



BOARD OF WATER AND LIGHT
PENSION FUND TRUSTEES' ANNUAL MEETING
MINUTES

Tuesday, November 11, 2014

The Pension Fund Trustees' of the Lansing Board of Water and Light met at the BWL Headquarters – REO town Depot located at 1201 S. Washington Ave., Lansing, MI, at 7:14 on Tuesday, November 11, 2014.

Chairperson David Price called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Trustees Margaret Bossenbery, Dennis M. Louney, David Price, Cynthia Ward, Sandra Zerkle and Tony Mullen

Absent: Trustees Anthony McCloud and Tracy Thomas

Public Comments

There were no public comments.

Approval of Minutes

On **Motion** by Trustee Bossenbery and Seconded by Trustee Ward to approve the minutes of October 8, 2013 Pension Fun Trustees' Annual Meeting Minutes

Action: Motion Carried

FY 2014 Financial Information

FY 2014 Financial Information Relative to DB, DC and VEBA plan and Proposed Resolution

Adopting the Audited Financial Statements

General Manager J. Peter Lark introduced Susan Devon to provide an overview of the different Pension Plans.

Ms. Devon, Chief Administrative Officer, provided information on the Defined Benefit and VEBA Trust Plans. Ms. Devon stated that the data included in the packets includes a copy of both funds' audited financial reports, the most recent actuarially report and the plans' performance information for the period ended in 2014. Also, included are summary annual reports for both funds that are required by PA 347 of 2012.

Defined Benefit Plan

Ms. Devon stated that the Defined Benefit (DB) Plan currently has 26 active employees and 413 Retirees and beneficiaries. As of our valuation date of February 2013 the plan had \$80 million in plan assets and our plan liabilities were at \$70 million. We are over funded by \$10 million dollars which means we have a Funded Ratio of 114.5%. We had \$14.2 million dollars of investment gains for our fiscal year on our plan assets which equals to about 18% return,

compared to last year we had about \$10 million dollars in investment gains. We paid out \$85 million in benefits and our fees were \$579,000 on the DB Plan.

Retirement Pension Plan – VEBA

Ms. Devon stated that in the VEBA Trust we have 667 active employees and 693 retirees and beneficiaries. The plan assets were \$148 million at the valuation date and the plan liabilities were \$195 million dollars. We are 76.3% funded, last year we were 45% funded, we are making great progress. We had \$25.7 million dollars in investment income which was equated to approximately 17% return on our assets, last year we had \$15.7 in investment returns. We paid out \$9 million dollars in benefits and the fees were approximately \$962,000 dollars.

Commissioner Zerkle asked at what level do we stop putting the money into one of the plans.

Ms. Devon stated that we are not putting any money into our DB plan at this point in time.

General Manager Lark stated that the VEBA is not fully funded but he believes it to be very well funded relative to other VEBAs.

Ms. Devon stated that she also believes that we are very well funded. She stated that compared to the City of Lansing who does not have any money funded for their health care at this point in time and that the State is moving to try and fund their health care benefits. For us we have been moving this way for quite a few years and we are trying over a 15 year period to be 100% funded in our VEBA trust and we are on track to achieving that.

Defined Contribution Plan – 401A

Ms. Devon stated that the data in the packet for the Defined Contribution (DC) Plan or 401A includes a copy of the audited financial report, an investment performance report called the Plan Service Report. The DC Plan was established in 1997. Currently we have 682 active employees and 140 retirees and beneficiaries. The DC Plan assets at the evaluation date were \$169 million dollars and that was an increase of \$23 million dollars over last year. The Board of Water and Light contributed \$5 million dollars to the DC Plan in fiscal year 2014. The DC plan paid out \$8 million dollars in benefits and we have total fees of \$956,000 dollars. We have seen steady growth in the plan since 2009 and last fiscal year our rate of return was over 16%. As you may recall, last year we did establish a payroll deduction for Roth IRA and we have 128 employees who have decided to participate in that plan. There are about \$1.5 million dollars of assets in the Roth IRA. So this has been a very successful new option we have offered to our employees.

Overall, our employees are considered to be slightly more aggressive in their investment portfolios than other typical ICMA investors. We do see a trend in our employees decreasing their portfolio risk over time to mirror their age.

Ms. Devon stated that our DC Plan does allow employees to take loans out against their plan.

We do have 403 loans outstanding in the plan and there were 121 new loans this year and the total loan balance for all of the loans outstanding were about \$4.4 million dollars. Anybody can

go in and borrow against the DC Plan to the lesser of \$50,000 or 50% of the balance that they have in that plan and they can have no more than 2 loans outstanding at any time.

Commissioner Zerkle asked if the current loans out affect the overall program or just the individual.

Ms. Devon stated that it does affect the individual, there are \$169 million dollars of funds invested in everybody's individual accounts and then from that we have \$4.4 million dollars that have been bonded against that. One thing that we would want to be watching for is loans that could potentially be defaulted on and that would hurt our employees.

Ms. Devon stated that because our employees are responsible for making their own decisions of how they would like their retirement money invested, we do try to provide education meetings for them. ICMA did provide 333 meetings in 2013 and another additional 268 through September of this year. Ms. Devon believes that shows that the employees are interested and trying to be educated to make wise decisions on their retirement accounts. We did have 305 attendees go to 15 different presentations that ICMA put on for us and those presentations covered things like Estate planning, Social Security, Investing in Volatile Markets and Retirement Readiness Report. We did have a Retirement plan specialist on site for 90 days during this year and our Certified Financial Planner was also on site for 93 days. We did have employees attending and meeting with them during those times.

Commissioner Zerkle commented that she thought the educational meetings were a great option for our employees.

Commissioner Bossenbery asked if we have many defaults on the loans.

Ms. Devon stated that we do have some.

General Manager J. Peter Lark respectfully asked the Board Trustees to approve the resolution for the acceptance of the 2014 Audited Financial Statements for the Defined Benefit Plan (DB), Defined Contribution Plan (DC) and the Retiree Benefit Plan known as VEBA and that the Corporate Secretary receives and places these on file.

Motion by Trustee Bossenbery, Seconded by Trustee Mullen, to approve the following resolution:

RESOLUTION

ACCEPTANCE OF 2014 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSIONS PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)

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

Staff Comments: All three Plans received clean audit reports.

Action: Motion Carried

RESOLUTIONS: ETHICS, TRAINING AND RECORD RETENTION

Board Chair Price stated that the resolutions re: 1) Retirements System Code of Conduct and Ethics, 2) Retirement System Education and Travel Policy and 3) Retirement System Records Retention Policy and Records Retention and Disposal Schedule, were considered during the Committee of the Whole meeting and will be brought before the full Board at next week's Regular Board meeting. Acknowledging and receiving the Resolutions in this packet serves as notice to the Trustees.

Excused Absence

Motion by Trustee Ward and Seconded by Bossenbery to excuse Trustees McCloud and Thomas from tonight's meeting

Action: Motion Carried

On Motion by Trustee Bossenbery and Seconded by Trustee Mullen with no further business, the Pension Fund Trustees meeting adjourned at 7:34