: Global Real Estate |
| 6 | Investment Option: Global Small Cap | Investment Objective: Global Small Cap |
| 7 | Investment Option: Global Tech | Investment Objective: Global Tech |
| 8 | Investment Option: Global Value | Investment Objective: Global Value |
| 9 | Investment Option: Global Water | Investment Objective: Global Water |
| 10 | Investment Option: Global Energy | Investment Objective: Global Energy |
| 11 | Investment Option: Global Healthcare | Investment Objective: Global Healthcare |
| 12 | Investment Option: Global Consumer | Investment Objective: Global Consumer |
| 13 | Investment Option: Global Financial | Investment Objective: Global Financial |
| 14 | Investment Option: Global Industrial | Investment Objective: Global Industrial |
| 15 | Investment Option: Global Materials | Investment Objective: Global Materials |
| 16 | Investment Option: Global Telecommunications | Investment Objective: Global Telecommunications |
| 17 | Investment Option: Global Utilities | Investment Objective: Global Utilities |
| 18 | Investment Option: Global Emerging Markets | Investment Objective: Global Emerging Markets |
| 19 | Investment Option: Global Infrastructure | Investment Objective: Global Infrastructure |
| 20 | Investment Option: Global Natural Resources | Investment Objective: Global Natural Resources |
| 21 | Investment Option: Global Real Estate | Investment Objective: Global Real Estate |
| 22 | Investment Option: Global Small Cap | Investment Objective: Global Small Cap |
| 23 | Investment Option: Global Tech | Investment Objective: Global Tech |
| 24 | Investment Option: Global Value | Investment Objective: Global Value |
| 25 | Investment Option: Global Water | Investment Objective: Global Water |
| 26 | Investment Option: Global Energy | Investment Objective: Global Energy |
| 27 | Investment Option: Global Healthcare | Investment Objective: Global Healthcare |
| 28 | Investment Option: Global Consumer | Investment Objective: Global Consumer |
| 29 | Investment Option: Global Financial | Investment Objective: Global Financial |
| 30 | Investment Option: Global Industrial | Investment Objective: Global Industrial |
| 31 | Investment Option: Global Materials | Investment Objective: Global Materials |
| 32 | Investment Option: Global Telecommunications | Investment Objective: Global Telecommunications |
| 33 | Investment Option: Global Utilities | Investment Objective: Global Utilities |
| 34 | Investment Option: Global Emerging Markets | Investment Objective: Global Emerging Markets |
| 35 | Investment Option: Global Infrastructure | Investment Objective: Global Infrastructure |
| 36 | Investment Option: Global Natural Resources | Investment Objective: Global Natural Resources |
| 37 | Investment Option: Global Real Estate | Investment Objective: Global Real Estate |
| 38 | Investment Option: Global Small Cap | Investment Objective: Global Small Cap |
| 39 | Investment Option: Global Tech | Investment Objective: Global Tech |
| 40 | Investment Option: Global Value | Investment Objective: Global Value |

