

**VILLAGE OF GROSSE POINTE SHORES
MINUTES OF PENSION MEETING
January 17, 2017**

A meeting of the Commission of the Village of Grosse Pointe Shores, A Michigan City Employees Retirement System was held on Tuesday, January 17, 2017 in the Grosse Pointe Shores Municipal Building, 795 Lake Shore Road. The meeting was called to order at 7:40 a.m. by Chairman Campbell.

Present were: Chairman Bruce Campbell
Commissioner Charles Ruifrok
Mayor Ted Kedzierski
Commissioner Scott Rohr

Absent: Commissioner Tom Krolczyk-excused

Also present: City Finance Officer/Treasurer, Rhonda Ricketts, Sandra Rodwan of Rodwan Consulting Company and Don Lindow and Bill Gough of Azimuth Capital Management.

APPROVAL OF MINUTES OF THE MEETING HELD ON NOVEMBER 9, 2016

On Motion by Commissioner Rohr and Seconded by Mayor Kedzierski duly carried, the minutes of the meeting held on November 9, 2016 were approved as submitted. PASSED 4-0.

OLD BUSINESS

None

NEW BUSINESS

A: CHANGE IN MORTALITY ASSUMPTION ESTIMATE

Sandra Rodwan presented to the commission calculations requested to show the impact of changing the current mortality assumption (RP 2000 Combined Healthy Table) to the RP 2000 Combined Healthy Mortality Table Projected to 2014. The results of this proposed change would have increased the current employer contribution from \$309,565 to \$376,396. As life expectancies increase, so would the liabilities. In Ms. Rodwan's opinion, the newer 2016 mortality table may be overstating life expectancies.

A second handout was presented to the commission that provided new calculations should the commission recommend changing the funding level calculation from the current level percentage of payroll amortization to 20-year level dollar amortization. The level percentage method works well with an open plan – new employees entering the system. But with a closed plan such as ours, it is preferable to use the level dollar amortization method which is much like a mortgage amortization. The employer contribution would increase to \$335,000 from the original calculation of \$309,565 if the mortality table assumption was to remain the same. If

the mortality table assumption was to change to the updated 2014 version and the level funding method change also, the new contribution would be approximately \$416,098.

Ms. Rodwan recommends to the commission that the 2014 updated mortality table and the level dollar funding method be adopted by the commission.

On Motion by Commissioner Rohr and Seconded by Mayor Kedzierski duly carried, the pension commission will take this recommendation under advisement and will present these findings to the Finance Committee at their March meeting. PASSED 4-0.

B: AZIMUTH CAPITAL INVESTMENT REVIEW

Mr. Don Lindow and Mr. Bill Gough presented the portfolio investment review as of December 31, 2016 to the Pension Commission.

The 2016 calendar year experienced two significant decreases in investment values – the first decrease was unexpected at the beginning of the year and was then followed in late June due to election results overseas (Brexit). Both periods of declines recovered and were followed by a strong finish to the year following the United States Presidential election.

The current portfolio is made up of equities (68%), fixed income (22%) and alternative investments with Commonfund and Barings Core Property Fund at 9% of the total portfolio. The outlook of investment rates for the fixed income investments remain low. On the equity side, 72% of the stocks held are value stocks, 16% are growth stocks and 12% are of international stocks. The financial and energy segments of the value stocks had a very good year. The growth and international stocks were basically flat for the year.

The portfolio's value for 2016 increased from \$21,642,246 to \$22,095,207. The total performance rate for the year was at 7.47% - with the equity section performing at 10.64%.

The investment team at Azimuth is looking for good, solid businesses within the value equity stocks for future investing. This past year Azimuth took advantage of the rise in oil prices to further invest with Exxon. As for the growth portfolio, strong revenues/strong earnings are the key to additions in this segment such as adding Charles Schwab to the financial segment.

As for the international stocks, Azimuth is not currently looking to add to this segment at this time. They are taking a very conservative strategy to the international markets and are interested only in quality anchors with low exposure. The international market will be anticipating the results from several key elections overseas this coming year.

Azimuth regularly reviews the results from Commonfund and Barings Core Property Fund activities to make sure that they are staying true to their mission, Azimuth is also currently working with Commonfund to create a cashflow outlook.

Chairman Campbell questioned Mr. Lindow and Mr. Gough regarding the outlook for the first half of 2017. They are optimistic of 2017. There is risk and uncertainty with expectations and "headlines". The biggest risk may be expectations of lower taxes, increased production, elimination of regulations, among a few. Azimuth will be focused on earnings along with the quality of those earnings.

C: FIDUCIARY LIABILITY RENEWAL

The Pension Commission received information relating to the renewal of the fiduciary liability insurance. This year a new insurance company provided a proposal – Cincinnati Insurance Company along with the plan's previously used firm, Chubb. The Chubb proposal totaled \$12,774 for the year where Cincinnati's proposal was for \$11,496. Both proposals contained the same coverage and deductible.

On Motion by Commissioner Rohr and Seconded by Mayor Kedzierski duly carried, the Pension Commission will opt for the proposal submitted by Cincinnati Insurance Company in the amount of \$11,496 for the 2017/2018 plan year. PASSED 4-0.

NEXT MEETING DATE

It was suggested that the next meeting be set for Tuesday, May 2, 2017 at 7:30am in the Council Room.

The meeting was adjourned at 9:35am by a Motion made by Commissioner Rohr Seconded by Mayor Kedzierski, PASSED 4-0.

Rhonda Ricketts, City Finance
Officer/Treasurer