

BAY CITY POLICE & FIRE RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
QUARTERLY MEETING

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MINUTES – February 14, 2017

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The Annual meeting of the Bay City Police & Fire Retirement System Board of Trustees was called to order at 9:32 a.m. by Trustee Brain Berthiaume.

**Present:** Brain Berthiaume, Doug Adams, Mike Roznowski

**Excused:** Ken Skunda, Richard Finn

**Other:** George Martini, Angela Willsie, Diane Ward; City of Bay City  
Denise Jones; Rodwan Consulting, Chris Kuhn; AndCo Consulting, Tom Michaud; VanOverbeke Michaud & Timmony, P.C.

**Public Comment**

No Public Comment

**Approval of Minutes**

Quarterly Meeting – November 8, 2016. Trustee Adams moved to approve the minutes as presented, seconded by Trustee Mike Roznowski. The motion passed unanimously.

**Member Transactions**

Retirements: None

Pension Adjustments: Donald Girardot, Matthew Hayes, Gray Hect, Laurene Powell

New Hires: None

Deceased Retirees/Beneficiaries: William Powell

Resignations/Terminations/Layoffs: None

Trustee Roznowski moved to approve the member transactions, seconded by Trustee Adams. The motion passed unanimously.

**Ratification of Expenses Paid by the Plan**

Trustee Adams moved to approve the expenses paid by the Plan in the amount of \$97,298.25, seconded by Trustee Roznowski. The motion passed unanimously.

**Approval of Fund Transfers to PNC Institutional Investments**

Trustee Adams moved to approve the investment transfers as presented, seconded by Trustee Roznowski. The motion passed unanimously.

**Presentation of Actuarial Experience Study - July 1, 2010 through June 30, 2016 – Rodwan Consulting**

Denise Jones presented the Actuarial Experiences Study that was based on six years of actual data. The information from the study is used in the process of selecting the assumptions for the annual actuarial valuations of the Retirement System. Ms. Jones reviewed the assumptions and recommended the following: a higher rate for withdrawal assumptions which will lower liabilities; no change for fire and a lower retirement rate for police which lowers liabilities; no change in the disability rate assumption; a higher mortality assumption rate which increase liabilities. Ms. Jones stated the board should review the 7.5 percent rate of return with their Asset Manager based on the five year economic assumptions.

Ms. Jones also advised the Board move from an open 25 years amortization period to a closed amortization period. This recommendation was not in the Study.

Trustee Adams moved to receive the Actuarial Experience Study, seconded by Trustee Roznowski. The motion passed unanimously.

Doug Adams asked Chris Kuhn, from AndCo Consulting, if he would recommend using a 7.5 percent rate of return going forward. Chris responded yes as he is comfortable with the 7.5 percentage rate.

Trustee Adams moved to adopt the recommendations stated in the Actuarial Experience Study and continue using the 7.5 percent rate of return, seconded by Trustee Roznowski. The motion passed unanimously.

The board members continued to discuss the closed amortization period methodology and what impact it would have on the City contributions to the retirement system. Denise said the effect on City contribution for the next five years would not be worrisome however, after ten years fluctuations in market valuations will cause larger fluctuations in contributions. Ms. Jones stated the board can revisit the amortization period at any time. Doug Adams requested Rodwan send a Letter of recommendation to the Board on changing to a closed amortization methodology and the issue be added to the May Agenda for more discussion.

#### **Bay City Police & Retirement System Financial Statements and Supplementary Information for the Year Ended June 30, 2016 – Smith & Klaczewicz, PC**

Tom Smith presented the Financial Statements, stating that his firm provided an unmodified opinion with no finds or proposed adjusting Journal entries. He thanked the City staff for their help in making this a smooth audit and implementation of GASB 72. A review of the Statement of Changes in Fiduciary Net Position shows the pension fund had decreased \$2,358,074 from the prior year leaving a net position of \$52,295,145. The Schedule of Changes in Net Pension and Liability and Related Ratios reported a total pension liability of \$63,819,910 and the fiduciary net position of \$52,295,145 which is 81.94% of the total pension liability. The net pension liability ending June 30, 2016 was \$11,524,765.

Trustee Berthiaume moved to receive the Financial Statements, seconded by Trustee Roznowski. The motion passed unanimously.

#### **Approve Bay City Police and Fire Retirement System Summary Annual Report June 30, 2016**

Trustee Adams moved to approve the Summary Annual Report, seconded by Trustee Roznowski. The motion passed unanimously.

