



PUBLIC SAFETY RETIREMENT BOARD

MEETING AGENDA

August 23, 2016

*Board members: Tony LaPlant, Blake Cowen, David Schaaf, David Mlostek, Robert Valentine
Council Liaison: Michael Sattem*

City Hall Room 102 - Escanaba, MI 49829

City of Escanaba Public Safety Retirement Board

August 23, 2016

8:00 a.m.

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL/ADJUSTMENTS TO THE AGENDA
4. CONFLICT OF INTEREST DECLARATION
5. APPROVAL/CORRECTION(S) TO JULY 26, 2016 MINUTES
6. UNFINISHED BUSINESS
 - None
7. NEW BUSINESS
 1. Investment Performance Review
 2. Approval of Benefit Calculation for Todd Zeise
 3. Fall MAPERS Conference Discussion
 4. Review Disbursements
 5. Any other Business from the Board
8. GENERAL PUBLIC COMMENT
9. ANNOUNCEMENTS
10. ADJOURNMENT

The City of Escanaba will provide all necessary, reasonable aids and services, such as signers for the hearing impaired and audiotapes of printed materials being considered at the meeting to individuals with disabilities at the meeting/hearing upon five days notice to the City of Escanaba. Individuals with disabilities requiring auxiliary aids or services should contact the City of Escanaba by writing or calling at (906) 786-9402.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Robert Valentine', written over a horizontal line.

Robert Valentine
Treasurer, Board Secretary

MINUTES
PUBLIC SAFETY RETIREMENT BOARD MEETING
JULY 26, 2016

Pursuant to public notice, a regular meeting of the Escanaba Public Safety Retirement Board was held on Tuesday, July 26, 2016 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

Board Members Absent: David Mlostek, Tony LaPlant

Others Present: None

Approval/Adjustments to Agenda

None.

Conflict of Interest Declaration

None

Approval of Minutes

The Board unanimously approved minutes from the June 28, 2016 meeting

Unfinished Business

Secretary Valentine provided follow up on disbursement questions from the June meeting. Mr. Valentine explained that the following were paid and previously approved by the board:

\$3,500 paid to Gabriel Roeder for GASB Valuation
\$1,750 paid to the City for Pension Fund's share of audit
\$5,350

\$8,300 paid to Gabriel Roeder for prior year actuarial services

New Business

Investment Review

The board reviewed investment performance for the month of June. The following performance report was presented by Secretary Valentine:

RETIREMENT BOARD
JULY 26, 2016
PAGE TWO

City of Escanaba Public Safety Retirement Plan
Investment Performance Summary
06/30/2016

	05/31/2016	06/30/2016	
	\$ Value	\$ Value	% Total
BONDS			
Vanguard Total Bond Mkt Idx	3,433,512	3,439,117	13.0%
Vanguard Short Term Bond Idx	3,332,525	3,360,499	12.7%
Eaton Vance Bonds	<u>2,550,320</u>	<u>2,563,535</u>	<u>9.7%</u>
Total Bonds	9,316,356	9,363,151	35.5%
STOCKS			
Vanguard Stock Index	5,963,168	5,978,422	22.7%
Vanguard Sm Cap Gro Idx	2,973,169	2,987,020	11.3%
JP Morgan Mid Val	5,264,859	5,308,868	20.1%
Vanguard REIT Index	1,451,806	1,551,912	5.9%
DFA Int'l Value	<u>1,249,015</u>	<u>1,203,160</u>	<u>4.6%</u>
Total Stocks	16,902,016	17,029,382	64.5%
CASH			
Money Market Accounts	0	0	0.0%
Total	<u>26,218,372</u>	<u>26,392,533</u>	<u>100.00%</u>

