

City of Tecumseh Employees Retirement System

Board of Trustees Meeting
February 27, 2018 7:00 p.m.

MEETING MINUTES

I. Pledge of Allegiance

II. Call to Order

The meeting was called to order by Chairman Wimple at 7:00 PM

III. Establishment of a Quorum

Present: Jackson Baker, Ronald Carlson, Joseph Tuckey and Ronald Wimple

Absent (Excused): Shelley Lim

Motion by Baker, seconded by Tuckey to excuse Shelley Lim for being out of the County.

Motion passed unanimously

IV. Approval of the Agenda

Motion by Baker, seconded by Tuckey to approve the February 27, 2018 Meeting Agenda as presented.

Motion passed unanimously

V. Approval of the November 28, 2017 Meeting Minutes

Motion by Baker, seconded by Tuckey to approve the November 28, 2017 Meeting Minutes as presented.

Motion passed unanimously

VI. Audience: Items on the Agenda

VII. New Business:

A. Approval of Invoice from Meadowbrook, Inc. for Labor Management Trust Fiduciary Liability Policy in the amount of \$4,969.

Dan Swallow – City Manager / Secretary

Motion by Baker, seconded by Tuckey to approve the invoice from Meadowbrook, Inc. for the Labor Management Trust Fiduciary Policy in the amount of \$4,969.00.

YES: Baker, Carlson, Tuckey, Wimple.

NO: None

ABSENT: Lim

Motion passed

B. Resolution: Approval of Request for Refund of Accumulated Contributions for Brian Meloche.

Dan Swallow – City Manager / Secretary

Secretary Swallow noted that Officer Brian Meloche has resigned from the Police Department, and has requested that his accumulated contributions, which amount to \$542.18 be refunded to him.

Motion by Baker, seconded by Tuckey to refund Brian Meloche's accumulated contributions in accordance with his request.

Motion passed unanimously

- C. Resolution: Approval of Request for Deferred Retirement for Paula Holtz.
Dan Swallow – City Manager / Secretary

Secretary Swallow noted that long-time employee Paula Holtz had taken a new job with the Michigan Economic Development Corporation and had submitted an application for a Deferred Retirement. Under a Deferred Retirement, benefits would be delayed until the employee reaches normal retirement age of 55.

Motion by Baker, seconded by Tuckey to approve the Deferred Retirement for Paula Holtz in accordance with her request.

Motion passed unanimously

- D. Resolution: Acceptance of the June 30, 2017 Actuarial Valuation from Rodwan Consulting Co.
Denise Jones – Rodwan & Assoc.

Denise Jones with Rodwan & Associates reviewed the Actuarial Valuation for the Tecumseh Employees Retirement System for the period ending June 30, 2017 and highlighted the following key findings:

- The accrued liabilities of the Retirement System were computed to be \$25,659,773 for pensions and \$1,535,817 for retiree health insurance.
- The funding value of assets for the System was \$21,531,781 for pensions and \$1,413,901; resulting in funded ratios of 83.9% and 92.1% respectively.
- The City's total recommended contribution rate for pensions was computed to be 29.65% for pre-2011 employees and 7.10% for post-2011 employees, for a blended total recommended contribution rate of 23.64% of payroll.
- The total unfunded actuarial accrued liability is estimated at \$4,249,908, which has increased due to the adoption of the updated RP 2000 Combined Healthy Mortality Table Projected to 2014.
- The recommended Employer (City) contribution rates were not impacted significantly by the updated mortality tables thanks to an increase in the Employee contribution rates as well as recent favorable investment performance.

Motion by Baker, seconded by Tuckey to accept and place on file the June 30, 2017 Actuarial Valuation from Rodwan Consulting Co.

Motion passed unanimously

- E. Resolution: Acceptance of Quarterly Performance Review of Investments Ending December 31, 2017.
Brian Brice - Morgan Stanley

Brian Brice with Morgan Stanley reviewed the Quarterly Performance of Investments report for the fourth quarter dated December 31, 2017. Brice noted that overall growth stocks had performed better than value stocks over the last quarter, particularly in the technology sector. Technology stocks were up 38.8%, which was almost two times better than the benchmarks overall. The Healthcare sector has also done well compared to the last few years. As previously projected, International and Emerging markets have outperformed the US market. Due to the fact that the investments the System holds are weighted a little more toward value stocks, the System's total returns did not perform as well as the indices in some areas.

Equity markets have continued to perform well, with almost all sectors in all countries in positive territory. However, more recent adjustments in the market point to increasing volatility. Based on the length of growth, the markets are really overdue for more volatility.

For the specific investments the System holds, the London Company improved for the quarter, but the 1-year returns were off the benchmark. This manager focuses on quality stock selection, and growth stocks have dominated over value for this quarter, which helps explain the London Co.'s performance. The recommendation is to keep the London Company on watch.

MFS performed well, particularly over the year. This strong performance is explained by their holdings in financials, and limited exposure to Energy, which has not performed as well. Clearbridge showed moderate growth and due to its value holding in Technology, their returns should be more stable over time. Earnest Partners is the mid and small cap focused fund, and has shown very good returns in part due to their overweight in Technology and underweight to Energy.

For the International Managers, Invesco has not performed as well relative to the benchmark. However, this fund holds a significant amount in cash (8.5%), which will allow them to make more strategic investments going forward. Lazard, which is a newer investment for the System, has done very well and should continue to allow the System to benefit from projected better performance of the international markets.

The Master Limited Partnership investment through Cushing MLP as struggled a little due to general poor performance in the Energy sector, and the lower price of oil which has only recently started to rise. This manager has protected on the downside, and has shown a better long-term rate of return. MLP's also continue to enjoy favorable tax status.

Overall, the System had a composite rate of return of 4.2% for the quarter and a 1-Year rate of return of 15.8%, which compares well to other Public Plans of this size. Other than keeping the London Company on watch, there are no recommendations for investment changes at this time. Brice noted that there is a chance of a recession in 2019 based on historical cycles, and as the Federal Reserve is expected to slowly raise interest rates. A positive indicator that stocks will continue to perform well is 80% of S&P 500 companies beat earnings estimates. Additionally, International equities are behind the US in the cycle and should continue to perform well.

Motion Tuckey, seconded by Baker, to accept and place on file the Quarterly Performance Review of Investments Ending December 31, 2017.

Motion passed unanimously

IX. Other Communications:

- A. Cash Account balance as of 12/31/2017
- B. Morgan Stanley – What Happened in the Markets 2/5/18

Secretary Swallow pointed out the statements and additional information from Morgan Stanley that were included in the agenda packets.

X. Audience: Items not on the Agenda

NONE

XI. Adjournment

Motion Tuckey, seconded by Carlson, to Adjourn at approximately 8:35 PM.

Motion passed unanimously

Next Meeting: May 22, 2018