



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

November 18, 2014

The Board of Commissioners met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, November 18, 2014.

Chairperson David Price called the meeting to order at 5:30 p.m.

Present: Commissioners Margaret Bossenbery, Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price, Tracy Thomas and Sandra Zerkle.

Absent: Commissioner Cynthia Ward

The Corporate Secretary declared a quorum present.

Commissioner Anthony McCloud led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner McCloud, seconded by Commissioner Mullen to approve the Regular Board Meeting minutes of September 23, 2014.

Action: Motion Carried

PUBLIC COMMENTS

MEMBERS OF THE PUBLIC ARE WELCOME TO SPEAK TO THE BOARD ON ANY AGENDA SUBJECT. ANYONE WISHING TO COMMENT ON ANY MATTER NOT ON THE AGENDA MAY DO SO IMMEDIATELY PRIOR TO ADJOURNMENT.

There was no Public Comment

COMMUNICATIONS

There were no Communications

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE

November 11, 2014

The Committee of the Whole of the Lansing Board of Water and Light met at the BWL Headquarters – Reo Town Depot located at 1201 S. Washington Ave., Lansing, MI at 5:30 p.m. on Tuesday, November 11, 2014.

Committee of the Whole (COW) Chair Margaret Bossenbery called the meeting to order and asked the Corporate Secretary to call the Roll.

Present: Commissioners Dennis M. Louney, Margaret Bossenbery, Tony Mullen, David Price, Cynthia Ward, Thomas Tracy and Sandra Zerkle.

Absent: Commissioner Anthony McCloud.

The Corporate Secretary called a quorum.

Public Comment

No Public Comment

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Ward to approve the Committee of the Whole meeting minutes of September 9, 2014.

Action: Motion Carried

Regional Customer Input

Chair Bossenbery invited Regional customers or representatives to address the Board.

Delta Township Supervisor Ken Fletcher, commented the Board of Water & Light and the Board of Commissioners on changes that have been made operationally and functionally since the ice storm. He stated that Delta Township is pleased with the changes and the communication between the BWL and Delta Township has improved dramatically and stated that Calvin Jones has been doing a tremendous job keeping in contact with the Township. Mr. Fletcher stated concerns regarding water rate increases.

After some discussion regarding the percentage of water rate increases General Manager Lark and Mr. Fletcher suggested there should be further discussion with water management.

Mr. Fletcher stated that Delta Township was very pleased with the recent vote regarding additional regional representation on the Board of Commissioners.

Resolution for 2015 Regular Board Meeting Dates

Motion by Commissioner Price, Seconded by Commissioner Ward to forward the Resolution for the 2015 Board meeting dates the full Board for consideration.

Action: Motion Carried

Chair Bossenbery acknowledge any of the Veterans in the audience and stated the Board's appreciation for their service to the country.

Energy Optimization Update

Mr. Lark stated that there has been discussion of the ability of the Erickson Power Plant to remove Mercury from the air. Beginning December 3rd the Board of Water & Light will be operating the mercury removal system at the Erickson Plant and there will be adjustments made to bring the system to its optimum level.

Mr. Lark stated at the request of Commissioner Louney he asked John Kinch, Director of Michigan Energy Options (MEO), to address the Board on what his company does as well as what they do for the BWL.

General Manager Lark introduced Sue Warren, Manager of Energy and Eco Strategies to present an update on Energy Optimization.

Sue Warren stated that the BWL now has five years of energy optimization programs and that we have recently added a couple of pilot programs.

Ms. Warren reviewed the Public Act 295 that went into effect in 2008 and that it requires electric utilities to implement energy saving programs to reduce their sales.

Ms. Warren stated that the Board of Water & Light launched programs in April 2009 and that our management team was already planning energy efficiency programs for our customers. All that Public Act 295 did was to help us define our goals. We do have implementation contractors that help us with these programs and that MEO is one of the contractors for our residential and low income programs.

Ms. Warren stated that the Board of Water & Light's program goals have always exceeded MWh goals and have come in under budget since the second year of inception. Also, we have the Million Kilowatt Hour Club.

Our Technical Energy Audit (TEA) for non-profits, which we have done audits on 20 nonprofits in the Lansing area and this year we have expanded that to restaurants. The LED Holiday Light exchange we have handed out over 73,000 LED holiday light and recycled 10,000. Our latest pilot program is Michigan Saves Financing which we are collaborating with Consumers Energy. This is where we are offering our residential customers .99% financing for energy projects. MSUFCU is the lender and they can borrow from \$1,000 to \$30,000 dollars up to 10 years. For businesses we are offering a rate of 2.99% and they can borrow from \$2,000 to \$75,000 and Ascentium Capital, LLC is the lender for them. Currently we have 17 residential loans and 2 business loans.