TOTAL RETURNS

	Jun-16	YTD	Trailing 3 mo	Trailing 1 year	Gross Returns		
					Trailing 2 year	Trailing 3 year	Trailing 5 year
BONDS							
Vanguard Totl Bond Mkt Fnd VBT LX	1.9%	5.5%	2.4%	6.1%	8.2%	12.9%	20.3%
Vanguard S.T. Inv Grade Fnd VFSUX	0.8%	3.1%	1.3%	3.3%	4.4%	n/a	n/a
Eaton Vance H.Y. Bond Fund EVIBX	0.5%	6.6%	3.2%	1.3%	2.5%	13.4%	30.2%
Escanaba Bond Composite	1.2%	4.9%	2.2%	3.8%	5.2%	11.0%	21.2%
Merrill HY Master Index J0A0	1.1%	9.2%	5.8%	1.7%	1.2%	13.0%	31.9%
Merrill Bond Market Index BOA01	2.2%	6.3%	2.7%	6.8%	8.9%	13.7%	22.8%
STOCKS							
Vanguard S&P 500 Index Fnd VIAXX	0.3%	3.8%	2.4%	4.0%	11.8%	39.3%	77.2%
Vanguard Sm Cap gro Idx VISGX	0.5%	2.3%	4.3%	-6.5%	-0.6%	23.5%	49.9%
JP Morgan Mid Value FLMVX	0.8%	6.5%	2.5%	2.4%	10.7%	38.0%	82.7%
DFA Int'l Value DFIVX	-3.7%	-4.9%	-0.9%	-16.5%	-21.2%	0.2%	-5.6%
Vanguard Reit Fund VGSLX	6.9%	13.5%	6.8%	23.9%	28.7%	45.9%	n/a
Escanaba Equity Composite	0.8%	4.5%	2.9%	1.2%	7.3%	32.9%	64.4%
S&P 500 Index	0.3%	5.4%	2.5%	4.0%	11.7%	39.2%	71.1%
EFAA Int'l Index	-3.6%	-6.3%	-2.6%	-12.7%	-19.3%	-1.9%	-5.8%
MSCI REIT Index	6.9%	13.6%	6.8%	24.1%	29.0%	46.2%	n/a
Russell 1000 : Mid Cap Index	0.1%	2.6%	2.0%	0.8%	6.1%	30.4%	58.1%
Russell 2000: Small Cap Index	865.7%	881.8%	901.0%	789.3%	834.8%	1040.9%	1247.8%
Russell 3000: Broad Mkt Index	0.0%	2.5%	2.1%	0.0%	5.3%	29.4%	56.5%
OVERALL							
Escanaba Portfolio CAGR	0.9%	4.7%	2.7%	2.2%	3.3%	7.7%	8.2%
Escanaba Portfolio Composite Gross	0.9%	4.7%	2.7%	2.2%	6.7%	24.9%	48.2%
Combined Passive Index Gross	1.1%	6.1%	2.9%	5.1%	9.6%	28.7%	51.6%
MERS Total Market Fund	0.4%	3.5%	2.6%	0.4%			5.7%

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.

RETIREMENT BOARD

JULY 26, 2016

PAGE THREE

Retirement Application From Officer Todd Zeize

The board reviewed a retirement application, enrollment form, Military DD214 and related documents from Officer, Todd Zeize. Having been satisfied that Officer Zeize meets the plan's service requirements for retirement, taking into consideration Mr. Zeize's intent to purchase three years of military service time, board member Schaaf moved for approval of Officer Zeize's application. The motion was supported by board member Cowen. There being no further discussion, a vote was taken and the motion carried unanimously.

Request From Officer Zeize to Purchase Three Years of Military Service Time

Secretary Valentine advised that Officer Todd Zeize has requested authorization to purchase three years of military service time to be added to his twenty two years of service resulting in 25 years of pensionable service. Secretary Valentine advised that Mr. Zeize qualifies under the terms of the plan, and presented Mr. Zeize's DD214 as evidence of qualifying service. Mr. Valentine further offered his calculations of the cost in an amount of \$9,206.59 which equates to five percent of annualized pay for each year of purchased service. Board member Schaaf moved to authorize the purchase in the amount presented. Board member Cowen supported the motion. There being no further discussion, the motion carried unanimously.

Disbursements

The board reviewed disbursement registers for the month of July. Board member Cowen moved to accept the register as presented. Board member Cowen supported the motion. The motion carried unanimously

Other Business

None

Public Comment

None

Adjournment

The meeting was adjourned at 8:25 a.m.

