



**LANSING BOARD OF WATER & LIGHT  
PENSION FUND TRUSTEES ANNUAL MEETING  
November 14, 2017**

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 14, 2017. Chairperson David Price called the meeting to order at 5:09 p.m. and asked the Corporate Secretary to call the roll.

Present: Trustees David Price, Beth Graham, Dennis M. Louney (arrived @5:18 p.m.), Tony Mullen, Tracy Thomas, and Sandra Zerkle.

Absent: Trustees Anthony McCloud and Ken Ross

The Corporate Secretary declared a quorum.

**Public Comments**

There were no public comments.

**Approval of Minutes**

**Motion** by Trustee Thomas and Seconded by Trustee Mullen to approve the Minutes from the November 15, 2016 Pension Fund Trustees’ Annual Meeting.

**Action:** Motion Carried

**FY 2017 Financial Information**

**FY 2017 Financial Information Relative to DB, VEBA, and DC Plan, and Proposed Resolutions**

General Manager Peffley introduced Chief Financial Officer Heather Shawa to provide an overview of Board of Water & Light’s (BWL) Pension Plans and the Resolutions that were being considered for approval or acceptance.

Ms. Shawa stated that the resolutions in the packet were previously vetted through the appropriate committee meetings and approved by the full board. The trustees are being asked to acknowledge through resolution the investment policy statements for the DB and VEBA Plans and for acceptance of the Trust Agreements for both of these plans.

Ms. Shawa introduced Nathan Burke, VP, Senior Consultant at Asset Consulting Group who provided information on the DB and VEBA Plans. Ms. Shawa also introduced Lisa Burks-Wilson and Sandra Rouse-Thames from ICMA who are financial advisors for the Defined Contribution Plan.

Mr. Burke reviewed the Defined Benefit (DB) and VEBA Plan for the period ending June 30, 2017 and gave a global economic update. Mr. Burke stated that the returns are reflective of solid corporate growth and highlighted asset allocation.

Ms. Shawa reviewed the performances of the Defined Benefit Plan, the Retirement Pension Plan and the Defined Contribution Plan for FY 2017. Ms. Shaw noted that the enterprise statements, which include the pension plan statements, all received a clean audit report in September 2017.

### **Defined Benefit Plan**

Ms. Shawa stated that Defined Benefit (DB) Plan currently has 382 participants of which 8 are active. As of the valuation date of June 30, 2017, the Plan had \$65.9 million in plan assets and \$56.9 million in plan liabilities. The BWL was over-funded by \$9 million. This results in a Funded Ratio of just under 116% - up approximately 9% from the prior year. For FY 2017, the BWL had \$8 million in net investment income, which equates to an 13.75% return. Ms. Shawa stated that these results were due to some changes in investment policy statements and to the market. In comparison in FY 2016 BWL had a 0.5% return. For FY 2017 administrative fees were \$339,000 and this is 0.51% of plan assets.

### **RESOLUTION 2017-11-01**

#### **Revised Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures, and Objectives**

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

WHEREAS, the Retirement Plan Committee has reviewed the current Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives in conjunction with a transition to a new benefit plan investment consultant; and

WHEREAS, the Retirement Plan Committee recommended the Sponsor adopt the revisions reflected in the attached Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor adopted the attached, revised Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that the Trustees acknowledge the attached, revised Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives.

### **RESOLUTION 2017-11-02**

#### **Amendment and Restatement of Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions**

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

WHEREAS, the cost of Defined Benefit Plan benefits is funded through the Trust Agreement for the Lansing Board of Water and Light Defined Benefit for Employee's Pensions (the "Pension Trust Agreement"); and

WHEREAS, to reflect current governance procedures and for other purposes, the Sponsor adopted and approved the attached amendment and restatement of the Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions.

THEREFORE, it is:

RESOLVED, that the Trustees accept the terms and conditions of the attached Amendment and Restatement of the Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions, both individually and collectively.

**Motion** by Trustee Zerkle, Seconded by Trustee Mullen, to acknowledge the Revised Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives Resolution, and to accept the Amendment and Restatement of the Trust Agreement for the Defined Benefit Plan Resolution.

**Action:** Motion Carried

#### **Retirement Pension Plan – VEBA**

Ms. Shawa stated that the VEBA Trust as of the actuarial valuation date of June 30, 2017 has 1,448 participants of which 727 are active. The VEBA plan had \$174 million in plan assets and \$206 million in plan liabilities. The BWL was 84.4% funded which is up 13.7% from the prior year. For FY 2017, the BWL had \$17 million in net investment income, equaling a 11.65% return. For the prior FY, the BWL had a 0.6% return. The administrative fees were \$766,000 which is 0.44% of total plan assets.

Ms. Shawa noted that Nyhardt, BWL's actuarial consultant, was asked to perform a projection and currently the BWL's VEBA Plan is projected to be fully funded by June 30, 2023. Ms. Shawa also noted that an experience study was performed and three recommendations were given and implemented. An increase of 2.3% in liability resulted from the implementation.

#### **RESOLUTION 2017-11-03**

#### **Revised Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light Statement of Investment Policies, Procedures, and Objectives**

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

WHEREAS, the Retirement Plan Committee has reviewed the current VEBA Statement of Investment Policies, Procedures and Objectives, in conjunction with a transition to a new benefit plan investment consultant; and

WHEREAS, the Retirement Plan Committee recommended the Sponsor adopt the revisions reflected in the attached VEBA Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor adopted the attached, revised VEBA Statement of Investment Policies, Procedures and Objectives;

THEREFORE, it is:

RESOLVED, that the Trustees acknowledge the attached, revised VEBA Statement of Investment Policies, Procedures and Objectives.