EXHIBIT 2

| Investment Option | Fund Name | Investment Objective |
|-------------------|--|---|
| 1 | Investment Option: Global Bond | Investment Objective: Global Bond |
| 2 | Investment Option: Global Equity | Investment Objective: Global Equity |
| 3 | Investment Option: Global Fixed Income | Investment Objective: Global Fixed Income |
| 4 | Investment Option: Global Multi-Sector | Investment Objective: Global Multi-Sector |
| 5 | Investment Option: Global Real Estate | Investment Objective: Global Real Estate |
| 6 | Investment Option: Global Small Cap | Investment Objective: Global Small Cap |
| 7 | Investment Option: Global Tech | Investment Objective: Global Tech |
| 8 | Investment Option: Global Value | Investment Objective: Global Value |
| 9 | Investment Option: Global Water | Investment Objective: Global Water |
| 10 | Investment Option: Global Energy | Investment Objective: Global Energy |
| 11 | Investment Option: Global Healthcare | Investment Objective: Global Healthcare |
| 12 | Investment Option: Global Consumer | Investment Objective: Global Consumer |
| 13 | Investment Option: Global Financial | Investment Objective: Global Financial |
| 14 | Investment Option: Global Industrial | Investment Objective: Global Industrial |
| 15 | Investment Option: Global Materials | Investment Objective: Global Materials |
| 16 | Investment Option: Global Telecommunications | Investment Objective: Global Telecommunications |
| 17 | Investment Option: Global Utilities | Investment Objective: Global Utilities |
| 18 | Investment Option: Global Emerging Markets | Investment Objective: Global Emerging Markets |
| 19 | Investment Option: Global Infrastructure | Investment Objective: Global Infrastructure |
| 20 | Investment Option: Global Natural Resources | Investment Objective: Global Natural Resources |
| 21 | Investment Option: Global Real Estate | Investment Objective: Global Real Estate |
| 22 | Investment Option: Global Small Cap | Investment Objective: Global Small Cap |
| 23 | Investment Option: Global Tech | Investment Objective: Global Tech |
| 24 | Investment Option: Global Value | Investment Objective: Global Value |
| 25 | Investment Option: Global Water | Investment Objective: Global Water |
| 26 | Investment Option: Global Energy | Investment Objective: Global Energy |

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Ms. Shawa stated that there were no policy or plan document changes this year. Ms. Shawa informed that the memorandum summarized key plan information and the fund line-up changes. The Dashboard consisted of information from the DB Plan and the VEBA Plan. The DB Plan ended FY2019 with \$60 million in assets and funded status held at 112%. The actual return was 7.39% which was slightly over the target of 7%; the expected return of 7% is just under the median return of 7.25% for other plans like this one. The primary reason the expected return is set lower at 7% is due to the plan being closed with five active participants, the maturity and funded status of the plan, and it is appropriate to be conservative and maintain the plan assets. The VEBA Plan ended FY2019 with \$195 million in assets and the funded status increased from 90% last year to 131% this year. The actual return for the VEBA Plan was 6.36% which was slightly below the expected return of 7.5%.

Ms. Shawa also provided information on the Defined Contribution 401a Plan and Deferred Compensation 457 Plan. The 401a plan ended FY 2019 with \$200 million in assets, and the 457 Plan ended with \$112 million. Ms. Shawa noted that there were 304 loans outstanding totaling \$6.8 million with an average loan balance of \$22,514 included on the dashboard, but an error was found and corrected to 352 outstanding loans totaling \$4.1 million with an average loan balance of \$11,800.

Trustee Mullen asked how many participants are in the Defined Benefit Plan. Ms. Shawa responded that there are 345 participants of which 5 are active.

Trustee Ross requested confirmation that the Defined Benefit Plan is a traditional pension plan for any active employee pre-1997; that the Defined Contribution 401a Plan is funded by employees through an annual contribution post-1997 and that, generally, there is a 15% annual contribution for employees pre-1997 and a 9.5% annual contribution for employees post-1997; and that the 457b Plan is a voluntary employee contribution plan which is matched to a certain amount by the BWL. Ms. Shawa confirmed. Trustee Ross asked what the process was for selecting financial advisors, how frequently bidding processes are made, and how reasonable fee charges are set. Ms. Shawa responded that the Retirement Plan Committee (RPC), which consists of herself as Chair, Executive Director of Human Resources, Michael Flowers, and Finance Manager, Scott Taylor, was delegated responsibility for the investment plans. Ms. Shawa responded that the RPC works with BWL General Counsel, BWL Financial Analyst and outside financial advisors to fulfill fiduciary responsibilities.

Trustee Ross asked for information regarding the benchmarks and returns of the DB and VEBA Plans and how they are tied to asset indexes. Ms. Shawa responded that there are quarterly reviews and additional information will be provided by Plante Moran, LLC and Asset Consulting Group. Trustee Ross also asked about the 9.5% contributed by post 1997 employees and how additional voluntary contributions were encouraged. Ms. Shawa responded that the process is being reviewed but there is no formal recommendation at this time.