APPROVED:



ROBERT VALENTINE,
SECRETARY

TONY LAPLANT
BOARD CHAIRMAN

**City of Escanaba Public Safety Retirement Plan
Investment Performance Summary**

07/31/2016

	06/30/2016	07/31/2016	
	\$ Value	\$ Value	% Total
BONDS			
Vanguard Total Bond Mkt Idx	3,439,117	3,401,221	12.6%
Vanguard Short Term Bond Idx	3,360,499	3,375,794	12.5%
Eaton Vance Bonds	<u>2,563,535</u>	<u>2,613,323</u>	<u>9.7%</u>
Total Bonds	9,363,151	9,390,338	34.7%
STOCKS			
Vanguard Stock Index	5,978,422	6,198,530	22.9%
Vanguard Sm Cap Gro Idx	2,987,020	3,153,346	11.7%
JP Morgan Mid Val	5,308,868	5,443,827	20.1%
Vanguard REIT Index	1,551,912	1,616,987	6.0%
DFA Int'l Value	<u>1,203,160</u>	<u>1,257,298</u>	<u>4.6%</u>
Total Stocks	17,029,382	17,669,988	65.3%
CASH			
Money Market Accounts	0	0	0.0%
Total	<u>26,392,533</u>	<u>27,060,326</u>	<u>100.00%</u>

TOTAL RETURNS

	Jul-16	YTD	Trailing 3 mo	Trailing 1 year	-----Gross Returns-----			
					Trailing 2 year	Trailing 3 year	Trailing 5 year	
BONDS								
Vanguard Totl Bond Mkt Fnd VBTLX	0.7%	6.2%	2.6%	6.0%	9.2%	13.4%	19.2%	
Vanguard S.T. Inv Grade Fnd VFSUX	0.5%	3.6%	1.3%	3.5%	5.0%	n/a	n/a	
Eaton Vance H.Y. Bond Fund EVIBX	1.9%	8.7%	3.0%	3.3%	5.8%	13.3%	31.5%	
Escanaba Bond Composite	0.9%	5.9%	2.3%	4.4%	6.7%	11.2%	20.6%	
Merrill HY Master Index JOAO	2.5%	11.9%	4.3%	4.9%	5.1%	13.7%	33.6%	
Merrill Bond Market Index BOA01	0.8%	7.1%	3.2%	6.8%	9.9%	14.4%	21.5%	
STOCKS								
Vanguard S&P 500 Index Fnd VIAXX	3.7%	7.6%	5.8%	5.6%	17.6%	37.4%	87.6%	
Vanguard Sm Cap gro Idx VISGX	5.6%	8.0%	8.7%	-1.9%	10.6%	22.2%	64.7%	
JP Morgan Mid Value FLMVX	2.5%	9.2%	4.5%	3.7%	17.4%	34.3%	94.5%	
DFA Int'l Value DFIVX	4.5%	-0.6%	-1.2%	-11.9%	-15.8%	-2.0%	1.9%	
Vanguard Reit Fund VGSLX	4.2%	18.3%	14.0%	22.3%	34.0%	50.7%	n/a	
Escanaba Equity Composite	3.8%	8.4%	6.1%	3.4%	14.3%	31.0%	75.9%	
S&P 500 Index	3.7%	9.3%	5.8%	5.6%	17.5%	37.3%	81.3%	
EAFA Int'l Index	5.0%	-1.6%	-0.2%	-10.1%	-12.6%	-2.1%	0.6%	
MSCI REIT Index	4.2%	18.3%	14.0%	22.4%	34.3%	51.1%	n/a	
Russell 1000 : Mid Cap Index	3.7%	6.4%	5.3%	2.6%	12.0%	28.5%	67.8%	
Russell 2000: Small Cap Index	-89.1%	7.4%	7.9%	-1.5%	8.9%	16.7%	53.1%	
Russell 3000: Broad Mkt Index	3.9%	6.5%	5.5%	2.3%	11.7%	27.5%	66.5%	
OVERALL								
Escanaba Portfolio CAGR	2.8%	7.6%	4.7%	3.8%	5.7%	7.3%	9.1%	
Escanaba Portfolio Composite Gross	2.8%	7.6%	4.7%	3.8%	11.7%	23.7%	54.6%	
Combined Passive Index Gross	2.9%	9.2%	5.2%	6.4%	14.1%	28.0%	57.2%	
MERS Total Market Fund	2.6%	6.1%	3.8%	3.0%			6.3%	