#### **4<sup>th</sup> Quarter 2016 Performance Report – The AndCo Consulting**

Chris Kuhn began the presentation with a review of capital markets and its reactions to the election results. The market is anticipating more government spending without increases in tax revenues leading to more government borrowing. This led to a rally in stocks and an increase in interest rates. The total fund was up 1.81% year to date. The 4<sup>th</sup> quarter Individual investment manager results presented included: Northern Trust – Russell 1000 – Large Cap Equity up 3.84%, with a total fund asset allocation of 14.5%; LS Investment Advisors – S&P 500 Equal Weighted, up 3.84%, with a total fund asset allocation of 14.1%; Victory Mid Cap Equity up 1.22%, with a total fund asset allocation of 7.8%; Fisher SCC – Russell 2500 Value up 9.41%, with a total fund asset allocation of 8.5%; Southern Sun SC –

Russell 2500 Value down 2.83%, with a total fund asset allocation of 8.3%; First Eagle – MSCI EAFR – International Equity down 3.34%, with a total fund asset allocation of 4.5%; Hexavest International – MSCI ACWI International Equity down .70, with a total fund asset allocation of 6.3%; PNC Core Plus Fixed Income down 1.75%, with a total fund asset allocation of 16.3%; American Core Realty up 1.20%, with a total fund asset allocation of 4.9%; Guggenheim Real Estate up .82%, with a total fund asset allocation of 2.2%; Courtland Financial International– up since inception 8.97%, with a total fund asset allocation of 1.3%; Millennium International – HFRI RV Multi-Strategy Index up 1.37%, with a total fund asset allocation of 6.0%; Brandywine Global Fixed Income – Global Aggregate down .605%, with a total fund asset allocation of 1.9%; Templeton Global Multisector Plus – Global Government Bond up 6.19%, with a total fund asset allocation of 3.0%.

Trustee Adams moved to receive the Investment Performance Review, seconded by Trustee Roznowski. The motion passed unanimously.

Mr. Kuhn recommend a transfer of \$400,000 form Northern Trust to the PNC operating account.

Trustee Berthiaume moved to transfer \$400,000 from the Northern Trust Fund to the cash account to pay benefits, seconded by Trustee Roznowski. The motion passed unanimously.

#### **PNC Bank – Negotiations of Monthly Benefit Fee – AndCo Consulting**

At the last meeting Chris Kuhn was asked by the Board to negotiate a lower benefit processing fee with PNC as the fee was higher than Fifth Third's and Comerica's. Chris informed the board that as he reviewed the fees he found PNC had included postage in the fee unlike the other competitor's. Chris stated this brought the benefit processing fee at PNC in line with the competition and did not continue with the negotiation. The board members present support his action.

#### **Discuss/Approve 2018 Police & Fire Budget**

Trustee Adams moved to approve the 2018 Police & Fire Budget, seconded by Trustee Roznowski. The motion passed unanimously.

#### **Public Act 530 of 2016 – VanOverbeke, Michaud & Timmony, PC**

Tom Michaud said the State Legislature at the end of 2016 continued to discuss more transparency on municipalities' pension and retiree health care. Public Act 530 of 2016 was passed to require local communities to report retiree health care information to the State. The mechanism used was an amended to the investment act. This Act requires retirement systems to add a line in the Summary Annual Report for retiree health care liability. This amount will be zero as retiree health care is not a function of the retirement system.

#### **Discuss – Spencer Daniels Duty Disability Retirement– VanOverbeke, Michaud & Timmony, PC** Mr.

Michaud informed the board this is an informational item and the administration staff is looking into different components of Mr. Daniels disability benefits.

**Other**

Trustee Roznowski asked Chris Kuhn if he knows of different models they would provide better returns. Trustee Roznowski stated the retirement system was using a 2/3 model, equity to fixed income, with a 5 year smoothing. If the system went to an 80% -20%, equity to fixed income, with a 7 year smoothing would that take out some market fluctuation and provide a better return. Mr. Kuhn concern is risk in increasing the equity allocation. Mr. Kuhn noted that the retirement system does not have an emerging market fund but the fund has some exposure through large international company stocks the fund holds. He stated the current ratio is more in the area of 75% -25%, asset to equity, and the retirement system invests in real estate beside the equities and fixed income.

Ms. Willsie informed the Board the renewal of Fiduciary Liability Insurance was due in May. Doug Adams and Brian Berthiaume requested her to fill out and mail back any information need to renew the insurance.

**Adjournment**

Trustee Berthiaume moved to adjourn at 11:50 a.m., seconded by Trustee Adams. The motion passed unanimously.

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Diane M. Ward  
Recording Secretary