**RESOLUTION 2017-11-04**

**Amendment and Restatement of Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light**

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

WHEREAS, the cost of VEBA benefits is funded partially through the Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of the Lansing Board of Water and Light (the “VEBA Trust”); and

WHEREAS, to reflect current governance procedures and for other purposes, the Sponsor adopted and approved the attached amendment and restatement of the Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light.

THEREFORE, it is:

RESOLVED, that the Trustees accept the terms and conditions of the attached Amendment and Restatement of the Trust Agreement for the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light, both individually and collectively.

**Motion** by Trustee Thomas, Seconded by Trustee Graham, to acknowledge the Revised VEBA Statement of Investment Policies, Procedures, and Objectives, and to accept the Amendment and Restatement of the VEBA Trust Agreement.

**Action:** Motion Carried

Commissioner Price commended Ms. Shawa on the financial dashboard provided as the information is readily accessible.

**Defined Contribution (DC) Plan**

Ms. Shawa gave a brief explanation of the Defined Contribution Plan. The plan consists of a 401 and a 457 component. The 401 plan is an employer contribution plan to which contributions begin after six-months of employment. The 457 plan is an employee contribution plan with an employer match. At the first pay of every year, BWL contributes \$1,000 to the employee 457

plan and employee contributions are matched up to \$1,500. Employees are responsible for making their own investment decisions in the plan. ICMA retirement plan specialists were on site 39 days in FY 2017 and met with participants and an ICMA certified financial planner was on site for 12 days during FY 2017. Two onsite seminars were held at which about 50 participants attended and additional educational opportunities will occur. For FY 2017 the DC Plan had total expenses of \$1.1 million which is 0.6% of plan assets. The BWL contributed \$6.1 million to the plan.

Commissioner Jester asked if any evaluations had been performed regarding the fees related to the DC Plan for which entities have to be more transparent in respect to ICMA and other alternatives. Ms. Shawa responded that evaluations have been done for marketing and best practice, and also for advisory and administration, and ICMA was retained. In the next 30 days the next RFP will be sent out for advisory services.

### **Supplemental Information**

Ms. Shawa asked the Board for acceptance of the 2017 Audited Financial Statements which combined three separate policies and had been previously approved at the March 28, 2017 Board Meeting.

#### **RESOLUTION 2017-11-05**

#### **Acceptance of 2017 Audited Financial Statements for Defined Benefit Pension 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.

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*Staff comments:* All three Plans received clean audit reports.

**Motion** by Trustee Zerkle, Seconded by Trustee Thomas, to accept the 2017 Audited Financial Statements for Defined Benefit Pension Plan, Defined Contribution Pension Plan, and Retiree Benefit Plan (VEBA).

**Action:** Motion Carried

#### **RESOLUTION 2017-11-06**

#### **Travel & Reimbursement Policy – Board of Commissioners, Board Appointees, Employees, and Investment Fiduciaries**

**WHEREAS**, the attached Travel & Reimbursement Policy for the Board of Commissioners, Board Appointees, Employees and Investment Fiduciaries (formerly known as Retirement System Representatives) will replace the existing Policies and Resolutions listed below:

- 1) Policy 0004 – Travel Expense (Board Appointees)
- 2) Policy 0007 – Travel Expense for Commissioners Only
- 3) Policy 0056 – Travel & Reimbursement – Employees

- 4) Resolution #2007-05-14 – Amendment to Travel Policy for the Board of Commissioners
- 5) Resolution #2014-11-02 – Retirement System Education & Travel Policy

**WHEREAS**, the Board of Commissioners adopted the attached, combined and updated Travel & Reimbursement Policy as presented;

**THEREFORE, it is:**

**RESOLVED**, that the Trustees acknowledge the attached, combined and updated Travel & Reimbursement Policy.

Staff Comments: The purpose of this Resolution is to consolidate the existing policies and resolutions listed above into 1 policy and apply uniform requirements throughout. The following significant changes were made:

#### Board of Commissioners

- Policy covers 4 Year Term Commissioners
- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Policy may be overridden by Board Chair when emergency or special circumstance arises

#### Board Appointees

- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Eliminated the \$50/day per diem rate
- Meal Reimbursement will be at actual cost with a 20% gratuity cap
- Policy may be overridden by Board Chair when emergency or special circumstance arises

#### Employees

- Meal reimbursement increased (from \$50) to \$70 per day with a 20% gratuity cap
- Miscellaneous Expense increased (from \$25) to \$50 per day

#### Investment Fiduciaries

- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Eliminate \$500 per day cash travel advance
- Policy may be overridden by Board Chair when emergency or special circumstance arises

**Motion** by Trustee Thomas, Seconded by Trustee Mullen, to accept the Travel & Reimbursement Policy for Board of Commissioners, Board Appointees, Employees and Investment Fiduciaries.

**Action:** Motion Carried

**Excused Absences**

**Motion** by Trustee Graham, Seconded by Trustee Mullen, to excuse Trustees Anthony McCloud and Ken Ross from tonight's meeting.

**Action:** Motion Carried

**Adjourn**

There being no further business, the Pension Fund Trustees meeting adjourned at 5:37 p.m.