

**Plan for Employees' Pension of
the Board of Water and Light -
City of Lansing, Michigan -
Defined Benefit Plan**

**Financial Report
with Required Supplemental Information
June 30, 2014**

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

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Independent Auditor's Report

To the Honorable Mayor, Members of
the City Council, and Commissioners
of the Board of Water and Light
Plan for Employees' Pension of the Board of Water and Light -
City of Lansing, Michigan - Defined Benefit Plan
City of Lansing, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan (the "Plan") as of and for the years ended June 30, 2014 and 2013 and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Honorable Mayor, Members of
the City Council, and Commissioners
of the Board of Water and Light
Plan for Employees' Pension of the Board of Water and Light -
City of Lansing, Michigan - Defined Benefit Plan
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan as of June 30, 2014 and 2013, and the changes in its plan net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2014, the Plan adopted GASB Statement Number 67, *Financial Reporting for Pension Plans*. As a result, these financial statements contain significant new disclosures. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the BWL's net pension asset and related ratios, schedule of employer contributions, and schedule of investment returns on pages 21 - 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

September 2, 2014

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of two parts: (1) management's discussion and analysis (this section) and (2) the basic financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Condensed Financial Information

The table below compares key financial information in a condensed format between the current year and the prior two years:

	2014	2013	2012
Assets held in trust:			
Money market collective trust fund	\$ 3,192,936	\$ 3,209,522	\$ 2,739,466
U.S. government obligations	7,354,686	8,301,126	7,954,894
Corporate bonds and notes	11,844,906	12,168,664	12,793,539
Mutual funds	1,260,129	1,171,547	1,127,599
Common stock	56,770,168	50,459,178	48,573,963
Alternative investments	-	-	245,024
Interest and dividend receivable	120,156	113,980	132,512
Total assets held in trust	<u>\$ 80,542,981</u>	<u>\$ 75,424,017</u>	<u>\$ 73,566,997</u>
Liabilities - Accrued liabilities	\$ 13,000	\$ -	\$ -
Net position restricted for pension	<u>80,529,981</u>	<u>75,424,017</u>	<u>73,566,997</u>
Total liabilities and net position	<u>\$ 80,542,981</u>	<u>\$ 75,424,017</u>	<u>\$ 73,566,997</u>
Changes in net position:			
Net investment income (loss)	\$ 14,243,164	\$ 10,169,847	\$ (543,523)
Benefits payments	(8,541,275)	(7,777,260)	(8,259,828)
Administrative fees	(595,925)	(535,567)	(570,810)
Net change in net position	<u>\$ 5,105,964</u>	<u>\$ 1,857,020</u>	<u>\$ (9,374,161)</u>

During fiscal year 2014, net investment gain was \$14.2 million. We believe this performance is consistent with the experience of similarly situated employee benefit funds.

Employer contributions were \$0 in fiscal year 2014 according to the Board of Water and Light - City of Lansing, Michigan's (the "BWL") annual required contribution (ARC) as determined by the BWL's actuary.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Management's Discussion and Analysis (Continued)

Benefits payments in fiscal year increased by \$0.76 million to \$8.5 million. This was due to an increase in funds distributed in the form of lump-sum payouts upon retirement in fiscal year 2014 as compared to fiscal year 2013.

The BWL reimburses itself for the cost of retiree healthcare benefits pursuant to Internal Revenue Code Section 420. Reimbursement from the defined benefit pension plan assets is allowed to the extent that excess funds are available for transfer. In fiscal years 2014, 2013, and 2012, there were no excess funds available for transfer.

Investment Objectives and Asset Allocation

The Plan's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the BWL has taken into account the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect the Plan's risk tolerance.

In consideration of the Plan's investment goals, demographics, time horizon available for investment, and the overall risk tolerance of the BWL, a long-term investment objective of income and growth has been adopted for the Plan's assets. The primary objectives of the Plan's assets are to fund all disbursements as they are due to meet the actuarial rate of return of 7.5 percent, and to earn returns in excess of a passive set of market indexes representative of the Plan's asset allocation.