David Houser, BWL Finance Supervisor, introduced the financial advisory panel. The Panel provided financial information and engaged in a question and answer session. The Panel consisted of Information:

- 1) Nathan Burk, Vice President at Asset Consulting Group (ACG); ACG was selected by RFP in 2017 and they provide recommendations for the DB and VEBA Plans including developing, reviewing, and complying with investment policies and portfolios;
- 2) Mark Miller, Principal and Actuary at Benassist Retirement Consulting, LLC; Benassist was selected by RFP in 2018 and they provide actuarial services for the DB and VEBA Plans which includes employee benefit calculations and annual state filing requirements;
- 3) Steven Gibson, Relationship Manager and Consultant with Plante Moran Financial Advisors, LLC; Plante Moran Financial Advisors, LLC are co-fiduciaries and DC Plan advisors, which includes plan analysis to ensure the highest benefits to participants, and the preparation and compliance with investment policies; and
- 4) Lisa Burks-Wilson, Director of Relationship Management from ICMA, the DC Plan administrator, which includes account access, participant communication and participant education.

Mr. Nathan Burk gave a market update for the past year. Mr. Burk stated that in the 4th quarter in 2018 the Federal Reserve was committed to raising interest rates resulting in equities being sold and an increase in investing in bonds. In 2019 the Federal Reserve cut interest rates and equities rebounded. Mr. Burk also gave an update on the results for FY 2019 for the DB and VEBA Plans. He stated that the biggest contributor to the lower return on the VEBA Plan was US large cap stocks within the portfolio. The plan had a strategic asset allocation that wasn't quite at full target for the fiscal year but the final funding brought the allocation to its strategic goal YTD. Mr. Burk stated that the DB Plan performed better as it had a more conservative rate of return with

a larger bond allocation. Mr. Burk defined the difference between active and passive investment management and when each one should be implemented. Active management is paying an investment manager to actively try to outperform a benchmark after fees and passive management is paying a more modest fee to replicate a benchmark from a return and risk prospective. ACG analyzes 40,000 different products from 10,000 different firms globally in 3-, 5- and 7-year returns evaluating whether a fee should be paid to outperform a benchmark.

Trustee Ross asked whether Aristotle in the VEBA plan with an index of 16 basis points (bp) below was a passive investment. Mr. Burk responded that Vanguard was passive and Aristotle was an active manager. Trustee Ross also asked how Atlanta Capital in the DB Plan was able to achieve 1,000 bp more than the index. Mr. Burk responded that Atlanta Capital is a concentrated manager who looks for high quality securities in the marketplace and have an excellent track record of finding the right broad-based selection of stocks. Trustee Ross added that since the framework is geared toward maximizing available opportunity for profit for the system are there any filters imposed on the money managers as it relates to social conscionability in investing. Mr. Burk responded that the objective of a public pension is to maximize return per unit of risk without regard to ESG (Environmental, Social and Fair Governance) factors, although this is factored in by many investment managers, and quarterly RFI's are sent out asking how ESG's are incorporated into the investment processes. Trustee Ross asked whether the information collected was placed into an evaluation process. Mr. Burk responded that unless there is a specifically mandated filter request, the entire set is evaluated and socially unacceptable practices would not be considered.

Trustee Mullen asked what the cost would be for less agnostic and more socially active investments. Mr. Burk responded that there are socially active investment managers with a specific focus but it depends on whether that would be the direction wanted for the plan. Trustee Mullen asked what kind of return would be obtained in a socially active investment. Mr. Burk responded that it varies depending on the asset class; a long term socially responsible equity manager would be selected and a similar return would be expected. He added that the gaps that would have occurred in the past with the social investments are no longer realized.