Notes:

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Todd Zeise

Retirement Benefit Calculation

Prepared 8/19/2016

by Robert Valentine, Treasurer/HR Manager

SERVICE AND RELATED INFO

Start Date	7/25/1994
Last Day	7/24/2016
Years of actual Service	22
Military Service Years Purchased	3
Total Years of Credited Service	25

FAC CALCULATION

2016 YTD THROUGH 6/3/16	56,129.28
2015	70,753.35
2014	66,268.26
2013 (7/25/13 - YR END)	27,355.64
3 YR TOTAL	220,506.53
FAC	73,502.18

BENEFIT

ANNUAL BENEFIT	\$55,126.63
MONTHLY BENEFIT	\$4,593.89
July 2016 Prorated Benefit 7/25 - 7/31 7 days	\$1,037.33
August 2016 Check	\$5,631.22

SUPPLEMENTAL CALCULATION

2013 TOTAL YEAR	63,630.13
2013 YTD THROUGH 7/21/13	35,798.95
2013 YTD THROUGH 8/4/13	38,018.12
2013 7/22/13 - 8/4/13	2,219.17
2013 7/25 - 8/4 11 days	1,743.63
2013 7/25 - yr end	27,355.64

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Events

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Calendar

9/18/2016

Current Events

MAPERS Events are Open to Members Only

2016 Fall Conference

Sunday, September 18 - Tuesday, September 20
Grand Hotel, Mackinac Island, Michigan

Register Online Here

Print the Agenda

Print the Registration Form

Print Sponsorship Form

Hotel Reservation Form *(no phone reservations accepted, fax (906) 847-0945 or email groupforms@grandhotel.com completed form)*



View the Conference Attendee List (must log in to view)

[Getting to Mackinac Island/The Grand Hotel](#)

Discounted ferry tickets available on Shepler's Line (use Promo Code MAPERS16 to purchase)

As a reminder, you must be a member of MAPERS to attend our conferences and events. Email us for information on joining.

Future Events

2017 Spring Conference
May 21 - 23
Grand Traverse Resort & Spa
Acme, MI

2017 Fall Conference
September 17 - 19
Shanty Creek Resort - Bellaire, MI

2018 Spring Conference
May 20 - 22
Soaring Eagle Resort - Mt. Pleasant, MI

2018 Fall Conference
September 23 - 25
Amway Grand Plaza Hotel
Grand Rapids, MI

2019 Spring Conference
May 19-21
Shanty Creek Resort - Bellaire, MI

2019 Fall Conference
September 22-24
Radisson Hotel - Kalamazoo, MI



MAPERS 2016 FALL CONFERENCE

PRELIMINARY AGENDA

Speakers and presentations subject to change

Sunday, September 18, 2016

11:30 AM – 5:30 PM Registration/Information Open

12:30 – 1:00 PM First Time Attendee/New Member Session

1:00 PM – 1:30 PM EventsXD Mobile Workshop

1:30 – 4:30 PM Trustee Development Seminar: Series VI:
"Fundamentals of Retirement System Administration"

Speaker: Michael VanOverbeke of VanOverbeke, Michaud & Timmony, P.C.