Consistent with the advice of the investment advisor, the BWL has selected the following target asset allocation strategy:

Domestic Large Capitalization Stocks	45.0%
Domestic Small Capitalization Stocks	10.0%
International Stocks	14.2%
U.S. Core Fixed Income	30.8%

Investment Results

The fiscal year ended June 30, 2014 saw a net investment gain of \$13.6 million. We believe that this gain is in line with the level of gains experienced by other employee benefit funds during this period.

Future Events

The Plan is currently overfunded, with a funded ratio (actuarial asset value divided by actuarial accrued liability) of 116 percent. This funding level results in an annual pension cost of \$0 for fiscal year 2014. The board does not expect to make contributions to the trust in fiscal year 2015.

The Plan expects to make annual withdrawals of approximately \$8,000,000 to cover participant benefits.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Management's Discussion and Analysis (Continued)

Contacting the Plan's Management

This financial report is intended to provide a general overview of the Plan's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the office of Susan Devon, Chief Administrative and Technology Officer, at P.O. Box 13007, Lansing, Michigan 48901-3007.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Statement of Plan Net Position

	June 30	
	2014	2013
Assets		
Investments at fair value:		
Cash and money market trust fund	\$ 3,192,936	\$ 3,209,522
U.S. government obligations	7,354,686	8,301,126
Corporate bonds and notes	11,844,906	12,168,664
Mutual funds	1,260,129	1,171,547
Common stocks	56,770,168	50,459,178
Total investments at fair value	80,422,825	75,310,037
Receivable - Investment interest receivable	120,156	113,980
Total assets	80,542,981	75,424,017
Liabilities - Accrued liabilities	13,000	-
Net Position Restricted for Pensions	\$ 80,529,981	\$ 75,424,017

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Statement of Changes in Plan Net Position

	Year Ended June 30	
	2014	2013
Additions		
Investment income:		
Net appreciation in fair value of investments	\$ 12,570,312	\$ 8,364,770
Interest and dividend income	1,672,852	1,805,077
Total investment income	14,243,164	10,169,847
Deductions		
Retiree benefits paid	8,541,275	7,777,260
Administrative expenses	595,925	535,567
Total deductions	9,137,200	8,312,827
Net Increase in Fiduciary Net Position	5,105,964	1,857,020
Fiduciary Net Position		
Beginning of year	75,424,017	73,566,997
End of year	\$ 80,529,981	\$ 75,424,017

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

**Notes to Financial Statements
June 30, 2014 and 2013**

Note I - Summary of Significant Accounting Policies

Reporting Entity

The Board of Water and Light - City of Lansing, Michigan (BWL) sponsors the Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan (the "Plan"), which is a noncontributory single-employer defined benefit, public employee retirement system established and administered by the BWL under Section 5-203 of the City Charter. An employee becomes a participant of the when hired. A participant's interest shall be fully vested when the participant has been credited with seven years of vesting service. The Plan was established in 1939 and has been amended several times, with the latest amendment taking effect on July 1, 2010. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

Accounting and Reporting Principles

The Plan follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Basis of Accounting

Fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Report Presentation

This report includes the fund-based statements of the Plan.

Investment Valuation and Income Recognition - investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales prices. Investments that do not have an established market are reported at estimated fair value.

Purchases and sales of securities are recorded on a trade-date basis.

Appreciation or depreciation of investments is calculated based on the beginning of year fair value of investments.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

Expenses - Substantially all costs and expenses incurred in connection with the operation and administration of the are paid by the BWL, the plan sponsor. The does pay all expenses incurred in connection with the custodial safekeeping account and investment advisor fees, which have been netted with interest and dividend income. Beginning in fiscal year 2008, the Plan began to pay the fees associated with the actuarial evaluation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Regulatory Status - The Plan is not subject to the reporting requirements of the Employee Retirement Income Security Act of 1974 (ERISA) as it has been established for the benefit of a governmental unit.

Change in Accounting - During the current year, the Plan adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the notes below have changed considerably along with the related schedules in the required supplementary information.

Note 2 - Plan Description

Plan Administration - The BWL Pension Board administers the Plan - a noncontributory single-employer defined benefit pension plan for employees of the BWL. The benefit terms were established by the BWL and may be amended by future BWL actions.

