

**MINUTES  
PUBLIC SAFETY RETIREMENT BOARD MEETING  
JANUARY 24, 2017**

Pursuant to public notice, a regular meeting of the Escanaba Public Safety Retirement Board was held on Tuesday, January 24, 2017 at 8:00 a.m. in Room 102 of City Hall, 410 Ludington, Escanaba, MI.

**Call to Order**

Secretary Valentine called the meeting to order at 8:00 a.m.

**Roll Call**

**Board Members Present:** Robert Valentine, Blake Cowen, David Schaaf, Tony LaPlant,

**Board Members Absent:** David Mlostek

**Others Present:** None

**Approval/Adjustments to Agenda**

None.

**Conflict of Interest Declaration**

None

**Approval of Minutes**

The Board unanimously approved minutes from the December 27th, 2016 meeting.

**Unfinished Business**

None

**New Business**

1. The board reviewed 2016 year end investment performance. The following summary was reviewed by Secretary Valentine:

**RETIREMENT BOARD JANUARY 24, 2017**  
**PAGE TWO**

**City of Escanaba Public Safety Retirement Plan**  
**Investment Performance Summary**  
 12/31/2016

	11/30/2016	12/31/2016	
	\$ Value	\$ Value	% Total
<b>BONDS</b>			
Vanguard Total Bond Mkt Idx	3,110,700	3,083,459	11.3%
Vanguard Short Term Bond Idx	4,489,805	4,492,927	16.5%
Eaton Vance Bonds	<u>2,664,557</u>	<u>2,710,257</u>	<u>9.9%</u>
<b>Total Bonds</b>	<b>10,265,062</b>	<b>10,286,643</b>	<b>37.7%</b>
<b>STOCKS</b>			
Vanguard Stock Index	5,802,055	5,916,785	21.7%
Vanguard Sm Cap Gro Idx	3,209,544	3,229,490	11.8%
JP Morgan Mid Val	4,988,341	5,015,106	18.4%
Vanguard REIT Index	1,417,161	1,483,583	5.4%
DFA Int'l Value	<u>1,328,177</u>	<u>1,371,903</u>	<u>5.0%</u>
<b>Total Stocks</b>	<b>16,745,278</b>	<b>17,016,867</b>	<b>62.3%</b>
<b>CASH</b>			
Money Market Accounts	0	0	0.0%
<b>Total</b>	<b><u>27,010,340</u></b>	<b><u>27,303,510</u></b>	<b><u>100.00%</u></b>

**TOTAL RETURNS**

BONDS	Dec-16	YTD	Trailing 3 mo	Trailing 1 year	-----Gross Returns-----		
					Trailing 2 year	Trailing 3 year	Trailing 5 year
Vanguard Totl Bond Mkt Fnd VBTXX	0.2%	2.6%	-3.2%	2.6%	3.2%	9.3%	11.4%
Vanguard S.T. Inv Grade Fnd VFSUX	0.1%	2.8%	-0.8%	2.8%	4.0%	n/a	n/a
Eaton Vance H.Y. Bond Fund EVIBX	1.7%	12.7%	1.4%	12.7%	10.4%	13.2%	40.7%
<b>Escanaba Bond Composite</b>	<b>0.6%</b>	<b>5.4%</b>	<b>-1.0%</b>	<b>5.4%</b>	<b>5.5%</b>	<b>9.1%</b>	<b>18.3%</b>
Merrill HY Master Index J0A0	2.0%	17.3%	1.9%	17.3%	12.0%	14.7%	42.2%
Merrill Bond Market Index BOA01	0.1%	2.9%	-3.5%	2.9%	3.2%	9.9%	12.4%
<b>STOCKS</b>							
Vanguard S&P 500 Index Fnd VIAXX	2.0%	11.9%	3.8%	11.9%	13.6%	29.1%	98.4%
Vanguard Sm Cap gro Idx VISGX	0.6%	10.6%	1.4%	10.6%	7.7%	11.9%	81.3%
JP Morgan Mid Value FLMVX	0.5%	14.5%	4.4%	14.5%	11.8%	28.8%	105.9%
DFA Int'l Value DFIVX	3.3%	8.4%	5.1%	8.4%	1.6%	-5.5%	35.6%
Vanguard Reit Fund VGSLX	4.7%	8.5%	-3.0%	8.5%	11.1%	44.8%	n/a
<b>Escanaba Equity Composite</b>	<b>1.6%</b>	<b>11.9%</b>	<b>3.0%</b>	<b>11.9%</b>	<b>10.7%</b>	<b>23.4%</b>	<b>88.9%</b>
S&P 500 Index	2.0%	13.7%	3.8%	13.7%	13.5%	29.0%	93.7%
EAFE Int'l Index	3.3%	-1.9%	-1.0%	-1.9%	-5.1%	-12.1%	19.2%
MSCI REIT Index	4.7%	8.6%	-3.0%	8.6%	11.3%	45.2%	n/a
Russell 1000 : Mid Cap Index	1.7%	9.7%	3.3%	9.7%	8.5%	20.5%	79.1%
Russell 2000: Small Cap Index	2.6%	19.5%	8.4%	19.5%	12.7%	16.6%	83.2%
Russell 3000: Broad Mkt Index	1.8%	10.4%	3.7%	10.4%	8.8%	20.2%	79.3%
<b>OVERALL</b>							
<b>Escanaba Portfolio CAGR</b>	<b>1.2%</b>	<b>9.4%</b>	<b>1.4%</b>	<b>9.4%</b>	<b>4.2%</b>	<b>5.7%</b>	<b>9.9%</b>
<b>Escanaba Portfolio Composite Gross</b>	<b>1.2%</b>	<b>9.4%</b>	<b>1.4%</b>	<b>9.4%</b>	<b>8.7%</b>	<b>18.1%</b>	<b>60.4%</b>
<b>Combined Passive Index Gross</b>	<b>1.7%</b>	<b>10.1%</b>	<b>1.0%</b>	<b>10.1%</b>	<b>9.8%</b>	<b>21.3%</b>	<b>60.5%</b>
<b>MERS Total Market Fund</b>	<b>1.2%</b>	<b>10.1%</b>	<b>1.9%</b>	<b>10.1%</b>			<b>7.8%</b>