Commissioner Zerkle asked what are the kinds of projects are being allowed.

Ms. Warren stated that anything that would save kilowatt hours or natural gas or energy in general. For example the 17 residential loans that we have seen come through are a combination of high efficiency gas furnace, a magnesium motor on that furnace and central air conditioning system.

Commissioner Zerkle asked if we help make arrangements for the loan.

Ms. Warren stated that arrangements for loans are done through a contractor and we pay down on the part when the projects are complete.

Commissioner Zerkle asked how the programs get introduced to the general public.

Ms. Warren stated that we do a lot of events in the community and that the information is on the Hometown Energy Savers website and Steve Serkaian helps as well. One of the things we are going to do, that we just finalized this week, that for anyone who is going to be recycling their refrigerator or air conditioner they can donate their incentive to the Greater Lansing Food Bank and then they will get the tax receipt.

Commissioner Price asked if there was an income requirement to obtain a loan.

Ms. Warren state that there was no income requirement and that it is available to everyone. That in fact we are looking on the business side to start offering 0% for 24 months starting in January .

John Kinch presented to the board a brief description of what MEO does and how they have been working with the BWL. Mr. Finch stated that MEO is a local non-profit with the mission is to help communities move toward being more energy efficient and sustainable. Mr. Finch stated that MEO is working with the BWL on the Energy Optimization Program for residential and low income customers.

Resolutions to Adopt Ethics, Training & Record Retention Policies for Pension Trustees

Mr. Lark stated that the three resolutions discuss the fiduciary responsibilities as Pension Trustees to the retirement pension of the Defined Benefit Plan, Defined Contribution Plan and the VEBA Plan.

In 2012 Act 347 passed and the law requires the Board to prepare and maintain written policies regarding ethics and professional education and training including travel, which polices contain clearly defined accountable and reporting requirements for the systems investment fiduciary. It also requires that a system should retain its financial records for a minimum of 6 years. What we have done is assembled these three resolutions for the Board and these are what you might call the best practices from our consultants at Merill Lynch and they have also been reviewed by our General Council for consistency with our existing policies.

Mr. Lark respectfully requested that the Board approve the three proposed resolutions listed below and they be forwarded to the full board for approval.

- Retirements System Code of Conduct and Ethics
- Retirement System Education and Travel Policy
- Retirement System Records Retention Policy and Records Retention and Disposal Schedule

Motion by Commissioner Price, Seconded by Commissioner Mullen to forward the 3 presented Resolutions to the full Board for consideration.

Action: Motion Carried

CRT/PSC Update

Mr. Lark presented the list of remaining recommendations from the CRT, PSC and the BWL list of recommendations. Mr. Lark stated that the ones that have been accomplished since the last reporting period are highlighted in yellow.

Mr. Lark stated that there have been a total of 134 recommendations and practices completed or have become an ongoing part of our policies and procedures. Of the 39 remaining to be undertaken, 29 will be completed by the Emergency Operations Manager whom we have already discussed is Trent Atkins and he will be starting on November 17th. The recommendations for Mr. Atkins will focus on collaboration with local units of governments, an Emergency Operations Center to coordinate emergency response plans, to recommend and coordinate emergency training to the BWL staff, to consolidate the BWL emergency and business continuity plans and to collaborate with a variety of local institutions to build community resiliency to major emergencies. We are very proud to have Mr. Atkins with us.

Mr. Lark stated that on December 15th the BWL Management will be undergoing 4 hours of Nation Incident Management System Training that was recommended to the Board and senior staff in the CRT and PSC recommendations, Board members are invited to attend. In addition the Emergency Manager will be scheduling a table top storm restoration exercise sometime in the first two weeks of January and the Board members will be invited to attend that.

Mr. Lark stated that as an ongoing responsibility the Emergency Manager will be making training opportunities available to the Board. In addition the BWL staff over the next year will be explaining various aspects of our electric and water operations to the Board to help give a better understanding of the infrastructure and how our productions transmission systems work.

Mr. Lark stated that we are continuing to assist with building community resiliency. Last Saturday was the BWLs first trainer program that is being undertaken with the Red Cross. This program offers training to neighborhood leaders who in turn provide information to residents in being prepared for an emergency. We are also meeting with the Lansing Police Department

and Neighborhood Watch Captains to inform them on readiness resources available and to invite them to the trainer program.

Mr. Lark stated that we are still receiving authorization from senior and medical alert customers to share their status. To date we have received permission from 114 medical alert customer and almost 4000 seniors. In addition to identify these callers and assist them, new call flow changes have been added to our external call support vendor which we call TFCC this functionality will allow our customers to be identified on more than just their phone numbers. We are working to have them be identified through a combination of their address and last four digits of their Social Security Number. Of course this will help identify the location for which the caller is reporting an outage or making a service request.