Management of the Plan is vested in the BWL, which consists of eight members appointed by the mayor of the City of Lansing, Michigan.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2014 and 2013

Note 2 - Plan Description (Continued)

Plan Membership - At February 28, 2014 and 2013 (the most recent actuarial valuation for funding purposes), plan membership consisted of the following:

	<u>2014</u>	<u>2013</u>
Inactive plan members or beneficiaries		
currently receiving benefits	413	423
Inactive plan members entitled to but not yet receiving benefits	9	10
Active plan members	<u>17</u>	<u>24</u>
Total	<u><u>439</u></u>	<u><u>457</u></u>

The Plan, by resolution of the board of commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this plan were required to make an irrevocable choice to either remain in this plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan. As a result of this action, effective December 1, 1997, the board of commissioners transferred \$75,116,470 to the newly established defined contribution plan, reflecting the plan participants' accumulated benefits as of said date.

Benefits Provided - The Plan provides retirement, early retirement, disability, termination, and death benefits. The Plan provides for an annual benefit upon normal retirement age equal to the product of the total number of years of credited service multiplied by a percentage equal to 1.80 percent of the highest annual pay during the last 10 years of service, paid in equal monthly installments.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

**Notes to Financial Statements
June 30, 2014 and 2013**

Note 2 - Plan Description (Continued)

Payments will either be nonincreasing or increase only as follows: (a) By an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics; (b) To the extent of the reduction in the amount of the employee's payments to provide for a survivor benefit upon death, but only if the beneficiary whose life was being used to determine the distribution period described in subsection 8 dies or is no longer the employee's beneficiary pursuant to a qualified domestic relations order within the meaning of Internal Revenue Code Section 414(p); (c) To provide cash refunds of employee contributions upon the employee's death; or (d) To pay increased benefits that result from a plan amendment.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the BWL Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. There was no contribution required for the years ended June 30, 2013 and 2014. Plan documents do not require participant contributions.

Note 3 - Cash, Investments, and Fair Disclosure

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Plan's deposits and investment policies are in accordance with PA 196 of 1997; the Plan has authorized the investments according to Michigan PA 314 of 1965, as amended.

Risks at June 30, 2014

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and are therefore not subject to custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond	\$ 7,354,686	12.79 years
Corporate bonds	11,844,906	14.26 years
Money market trust fund	3,104,927	Less than 1 year

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Investment	Fair Value	Rating	Rating Organization
U.S. government or agency bond	\$ 7,354,686	Not Rated	Not Rated
Corporate bonds	1,097,382	AAA	S&P
Corporate bonds	4,590,886	AA+	S&P
Corporate bonds	217,542	AA	S&P
Corporate bonds	193,884	AA-	S&P
Corporate bonds	612,123	A+	S&P
Corporate bonds	952,508	A	S&P
Corporate bonds	1,483,155	A-	S&P
Corporate bonds	780,999	BBB+	S&P
Corporate bonds	640,981	BBB	S&P
Corporate bonds	544,851	BBB-	S&P
Corporate bonds	98,555	BB	S&P
Corporate bonds	78,154	BB+	S&P
Corporate bonds	32,325	B+	S&P
Corporate bonds	26,250	B	S&P
Corporate bonds	495,311	CCC	S&P
Money market trust fund	3,104,927	Not Rated	Not Rated

Concentration of Credit Risk - The board of commissioners places no limit on the amount the Plan may invest in any one issuer. As of year end, the Plan does not hold more than 5 percent of its investments in any one issuer.

Risks at June 30, 2013

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan requires that financial institutions must meet minimum criteria to offer adequate safety to the Plan. The Plan evaluates each financial institution with which it deposits funds and only those institutions meeting minimum established criteria are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not have a policy for custodial credit risk. At year end, all investments of the Plan were held in the name of the Board of Water and Light and are therefore not subject to custodial credit risk.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Plan's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. government or agency bond	\$ 8,301,126	12.24 years
Corporate bonds	12,168,664	14.68 years
Money market trust fund	3,140,926	Less than 1 year