Notes:

1.) Equity policy limitation is 65% of total portfolio

2.) The MERS Total Market Fund invests in a broad selection of diverse investments and securities. Some securities (approximately 25% of the total portfolio) are not able to provide prices on a daily basis or prices are determined on a delayed basis. Due to the characteristics of these investments, the NAVs provided by Northern Trust Company may not reflect the current market value of the Fund.

**PUBLIC SAFETY RETIREMENT BOARD JANUARY 24, 2017**  
**PAGE THREE**

**PA 350 Summary from VanOverbeke Law Firm**

Secretary Valentine advised that advised that PA 314 which governs investing activities of the plan was amended effective 1/5/2017 via legislation known as PA 530. The most significant implication fro Escanaba's plan is the requirement to file annual reports with the Department of Treasury within 30 days of publication. Secretary Valentine believes the requirements apply going forward starting with the 2016 report, yet to be developed.

**Disbursement Register**

The board reviewed the disbursement register for the month of January 2017. Board member Schaaf moved to accept the register. Board member LaPlant supported the motion. The motion carried unanimously.

**Actuarial Review**

Secretary Valentine introduced Larry Langer and Paul Wilkinson from Conduent, formerly Buck Consultants. Larry and Paul reviewed with the board the results of the actuarial valuation dated 6/30/2016. Mr. Langer began with an overview of the transition from Buck to Conduent and advised Buck was purchased by Conduent with all staff and resources remaining in place. Mr. Langer then highlighted some of his recommendations for changes to assumptions and methodology for future valuations...those changes being a 10 layering approach to calculating UAL along with a transition from Market value to 5 year smoothing for purposes of attributing gains and losses. Also discussed was the possibility of modeling retirement trends into the future and the possibility of reviewing the current 7.5% assumed rate of return. Mr. Langer also made mention of forthcoming new mortality tables directed specifically toward public sector employees arranged by occupation and geographic region. Mr. Wilkinson reviewed the valuation itself along with the mechanics of the funding calculation. Special attention was given to forward looking projections and various scenarios which could impact funding status both positively and negatively.

**Adoption of methodology Changes**

Following remarks from Mr. Langer and Mr. Wilkinson, board member LaPlant moved to implement the recommended 5 year smoothing technique in the upcoming 6/30/17 valuation along with an improved model for projecting future rates of retirement. The motion was supported by board member Schaaf. There being no further discussion, the motion carried unanimously.

**Adoption of Report**

Following review of the report and adoption of the recommended changes to methodology, board member LaPlant moved to accept the 6/30/16 actuarial valuation. The motion was supported by board member Schaaf and carried unanimously.

**Adjournment**

The meeting was adjourned at 9:55 a.m.

APPROVED:



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ROBERT VALENTINE,  
SECRETARY

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TONY LAPLANT  
CHAIRMAN