

CHARTER TOWNSHIP OF MERIDIAN
PENSION BOARD
MEETING MINUTES
TUESDAY, JANUARY 26, 2016 - 3:30 PM
MUNICIPAL BUILDING – 5151 MARSH ROAD, OKEMOS, MI 48864

Members Present: Chair Susan Elder, Mark Kieselbach, Joseph Bonsall, and Treasurer Julie Brixie

Members Absent: None (There is one open position on the pension board)

Staff: Finance Director, Gretchen Gomolka

Others Present: Kirk VanDagens and David Reid – PNC Institutional Investments
Jeff Tebeau and Kevin Noelke – Gabriel, Roeder, Smith & Company

I. Call Meeting to Order

- Chair Elder called the meeting to order at 3:37 pm.

II. Public Comment

- None Present

III. Approval of Agenda

- Treasurer Brixie moved to approve the agenda and Mark Kieselbach seconded. Agenda approved (3-0). Member Joseph Bonsall had not yet arrived.

IV. Approval Minutes for December 15, 2014 Meeting

- Mark Kieselbach moved to approve the minutes and Treasurer Brixie seconded. Meeting minutes were approved (3-0). Member Joseph Bonsall had not yet arrived.

V. Investment Manager's Report

- David Reid of PNC Institutional Investments began the summary for overall 2015 annual results.
 - i. 2015 Key Factors
 1. 2015 started strong but became more volatile as the year went on. Capital Markets had poor returns and high volatility, emerging markets fell 15%, and international and small cap markets are down.
 2. The United States raised rates as it was coming out of a recession while other Countries were lowering their rates and buying back bonds.
 3. The strong U.S. dollar negatively affected exports.

4. Commodities prices dropped 33% overall and oil dropped 45%.
 5. PNC believes the Federal Reserve will keep rates low and raise them slowly.
 6. U.S. GDP increased 2% in 2015.
- ii. 2016 Outlook
1. Mild increase in inflation of 1.2-1.5%
 2. Increased wage growth and narrowing profit margins.
 3. Strong U.S. dollar will normalize against other currencies.
 4. U.S. Government spending will increase GDP.
 5. Predicting high volatility and low returns.
 6. International could outperform domestic markets.
 7. May be a good time to invest in emerging markets but need to actively manage those investments.
- Kirk VanDagens of PNC Institutional Investments gave a summary of the annual Pension Plan results and presented members with a copy of the report.
 - i. Key factors in investment results are as follows:
 1. December 2015 ended on a high with year to date gains of \$30,000.
 2. PNC's small cap investments increased 4%.
 3. All of PNC's indexes beat the national average.
 4. In the first several weeks of January 2016 the assets of the plan have decreased approximately \$200,000 due to market volatility.
 5. PNC is holding more domestic investments to avoid losses in currency conversion.
 6. The performance of the Pension Plan's portfolio is below the blended benchmark for 4th quarter 2015 but above the blended benchmark year-to-date.

VI. Actuary Report

- Jeff Tebeau of Gabriel, Roeder, Smith & Company went over the December 31, 2014 Actuarial Valuation report
 - i. Key Topics Covered
 1. Defined the funding objectives of the plan.
 2. Went over the contributions to the plan of \$250,000 and that the Township make the recommend full Actuarial Required Contribution (ARC) each year. This amount was \$403,377 for 2015.
 3. Complimented the Pension Board for using a 6% assumption for the interest rate of return. We actually earned 8% in 2015.
 4. There was an overall loss (increase in the liability), primarily due to the higher than anticipated wage increase for the one active member combined with improved mortality rates.
 5. The plan uses a 4 year smoothing to recognize gains and losses. Looking forward, we will no longer be smoothing in losses of \$56,382 from 2011.
 6. Recommend adopting the Fall 2014 Fully Intergenerational mortality tables, which would likely increase the unfunded liability as much as 15%

- Treasurer Brixie moved to change the mortality table used in our assumptions to the newly revised Fall 2014 Fully Intergenerational tables. Mark Kieselbach seconded. Motion passed unanimously.

VII. Adjournment

- Meeting was adjourned at 4:45 pm

Approved:

Susan Elder, Chair