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Plan has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
U.S. government or agency bond	\$ 8,301,126	Not Rated	Not Rated
Corporate bonds	1,666,525	AAA	S&P
Corporate bonds	4,286,565	AA+	S&P
Corporate bonds	106,957	AA	S&P
Corporate bonds	251,090	AA-	S&P
Corporate bonds	855,381	A+	S&P
Corporate bonds	891,603	A	S&P
Corporate bonds	1,359,381	A-	S&P
Corporate bonds	403,491	BBB+	S&P
Corporate bonds	938,874	BBB	S&P
Corporate bonds	566,706	BBB-	S&P
Corporate bonds	128,938	BB	S&P
Corporate bonds	113,726	BB+	S&P
Corporate bonds	31,800	BB-	S&P
Corporate bonds	58,013	B	S&P
Corporate bonds	24,975	B-	S&P
Corporate bonds	484,639	CCC	S&P
Money market trust fund	3,140,926	Not Rated	Not Rated

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2014 and 2013

Note 3 - Cash, Investments, and Fair Disclosure (Continued)

Concentration of Credit Risk - The board of commissioners places no limit on the amount the Plan may invest in any one issuer. As of year end, the Plan does not hold more than 5 percent of its investments in any one issuer.

Note 4 - Net Appreciation or Depreciation of Investments

The net appreciation (depreciation) of the Plan's investments is as follows:

	2014	2013
Investments at fair value as determined by quoted market price:		
U.S. government obligations	\$ 90,724	\$ (370,817)
Corporate bonds and notes	195,217	119,447
Mutual funds	200,285	671,569
Common stocks and mutual funds	12,031,656	7,926,166
Alternative investments	52,430	18,405
Total	<u>\$ 12,570,312</u>	<u>\$ 8,364,770</u>

Note 5 - 401(h) Account

Effective July 1, 1999, the Plan was amended to include a medical-benefit component, in addition to the normal retirement benefits, to fund a portion of the postretirement obligations for certain retirees and their beneficiaries in accordance with Section 401(h) of the Internal Revenue Code (IRC). A separate account has been established and maintained in the Plan for the net assets related to the medical-benefit component 401(h) account. In accordance with IRC Section 401(h), the Plan's investments in the 401(h) account may not be used for, or diverted to, any purpose other than providing health benefits for retirees and their beneficiaries. Employer contributions or qualified transfers to the 401(h) account are determined annually and are at the discretion of the plan sponsor. At June 30, 2014 and 2013, there were no excess pension plan assets available for transfer.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2014 and 2013

Note 6 - Tax Status

The Plan obtained its determination letter dated November 4, 2011, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has since been amended. Management believes the continues to operate as a qualified plan.

Note 7 - Plan Investments - Policy and Rate of Return

Investment Policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the BWL by a majority vote of its members. It is the policy of the board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the BWL's adopted asset allocation policy as of June 30, 2014 and 2013:

Asset Class	Target Allocation
Fixed Income	30.80%
Domestic equity	55.00%
International equity	14.20%

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 19.18 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements June 30, 2014 and 2013

Note 8 - Net Pension Asset of the BWL

The components of the net pension asset of the BWL at June 30, 2014 and 2013 were as follows (in thousands):

	<u>2013</u>	<u>2014</u>
Total pension liability	\$ 69,341	\$ 67,280
Plan fiduciary net position	<u>80,530</u>	<u>75,424</u>
Plan's net pension asset	<u>\$ (11,189)</u>	<u>\$ (8,144)</u>
Plan fiduciary net position, as a percentage of the total pension liability	116.13%	112.10%

Actuarial Assumptions - The June 30, 2014 total pension liability was determined by an actuarial valuation as of February 28, 2014, which used update procedures to roll forward the estimated liability to June 30, 2014. The total pension liability as of June 30, 2013 (beginning balance) was also determined as a part of this valuation. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	6.44%-10.26%
Investment rate of return	7.50%

The most recent experience review was completed in 2014. Since the Plan only covers 17 active participants, assumptions like termination, retirement, and disability have an immaterial impact on the results and have not been changed. The mortality table was updated to the RP-2014 mortality table projected generationally with scale MP-2014.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that BWL contributions will be made at rates equal to the actuarially determined contribution rates.

