



BOARD OF WATER AND LIGHT  
PENSION FUND TRUSTEES ANNUAL MEETING  
**November 17, 2015**

The Pension Fund Trustees of the Lansing Board of Water and 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 17, 2015. Chairperson David Price called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Trustees Mark Alley, Anthony McCloud, Tony Mullen, David Price, Ken Ross, and Tracy Thomas.

Absent: Trustee Sandra Zerkle and Dennis M. Louney.

**Public Comments**

There were no public comments.

**Approval of Minutes**

On **Motion** by Trustee Mullen and Seconded by Trustee Thomas to approve the minutes of November 11, 2014, Pension Fund Trustees' Annual Meeting Minutes.

**Action:** Motion Carried

**FY 2015 Financial Information**

**FY 2015 Financial Information Relative to DB, DC and VEBA Plan and Proposed Resolution Adopting the Audited Financial Statements**

General Manager, Richard Peffley introduced Chief Financial Officer, Heather Shawa-DeCook, to provide an overview of the Board of Water & Light's (BWL) different Pension Plans.

Ms. Shawa-DeCook provided information on the FY 2015 performance of the Defined Benefit Plan (DB), VEBA Trust Plan and Defined Contribution Plan (DC).

**Defined Benefit Plan**

Ms. Shawa-DeCook stated that Defined Benefit (DB) Plan currently has 420 participants, only 14 of those being active. As of the valuation date of February 28, 2015, the Plan had \$78 million in plan assets and \$67 million in plan liabilities. The BWL is currently over-funded by \$11 million, meaning its Funded Ratio is slightly under 116%, which is up from roughly 115% from the prior year. For FY 15, the BWL had \$1.7 million in investment income, which equates to a 2% return. For FY 14, the BWL had \$14.2 million in investment income, which equates to a 19% return. Ms. Shawa-DeCook stated that these results are reflective of the market.

For FY 15, the BWL paid out \$8 million in benefits and administrative fees were \$576,000.

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

Ms. Shawa-DeCook stated that the VEBA Trust, as of the actuarial valuation date of Feb 28, 2015, has 724 active participants and 713 retiree participants. The VEBA plan had \$158 million in plan assets and \$200 million in plan liabilities. The Board of Water & Light was 78.7% funded; up from 76.3% last year. For FY 15, the BWL had \$3.6 million in investment income, equaling a 2% return. For the prior FY year, the BWL had a \$25.7 million in investment income, equating to 19% return. The BWL paid out \$9.7 million in benefits, and administrative fees were \$1.2 million.

Ms. Shawa-DeCook stated that the BWL's VEBA Plan projects to be fully funded within 10 years, with some critical key assumptions going into BWL's actuarial projections.

### **Defined Contribution Plan – 401A**

Ms. Shawa-DeCook stated that BWL currently has 705 active employees and 222 retirees and beneficiaries in the DC Plan. For FY 15, the DC Plan had \$173 million in plan assets, an increase of \$4 million from the prior year. As of FY 15, the annual fees incurred by plan participants were approximately \$978,000 dollars, or .57% of assets. Approximately \$100,000 additional expenses were incurred by some plan participants due to utilization of ancillary plan services.

For the FY 15, BWL had \$7.3 million in investment income, which equates to a 4% return. For the prior FY, the BWL had \$23.5 million in investment income, which equates to a 16% return. For FY 15, the BWL contributed \$5.5 million into the Plan. Retired Plan participants withdrew \$4.5 million in regular distributions, and an additional \$6 million was rolled out into other retirement plan providers.

Ms. Shawa-DeCook stated that employees are allowed to take out loans against DC plan. Currently, the BWL has 396 loans outstanding, compared to 403 loans last year. The average carrying value of the loan outstanding is approximately \$11,000. The Plan allows participants to have two loans out at any given time. The balance of outstanding loans is \$4.4 million, however, this trend average and balance is decreasing.

ICMA, BWL's DC provider has in the past provided comparisons of BWL's plan to a typical 401A plan, and observed that BWL's employees are more sophisticated in their investment approach.

To assist employees in making informed decisions about retirement savings goals, the BWL offers a robust education by providing employees opportunities to meet with ICMA on weekly basis. The BWL has a powerful, user-friendly website with an array of online, digital and printed education, including a retirement calculator.

Ms. Shawa-DeCook stated that all three of BWL's plans were issued an "Unqualified" opinion, meaning the statements are a fair reflection in all material respects and in accordance with accounting principles generally accepted.

There was a lengthy question and answer discussion regarding the DB, VEBA and DC Plans.

Ms. Shawa-DeCook introduced Marie Vanerian, Managing Director-Wealth Management from Merrill Lynch, who provided information on the market performance differences and changes from FY 14 to FY 15 for the Defined Benefit and VEBA Plans.

#### **PROPOSED RESOLUTION**

#### **ACCEPTANCE OF 2015 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSIONS PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)**

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

#### **Excused Absence**

**Motion** by Trustee Mullen, Seconded by Trustee McCloud to excuse Trustees Louney and Zerkle from tonight's meeting

**Action:** Motion Carried

#### **Adjourn**

On Motion by Trustee Thomas and Seconded by Trustee McCloud with no further business, the Pension Fund Trustees meeting adjourned at 5:38 p.m.