Mark Miller from Benassist Retirement Consulting, LLC spoke about the significant increase in the VEBA funding status. Mr. Miller stated that the increase in VEBA funding from a low 90% to 130% in the evaluation was attributed to three things:

- 1) A decrease in the premiums charged by the post-65 insurance company; the plan changed from Hartford to the larger company Humana resulting in the medical premium decreasing from \$220 per month to \$98 per month per person and the prescription drug decreasing from \$305 per month to \$213 per month; it is estimated that there would be \$2 million in savings per year.
- 2) The healthcare trend assumption was adjusted down half a percent for each year starting at 9% as it was higher than what it is in industry and it is similar to what is required by Michigan uniform actuarial assumptions. This accounted for about 14% of the increase in funding.
- 3) Demographic experience due to the death of participants and spouses.

Steven Gibson with Plante Moran Financial Advisors, LLC spoke about the fund lineup changes from February and how it benefits participants. Mr. Gibson stated that Plante Moran reviewed

the investments, decreased the number of funds from 40—as the best practice amount is 15-25, added passive investments, streamlined the fee structure, and removed the sector or specialty funds but allowed access through the self-directive brokerage option. As a result of the changes made, the average investment expense went down significantly from 51bp and 55bp to 36bp and 41bp representing a cost savings of more than \$400,000 per year. Cost savings in a pension plan means a reduced contribution to the BWL, but this cost savings is directly to the participants.

Trustee Ross asked for a comparison of plans between BWL and other plans. Mr. Gibson responded that from a contribution standpoint of 250 plans and \$6 billion in contribution assets, the company contribution of the BWL is in the top five, and the plan committee is very well designed.

Mr. Gibson continued that the next step is the plan design process, which will be determining the average participation rate for the plan, what the participants will receive, if there is a need and the process to meet the need. Automatic enrollment is efficient, but many committees will not force participants into the plan. The ICMA plan is cost efficient and there is a flat per participant fee as there is for Plante Moran. Plante Moran benchmarks fees on an annual basis using an independent third party that looks at other plans of similar size and they have implemented a couple socially responsible plans but the plans aren't as highly used.

Lisa Burks-Wilson, Director of Relationship Management from ICMA, the DC Plan administrator, spoke about the new technology that ICMA has provided for participants and how that impacts education. Ms. Burks-Wilson stated that the technology is award winning and that there are two approaches, the human approach and the self-service tools approach—which is also available through smartphones and Alexa. Ms. Burks-Wilson reviewed the tool “Am I on Track” which provides employees with a personalized retirement readiness score, takes into consideration money in the DC plan, DB plan, social security, and spouse's money. The retirement readiness score is determined by reviewing 500 market scenarios and it helps determine the savings rate and the age to retire. Ms. Burks-Wilson also reviewed the Account Aggregation tool which allows participants a comprehensive view of all types of accounts they have, and allows them to budget and fund specific goals. Ms. Burks-Wilson introduced the people that provide the on-sight education for employees, April Rose and Dan Stewart, retirement plan specialists who report to ICMA Regional Manager, Jason Ashline, and Nancy Lange, ICMA Financial Planner.

Ms. Shawa brought forward two additional items that the RPC will bring forward to the Commission. Updating the target return in the IPS, or discount rate, is being reviewed for both the DB and VEBA. A recommendation for a 7%-6.5% reduction for the DB plan which would be a 5% funded impact taking the 112% funded status to 107%. A recommendation for 7.5% -7% reduction for the VEBA plan which would be a 7% funded impact taking the 131% funded status to 124%. The two primary reasons for the update is that industry-wide the trend for plans like the BWL's is to lower returns and market experts are reducing expectations for long term investment returns.

Ms. Shawa added that a new funding policy recommendation will be worked on for the VEBA plan as there are different options available with the current funding status.