5:00 – 6:00 PM MAP Test: Levels 1, 2, 3

6:00 - 7:00 PM Welcome Reception on the Front Porch
(all conference attendees and guests)

7:00 – 8:45 PM Dinner in the Main Dining Room
(included in room rate for Grand Hotel Guests, members staying at alternate hotels may purchase a dinner voucher for \$75 from the hotel host stand)

Monday, September 19, 2016

7:30 AM – 4:00 PM Registration/Information Open

7:30 – 9:00 AM

Group Breakfast

Legislative Workshop Breakfast

Administrator's Workshop Breakfast

(breakfast is included in the hotel room rate for Grand Hotel Guests, members staying at alternate hotels may purchase a breakfast voucher for \$30 from the host stand)

9:00 – 10:00 AM GENERAL SESSION ONE

"Headwinds or Tailwinds for the Markets in Michigan?"

David Sowerby, Loomis Sayles & Company

10:15 – 11:15 AM GENERAL SESSION TWO

"The Nuts and Bolts of Public DC Plans: Terminology and Fiduciary Responsibility"

Speakers: Steve Gordon and Jacob Peacock, The Bogdahn Group

11:15 - 11:45 AM MAPERS Business Meeting

11:45 am – 1:00 pm Luncheon (all conference attendees)

1:00 – 1:45 PM CONCURRENT SESSIONS

Session A: "Plan Design: A Two-Sided Coin...The Plan and the Participant" Speaker: Heath Merlak and Nick Meggos, Nyhart

Session B: "The Crash Model: How to Avoid Torpedoes in Emerging Markets" Speaker: Mike Reynal, RS Investments

Session C: New Trustee Workshop

Speakers: Thomas Michaud, VanOverbeke, Michaud & Timmony and Lauri Siskind, MAPERS Secretary/Treasurer

2:00 – 2:45 PM CONCURRENT SESSIONS

Session D: "Understanding Negative Cash Flow in Your Retirement Plan" Speakers: Judith Kermans and James D. Anderson, Gabriel Roeder, Smith & Company

Session E: "Everything you wanted to know about the bond market, but were afraid to ask" Speaker: Greg Prost, CFA, Robinson Capital

Session F: "Planning for a Secure and Certain Future – More than Just Retirement Planning" Speaker: Eric J. Gould

3:00 - 3:45 PM CONCURRENT SESSIONS

Session F: "Setting Up a Plan Website for the Electronic World"

Session G: "The Case for Micro-Cap Investing"

Speaker: Thomas Lettenberger, CFA, CPA, BMO Global Asset Management

4:00 – 5:00 PM

Corporate Advisory Meeting

MAP Test: Levels 1, 2, 3

6:00 - 7:00 PM Roaring '20s Reception on the Front Porch
(all conference attendees and guests)

7:00 – 8:45 PM Dinner in the Main Dining Room

(included in room rate for Grand Hotel Guests, members staying at alternate hotels may purchase a dinner voucher for \$75 from the hotel host stand)

9:00 - 11:00 PM

The MAPERS Speakeasy (hospitality event)

(all conference attendees and guests)

Tuesday, September 20 2016

7:30 – 11:30 AM Registration/Information Open

7:30 – 9:00 AM

Group Breakfast

(breakfast is included in the hotel room rate for Grand Hotel Guests, members staying at alternate hotels may purchase a breakfast voucher for \$30 from the host stand)

9:00 – 10:00 AM GENERAL SESSION THREE:

Michigan's Legislative Update

Speakers: Tim Skubick, Political Correspondant and Noah Smith, MAPERS Lobbyist, Capitol Services, Inc.

10:15 – 11:15 AM GENERAL SESSION FOUR

MAPERS Plan Member Survey Results

Speakers: Brian Green, The Bogdahn Group and Larry Langer, Buck Consultants

From D. Schaaf

THE WALL STREET JOURNAL.

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<http://www.wsj.com/articles/pension-returns-slump-squeezing-states-and-cities-1469488579>

MARKETS

Why Pensions' Last Defense Is Eroding

Long-term returns for U.S. public pensions are expected to drop to the lowest levels ever recorded



Demonstrators from Erie, Pa., rallying at the Pennsylvania Capitol in Harrisburg last month to press for more state aid for district schools. PHOTO: HARVEY LEVINE/ASSOCIATED PRESS

By **TIMOTHY W. MARTIN**

July 25, 2016 7:16 p.m. ET

Long-term returns for U.S. public pensions are expected to drop to the lowest levels ever recorded, portending deeper pain for states and cities as a \$1 trillion funding gap widens.

