

**MINUTES
PUBLIC SAFETY RETIREMENT BOARD MEETING
SEPTEMBER 26, 2017**

Pursuant to public notice, a regular meeting of the Escanaba Public Safety Retirement Board was held on Tuesday, September 26, 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 and/or Corrections to June Minutes

The Board unanimously approved minutes from the August 22, 2017 meeting.

Unfinished Business

None

New Business

1. The board reviewed the August 2017 performance report. There was discussion about historically high equity valuations as well as a lower than average allocation to international equities. It was also noted that the fund is close to the rebalancing threshold. Secretary Valentine presented the following summary:

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City of Escanaba Public Safety Retirement Plan
Investment Performance Summary
08/31/2017

| | 07/31/2017 | 08/31/2017 | |
|------------------------------|--------------------------|--------------------------|-----------------------|
| | \$ Value | \$ Value | % Total |
| BONDS | | | |
| Vanguard Total Bond Mkt Idx | 2,794,206 | 2,768,014 | 9.6% |
| Vanguard Short Term Bond Idx | 4,580,505 | 4,597,011 | 15.9% |
| Eaton Vance Bonds | <u>2,847,338</u> | <u>2,845,785</u> | <u>9.9%</u> |
| Total Bonds | 10,222,049 | 10,210,810 | 35.4% |
| STOCKS | | | |
| Vanguard Stock Index | 6,600,473 | 6,620,419 | 22.9% |
| Vanguard Sm Cap Gro Idx | 3,596,860 | 3,583,875 | 12.4% |
| JP Morgan Mid Val | 5,427,061 | 5,323,728 | 18.4% |
| Vanguard REIT Index | 1,541,221 | 1,537,478 | 5.3% |
| DFA Int'l Value | <u>1,585,883</u> | <u>1,584,217</u> | <u>5.5%</u> |
| Total Stocks | 18,751,499 | 18,649,717 | 64.6% |
| CASH | | | |
| Money Market Accounts | 0 | 0 | 0.0% |
| Total | <u>28,973,548</u> | <u>28,860,527</u> | <u>100.00%</u> |

TOTAL RETURNS

| | Aug-17 | YTD | Trailing 3 mo | Trailing 1 year | Trailing 2 year | Trailing 3 year | Trailing 5 year |
|---|--------------|-------------|------------------|--------------------|--------------------|--------------------|--------------------|
| BONDS | | | | | | | |
| Vanguard Totl Bond Mkt Fnd VBTLX | 0.9% | 3.7% | 1.3% | 0.3% | 6.5% | 8.1% | 11.2% |
| Vanguard S.T. Inv Grade Fnd VFSUX | 0.4% | 2.3% | 0.8% | 1.6% | 5.4% | n/a | n/a |
| Eaton Vance H.Y. Bond Fund EVIBX | -0.1% | 5.0% | 1.0% | 7.2% | 14.1% | 13.4% | 32.9% |
| Escanaba Bond Composite | 0.4% | 3.4% | 1.0% | 2.6% | 8.1% | 8.8% | 15.4% |
| Merrill HY Master Index J0A0 | 0.0% | 6.1% | 1.2% | 8.8% | 18.8% | 15.2% | 36.7% |
| Merrill Bond Market Index BOA01 | 1.0% | 4.1% | 1.4% | 0.3% | 7.1% | 8.6% | 12.0% |
| STOCKS | | | | | | | |
| Vanguard S&P 500 Index Fnd VIAXX | 0.3% | 11.9% | 3.0% | 16.2% | 30.7% | 31.5% | 95.5% |
| Vanguard Sm Cap gro Idx VISGX | -0.4% | 11.0% | 3.0% | 13.1% | 20.0% | 20.0% | 79.0% |
| JP Morgan Mid Value FLMVX | -1.9% | 6.2% | 1.3% | 10.4% | 21.8% | 24.8% | 90.6% |
| DFA Int'l Value DFIVX | -0.1% | 15.5% | 5.7% | 22.8% | 20.0% | 6.1% | 50.1% |
| Vanguard Reit Fund VGSLX | -0.2% | 3.6% | 3.2% | -1.3% | 24.0% | 23.7% | n/a |
| Escanaba Equity Composite | -0.5% | 9.6% | 2.7% | 12.8% | 24.6% | 24.4% | 83.3% |
| S&P 500 Index | -0.3% | 11.3% | 2.4% | 15.6% | 30.1% | 30.7% | 92.8% |
| EAFE Int'l Index | -0.3% | 14.7% | 2.2% | 14.6% | 11.2% | 0.3% | 31.1% |
| MSCI REIT Index | -0.2% | 3.7% | 3.2% | -3.2% | 24.3% | 25.7% | n/a |
| Russell 1000 : Mid Cap Index | 0.1% | 10.3% | 2.5% | 13.8% | 24.5% | 22.5% | 76.7% |
| Russell 2000: Small Cap Index | -1.4% | 3.5% | 2.6% | 13.3% | 21.2% | 19.7% | 73.0% |
| Russell 3000: Broad Mkt Index | 0.0% | 9.8% | 2.5% | 13.8% | 24.2% | 22.3% | 76.4% |
| OVERALL | | | | | | | |
| Escanaba Portfolio CAGR | -0.2% | 7.3% | 2.1% | 8.8% | 8.7% | 5.8% | 9.3% |
| Escanaba Portfolio Composite Gross | -0.2% | 7.3% | 2.1% | 8.8% | 18.2% | 18.4% | 55.6% |
| Combined Passive Index Gross | 0.1% | 8.6% | 2.1% | 9.6% | 21.5% | 21.6% | 58.8% |
| MERS Total Market Fund | 0.4% | 7.1% | 2.3% | 9.7% | | | 7.7% |

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.

2. Disbursements

The board reviewed disbursement registers for August and September 2017. Board member LaPlant moved for approval of the registers with support from board member Cowen. Upon a vote, the motion carried unanimously.

3. Actuarial Recommendations

The board reviewed a letter from Paul Wilkinson of Conduent Consulting, the plan's actuary. In the letter, Mr. Wilkinson recommended that future valuations take into consideration the impact of early retirements resulting from purchase of military service time and from the use of Act 88 time. Mr. Wilkinson further recommended actuarial modeling of such events based upon a January 2017 survey of active members which tabulates available time and indications of intent to use such time. Board member LaPlant provided the board with an updated survey from September of this year in which military and Act 88 time were slightly reduced from the original survey. After further discussion, board member Schaaf moved to accept the recommendations contained in the letter with the stipulation that Mr. Wilkinson base his modeling on the revised September survey as opposed to the original January survey. Board member Cowen supported the motion. After further discussion a vote was taken and the motion carried unanimously.

Adjournment

Following a motion by board member LaPlant, the meeting was adjourned at 8:35 a.m.

APPROVED:



ROBERT VALENTINE,
SECRETARY

TONY LAPLANT
CHAIRMAN