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Notes to Financial Statements
June 30, 2014 and 2013

Note 8 - Net Pension Asset of the BWL (Continued)

Projected Cash Flows Section - Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2014 and 2013 for each major asset class included in the pension plan's target asset allocation, as disclosed in Note 7 are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
Fixed income	2.00%
Domestic equity	6.40%
International equity	6.80%
Real estate	5.00%

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Notes to Financial Statements June 30, 2014 and 2013

Note 8 - Net Pension Asset of the BWL (Continued)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following presents the net pension asset of the BWL, calculated using the discount rate of 7.5 percent, as well as what the BWL's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.50 %)	Current Discount Rate (7.50 %)	1% Increase (8.50%)
Net pension liability (asset) of the BWL (in thousands)	\$ (5,315)	\$ (11,189)	\$ (16,603)

Required Supplemental Information

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Schedule of Changes in the BWL's Net Pension Asset and Related Ratios Last Ten Fiscal Years (in thousands)

	2014	2013	2012*	2011*	2010*	2009*	2008*	2007*	2006*	2005*
Total Pension Liability										
Service cost	\$ 349	\$ 407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	4,751	5,085	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	964	(1,716)	-	-	-	-	-	-	-	-
Changes in assumptions **	4,538	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(8,541)	(7,777)	-	-	-	-	-	-	-	-
Net Change in Total Pension Liability	2,061	(4,001)	-	-	-	-	-	-	-	-
Total Pension Liability - Beginning of year	67,280	71,281	-	-	-	-	-	-	-	-
Total Pension Liability - End of year	69,341	67,280	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position										
Contributions - Employer	-	-	-	-	-	-	-	-	-	-
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net investment income	14,243	10,170	-	-	-	-	-	-	-	-
Administrative expenses	(596)	(536)	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(8,541)	(7,777)	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in Plan Fiduciary Net Position	5,106	1,857	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - Beginning of year	75,424	73,567	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position - End of year	80,530	75,424	-	-	-	-	-	-	-	-
BWL Net Pension Asset - Ending	\$ (11,189)	\$ (8,144)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position as a % of Total Pension Liability	116.14%	112.10%	- %	- %	- %	- %	- %	- %	- %	- %
Covered Employee Payroll	1,225	1,684	-	-	-	-	-	-	-	-
BWL's Net Pension Asset as a % of Covered Employee Payroll	(913%)	(484%)	- %	- %	- %	- %	- %	- %	- %	- %

*GASB Statement No. 67 was implemented as of June 30, 2014. Information from 2005 - 2012 is not available and this schedule will be presented on a prospective basis.

**Related to change in the mortality assumption from the RP2000CH table projected to 2018 with Scale AA to the RP-2014 table projected generationally with Scale MP-2014

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Schedule of Employer Contributions Last Ten Fiscal Years (in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 86	\$ 2,109	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	86	2,109	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	1,225	1,684	2,101	2,398	2,660	3,089	3,162	3,391	3,942	4,142
Contributions as a Percentage of Covered Employee Payroll	- %	- %	- %	3.59%	79.29%	- %	- %	- %	- %	- %

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Note to Required Supplemental Information Year Ended June 30, 2014

Actuarial valuation information relative to the determination of contributions:

Valuation date	February 28, 2014
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level dollar over a 15-year period
Remaining amortization period	15 years
Asset valuation method	Market value of the assets
Inflation	3.0 percent
Salary increases	6.44 percent - 10.26 percent per year, depending on age
Investment rate of return	7.5 percent per year compounded annually
Mortality	RP-2014 Mortality Table projected generationally with scale MP-2014

Plan for Employees' Pension of the Board of Water and Light - City of Lansing, Michigan - Defined Benefit Plan

Schedule of Investment Returns Last Ten Fiscal Years

	2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*	2006*	2005*
Annual money-weighted rate of return, net of investment expense	19.18%	- %	- %	- %	- %	- %	- %	- %	- %	- %

*GASB Statement No. 67 was implemented as of June 30, 2014. Information from 2005 - 2012 is not available and this schedule will be presented on a prospective basis.

**Related to change in the mortality assumption from the RP2000CH table projected to 2018 with Scale AA to the RP-2014 table projected generationally with Scale MP-2014