Trustee Lenz inquired what the average historical returns for the DB and VEBA types of funds are and if the historical average is higher than to what the expected returns for the future are being reduced, and what is the explanation for the reduction. Mr. Burk responded that it is a forward

working analysis and that currently there are historical lows at 1.5% interest. Mr. Burk added that return expectations have come down for building block methods of looking into different asset classes-equity, fixed income, real assets; equity markets have rallied in 2019; valuations are expensive and forward returns are anticipated to be lower; bonds move inversely to rates and if the rates go higher the bond prices will go lower. Trustee Lenz asked if a low return is being protected why the ratio of funds allocated is being changed. Mr. Burk responded that will be reviewed with the committee and it is reasonable to achieve the rate of return with the current allocation.

Commissioner Zerkle commended Ms. Burks-Wilson and the BWL for having the ICMA at the BWL on a regular basis and asked how ICMA encouraged employees to put money aside, as it is their pension. Ms. Burks-Wilson responded that employees are instructed that a certain income placement ratio is needed to live on during retirement and that at least 10 years before retirement money should be set aside. Ms. Burkes-Wilson also informed that the plan includes a REA fund that can offer a guaranteed lifetime income.

Trustee Leek asked what security provisions were in place for smartphones and Alexa. Ms. Burks-Wilson responded that cyber security is at the forefront at all times and that additional provisions through Amazon are necessary to utilize Alexa and cyber security is comfortable with the vetted provisions.

RESOLUTION #2019-11-05

ACCEPTANCE OF 2019 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN

Resolved, that the Corporate Secretary receive and place on file the Defined Benefit, Defined Contribution, and Retiree Benefit Plan reports presented during the Pension Trustee Meeting.

Staff comments: All three Plans received clean audit reports.

Motion by Trustee Ross, Seconded by Trustee Mullen, to accept the 2019 Audited Financial Statements for Defined Benefit Pension Plan, Defined Contribution Pension Plan, and Retiree Benefit Plan.

Action: Motion Carried

Other

None.

Excused Absences

None.

Adjourn

There being no further business, the Pension Fund Trustees meeting adjourned at 6:19 p.m.

Proposed Resolution - Trustee
Acknowledgment of VEBA Investment Policy
Statement Recommendation

WHEREAS, the Lansing Board of Water and Light sponsors the Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (the "VEBA"); and

WHEREAS, certain individuals serve as trustees of the Plan (the "Trustees"); and

WHEREAS, the Trustees delegated certain investment authority regarding VEBA assets to the Retirement Plan Committee on September 3, 2016 (the "Delegation"); and

WHEREAS, the Trustees are required to acknowledge all revisions to the Statement of Investment Policies, Procedures and Objectives ("IPS") which are adopted from time to time by the Board of Commissioners of the Lansing Board of Water and Light;

THEREFORE, it is:

RESOLVED, that, the Trustees ratify all investment actions that have been taken by the Retirement Plan Committee in accordance with the Delegation;

FURTHER RESOLVED, that after reviewing the attached revised IPS, the Trustees acknowledge all revisions to the IPS, effective as indicated therein.

Proposed Resolution - Trustee
Acknowledgment of Defined Benefit Plan
Investment Policy Statement Recommendation

WHEREAS, the Lansing Board of Water and Light sponsors the Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions (the "Defined Benefit Plan"); and

WHEREAS, certain individuals serve as trustees of the Plan (the "Trustees"); and

WHEREAS, the Trustees delegated certain investment authority regarding Defined Benefit Plan assets to the Retirement Plan Committee on September 3, 2016 (the "Delegation"); and

WHEREAS, the Trustees are required to acknowledge all revisions to the Statement of Investment Policies, Procedures and Objectives ("IPS") which are adopted from time to time by the Board of Commissioners of the Lansing Board of Water and Light;

THEREFORE, it is:

RESOLVED, that the Trustees ratify all investment actions that have been taken by the Retirement Plan Committee in accordance with the Delegation;

FURTHER RESOLVED, that after reviewing the attached revised IPS, the Trustees acknowledge all revisions to the IPS, effective as indicated therein.