

**City of Tecumseh Employees Retirement System**

Board of Trustees Meeting  
December 6, 2016 7:00 p.m.

**MEETING MINUTES**

- I. Pledge of Allegiance
- II. Chairman Wimple called the meeting to order at 7:00 PM
- III. Establishment of a Quorum

Present: Jackson Baker, Shelley Lim, Joseph Tuckey, Ron Wimple

Absent/Excused: John Carlson

Consultants/Staff: Denise Jones, Rodwan & Associates  
Brian Brice, Morgan Stanley- Graystone Consulting  
Dan Swallow, City Manager / Board Secretary

**Motion by Baker, seconded by Tuckey; to excuse Carlson from the meeting, noting he had recently undergone surgery.**

*Motion passed unanimously*

- IV. Approval of December 6, 2016 Agenda

**Motion by Lim, seconded by Tuckey; to approve the Agenda as presented.**

*Motion passed unanimously*

- V. Approval of August 23, 2016 Meeting Minutes

**Motion by Baker, seconded by Tuckey to approve the minutes as presented.**

*Motion passed unanimously*

- VI. Audience: Items on the Agenda

None

- VII. Unfinished Business:

None

- VIII. New Business:

- A. Resolution: Acceptance of the FY 2016 Actuarial Valuation  
Rodwan & Associates

Denise Jones with Rodwan & Associates presented the Actuarial Evaluation as of June 30, 2016. She noted one of the differences with this Evaluation as compared with previous years is that the pre and post 2011 employee computed contribution rates have been separated out. This was done at the request of the City Manager in an effort to help determine appropriate contribution rates for the different employee groups.

Ms. Jones described what variables go into the calculations and highlighted that the return rate on investments for this evaluation was slightly better. One of the reasons for this difference was that they utilize a 7-year smoothed average, and the eighth prior year with poor performance was no longer included in that average. She also noted that salary increases were slightly lower than the assumptions that they utilized for the

evaluation. However, the claims for retiree healthcare benefits were slightly higher than assumed. Due to the improved experience, the funded ratio of the Plan has improved slightly to 84.6%; but because of the increased healthcare benefits that funding level decreased slightly to 87.7%.

Ms. Jones directed the Board to the Comments and Conclusions section on Page 7 of the report, highlighting their recommendations on how the assets for the post-2011 employee group be tracked going forward. She also noted their overall conclusion was that the City is funding the Retirement System as they accrue in accordance with a sound level percent of payroll funding objective.

**Motion by Baker, seconded by Tuckey; to accept and place on file the City of Tecumseh Employees Retirement System Actuarial Valuation as of June 30, 2016.**

*Motion passed unanimously*

- B. Resolution: Acceptance of Quarterly Performance Review of Investment ending September 30, 2016  
Brian Brice - Morgan Stanley

Brian Brice with Morgan Stanley, Graystone Consulting, presented the quarterly performance review for the quarter ending September 30, 2016. He noted there has been a great deal of volatility throughout the year, with poor performance in the first quarter and a subsequent recovery. Mr. Brice also noted there has been a reversal in trends in the third quarter, with technology stocks growing significantly and income oriented stocks selling off. Emerging markets have also spiked up, compared to underperformance earlier in the year. More recently, the market has reacted to the presidential election and bond yields have gone up. The market is anticipating that there will likely be two interest rate increases in 2017, and as long as the Federal Reserve acts as anticipated it should not negatively impact performance. Mr. Brice pointed out that the overall fund was up 2.4% for the quarter, and 5.2% year-to-date; but that lagged behind the Policy Index. This was in part due to some of the concerns with TCW, which was down 1.9% compared to the benchmark that was up 6%.

Mr. Brice noted that the Board's choice last quarter to make an investment in Master Limited Partnerships (MLP's) has paid off with an 11% gain as of December 2. Unfortunately, TCW, which the Board had placed on watch at its last meeting, has continued to underperform the benchmarks. Because of this issue, he has been looking into a possible replacement for the balance of the TCW portfolio. ClearBridge Investments, despite a heavy weighting in Technology stocks, appears to have a better defensive strategy against downturns in the market. ClearBridge has a more diverse portfolio and their stock weighting is heavier in companies that have outperformed other technology stocks.

Chairman Wimple suggested that if the Board wanted to consider a change in investments, that would best be handled as a separate New Business Item E.

**Motion by Lim, seconded by Tuckey; to accept and place on file the Quarterly Investment Performance Analysis for the quarter ending September 30, 2016.**

*Motion passed unanimously*

- C. Resolution: Acceptance of the FY 2016 Annual Report  
Dan Swallow, Secretary

Dan Swallow reported that the City of Tecumseh Employees Retirement System ordinance requires that an annual report be prepared and submitted no later than the end of the calendar year. The annual report presented includes investment fiduciary information, the fiscal year budget, a summary of administrative expenses, the investment performance, and annual actuarial report. Mr. Swallow noted that he had not included a copy of the ordinance as was past practice, because there had not been any changes in the fiscal year.

**Motion by Tuckey, seconded by Lim; to accept and place on file the FY 2016 Annual Report.**

*Motion passed unanimously*

D. Recent Legislative Activity on Public Employee Retirement Systems  
Dan Swallow, Secretary

Dan Swallow reported that the Michigan Legislature had considered a package of bills in its “lame duck” session that could impact allowed retirement benefits for public employees. In summary, there have been bills introduced that would curtail pension style retirements and move new employees into defined contribution plans. None of the proposed bills had received a final vote, and Mr. Swallow stated he would keep the Board informed of any developments.

E. Resolution: Consider Closing Out the Retirement System’s Investments in TCW Concentrated Core and Transfer the Funds to ClearBridge Investments, LLC

The Board discussed the prior concerns noted with TCW and the recent underperformance relative to the benchmark. Members reviewed the potential advantages of shifting to ClearBridge Investments and queried Mr. Brice regarding the weighting of some of the stocks in the fund.

**Motion by Lim, seconded by Baker to close out the Retirement System’s investment in TCW and shift the funds to ClearBridge Investments, LLC.**

*Motion passed unanimously*

IX. Other Communications:

- A. Cash Account balance as of 9/30/2016
- B. Correspondence with Employee Unions RE: Retirement System Unfunded Liability

IX. Audience: Items not on the Agenda

None

XI. Adjournment

**Motion by Baker, seconded by Tuckey to adjourn.**

*Motion passed unanimously*

The meeting was adjourned at approximately 8:35 PM

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Next Meeting: February 28, 2017