Twenty-year annualized returns for public pensions in the U.S. are poised to decline to 7.47% once fiscal 2016 results are released in coming weeks, according to an estimate from Wilshire Trust Universe Comparison Service, which tracks pension investment returns.

That would be the lowest-ever annual mark recorded by Wilshire, which began tracking the statistic 16 years ago. In 2001, near the height of the dot-com boom, pensions' 20-year median return was 12.3%, according to Wilshire.

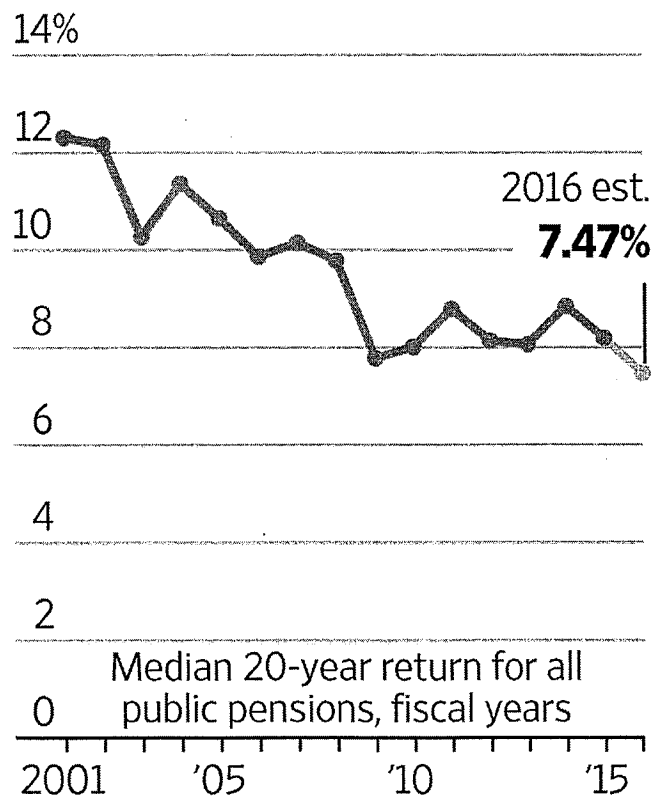
The dip is intensifying a national debate over whether states and cities can continue to afford pension obligations, as the soaring costs are squeezing budgets across the U.S.

“Many states and local governments may be facing difficult choices if investment returns remain low,” said Keith Brainard, research director at the National Association of State Retirement Administrators. “The money has to come from somewhere.”

Connecticut now allocates 10% of its budget to pay down unfunded pension liabilities that more than doubled in size over the past decade. Chicago’s \$20 billion pension-funding hole prompted its credit rating to tumble to junk, a rare low mark for an economically diverse city.

Waning Gains

Public pensions’ long-term investment returns have been falling since 2001



Source: Wilshire Trust Universe Comparison Service

THE WALL STREET JOURNAL.

A reminder of how long-term fortunes have turned came last week as two pension bellwethers reported their worst results since the 2008-09 financial crisis.

Weak annual gains for the California Public Employees’ Retirement System and California State Teachers’ Retirement System dropped their 20-year returns below 7.5% investment targets, to 7.03% and 7.1%, respectively. The two funds, known as Calpers and Calstrs, are the largest public pensions in the U.S. by assets and oversee a combined \$484 billion for 2.6 million public workers and retirees.

The drop in 20-year annualized returns is significant because officials who oversee retirements for police officers, firefighters,

teachers and government workers have long said one bad year or two isn't as important as the long-term average, and they would earn enough money over decades to pay for retiree obligations.

Those long-term returns have dropped below expectations due in large part to two recessions over the past 15 years and a sustained period of low interest rates. Pension funds invest heavily in fixed-income securities, so the loss of a few percentage points of bond yield hinders their ability to post steady returns.

Funding shortcomings often mean taxpayers or workers are asked to chip in more to account for rising liabilities. Every one-percentage-point drop in investment returns represents an increase of 12% in liabilities, according to the Center for Retirement Research at Boston College.

In Erie, Pa., schools are struggling to afford the basics because pension costs have nearly tripled in the past five years, said city schools Superintendent Jay Badams.

Students in Erie receive stapled copies of "Everyday Mathematics" rather than the hardcover textbook. Two winters ago, 21 buckets were needed to catch all the leaks from the ceiling of a second-grade classroom following a snowstorm. Since 2011, one-fifth of the workforce has been eliminated and three schools have closed.

"Our pension costs have been a major expense that force us to spend less on students and more on employee benefits," Mr. Badams said.

The increased payments reflect a push to make the required contributions into the state's retirement systems, following years of failing to do so, according to a spokeswoman for the Pennsylvania Public School Employees' Retirement System. Pennsylvania is making the full required contribution for the first time in 15 years for the fiscal year that started July 1, the spokeswoman said.

Pennsylvania state leaders are debating whether to pass pension changes that would cycle certain workers into cheaper 401(k)-style plans. Poor returns will trigger a "greater sense of urgency" and "escalates the conversation" around stepping away from the traditional pension, said Pat Browne, a Republican state senator who is involved with proposed changes to the state pension system.

Many states and cities tried to narrow funding gaps following the last financial crisis by passing a series of changes to benefits. But even as those moves were made, a sustained period of low interest rates pulled down returns just as a wave of new retirees started to collect pension checks.

If funding continues to slide, pension critics have more ammunition to argue for more aggressive benefit cuts, said Daniel DiSalvo, a senior fellow at the Manhattan Institute, a conservative think tank that supports 401(k)-style options for public pensions.

"The basic question the public will have is: 'Didn't we already reform these

systems and shore them up in the wake of the recession?" Mr. DiSalvo said. "But here we are back at square one."

In California, the incoming head of the largest U.S. public pension isn't ruling out changes. Marcie Frost, who starts as Calpers' chief executive in October, said on a July 14 call with reporters that she is an advocate for traditional pension benefits but couldn't say "whether the full [defined-benefit] plan is...the right plan" for California.

"We always have to think about what options might be out there," Ms. Frost said. A spokesman for Calpers said Ms. Frost has yet to have meaningful discussions with the retirement system's board or senior leaders about priorities and initiatives.

Ms. Frost's comments came days before Calpers said that its fiscal 2016 return was 0.6%, the slimmest gain since the 2008-2009 crisis. Calpers has a funding gap of roughly \$112 billion, according to the most recent available data. As recently as last year, Calpers Chief Investment Officer Ted Eliopoulos said in an annual letter that the plan was "reassured by our 20-year investment return of 7.76%," which exceeded the internal target of 7.5%.

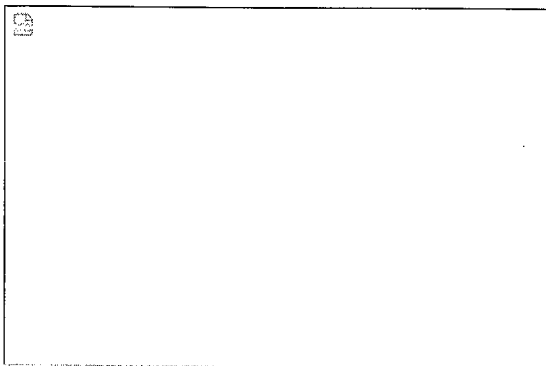
Now, "it is a struggle to have a positive return," Mr. Eliopoulos said in a media call last week.

The decline in 20-year returns wasn't surprising after two recessions in the last decade, said Christopher Ailman, Calstrs' chief investment officer. They were like "Pearl Harbor and the great recession happening in a seven-year time period," he said.

"It's a marathon, so the first 10 years our pace was good and strong," Mr. Ailman said. "The last 10 was more uphill and the pace was slower."

Write to Timothy W. Martin at timothy.martin@wsj.com

What To Read Next...



YOUR HEALTH

**Can This Brain Exercise Put Off
Dementia?**