Mr. Lark stated that one of major improvements in the BWL electric restoration plan has been the adoption of a set of triggers that initiate storm planning. This includes storms having a rating of 1 to 4 and a type, each rating automatically triggers a different resource deployment. So when a storm is forecasted for the Lansing area staff monitors closely the approaching storm and gives it a rating based on the predicted storm type and intensity, then a planning meeting is conducted to confirm resources are available and stand-by assignments are made.

Mr. Lark stated that in order to assist in the storm restoration we have had a major effort to increase what we call C-spotter staffing. The C-spotters are those who guard the lines when they are down. We have now trained a total of 301 of BWL staff and for our A and B spotter crews we have 32 BWL spotter crews in addition to outside contractors and mutual aide crews and we have the ability together, with our outside support, to field 70 restoration crews.

Mr. Lark stated that together with our best practices crisis communication plan, and our highly enhanced communication options, our customers now can call in on the phone, they can go to the internet, they can go to the smart phone app and very shortly we are going to announce a text ability service as well.

Mr. Lark stated that with the enhanced communication options for the customers, the updated restoration plan, the training exercises, and the outreach programs, the fixes to our OMS and backup systems the BWL has dramatically improved its ability to respond to emergency events.

New Customer Update

Mr. Lark introduced Ray Moore the Manager of Customer Projects to give the Board an update on new customers for the BWL.

Ray Moore stated that in the past year we have completed and signed service agreements for several significant projects.

- Gillespie Projects
 - Midtown and Marketplace Apartments
- Capstone Collegiate Communities in East Lansing

- Eastwood Town Center
 - The Hyatt
 - Fairfield Inn
 - DTN Apartment Complex
- Jackson National Life Expansion
- The Marriot in East Lansing Expansion
- Niowave Research Facility

Mr. Lark stated that all the projects that are not within the City of Lansing were all in competition and that Mr. Moore did a tremendous job getting those projects to sign on with the BWL.

Mr. Moore then mentioned upcoming projects the BWL will be pitching to.

- Caddis Development Two Story Mixed Use building
- MSUFCU Complex Data Center Expansion
- Sparrow Hospital Expansion
- The Outfield Project – Improvements to the Cooley Law School Stadium and Apartments
- General Motors expansion at the Grand River Plant
- General Motors Expansion at the Delta Township Plant
- Magna Facility
- Whole Foods
- Red Cedar Renaissance Project

Framework for Creating a Strategic Plan

Mr. Lark then introduced George Stojic, Executive Director of, to go over the framework for creating a new Strategic Plan and Integrated Resource Plan (IRP).

Mr. Stojic stated that since the last time we updated our plans we have met a number of objections identified. With some major changes in the industry it is both timely and appropriate to take a look at those plans and begin to develop new ones.

Mr. Stojic stated that the strategic plan starts with the mission or purpose of why the utility exists. The Strategic Plan then adopts strategies to meet that goal for an uncertain future. It also identifies the strengths and weaknesses of an organization to determine what kind of resources are going to be needed in the future to meet the goals. Mr. Stojic stated that the plan is broad in nature and really deals with the value the BWL will bring to the community in the future.

Mr. Stojic stated that the IRP is a more focused planning process that has to do with resource planning. For example, how will the BWL replace the generating capacity and energy supplied by our older coal units that are going to have to be retired in the future? It looks at both the risks and trade off involved in the resources.

Mr. Stojic stated that the planning process will start after the 1st of the year and at the January Committee of the Whole meeting they will be presenting a more detailed plan on how we want to go forward.

Resolution Directing the General Manager to
Provide Recommendations Regarding Board Policies for Governance

After a lengthy discussion regarding the Board's input on policy recommendations it was determined that any recommendations or developments be presented to the Executive Committee and that committee would bring any concepts to the Committee of the Whole for consideration and this action does not require a Resolution.

Motion by Commissioner Zerkle, Seconded by Commissioner Price to Direct General Manager Lark to provide recommendations regarding board policies for governance.

Action: Motion Carried

Excused Absence

Motion by Commissioner Price, seconded by Commissionoer Mullen to excuse Commissioner Anthony McCloud from tonight's meeting.

Action: Motion Carried

Other

Commissioner Bossenbery congratulated Commissioner Thomas the 2014 Uplift Our Youth Child Advocate Award.

Commissioner Louney acknowledged the following:

- Sue Warren and Ray Moore for today's presentations
- Resident of E. Laisng for acknowledging the good work on the tree trimming in their areas
- The addition of Trent Atkins as the Board of Water & Light's Emergency Manager
- New article titled "Too Curious Cat" in the Lansing State Journal, about BWL workers rescuing a cat
- Sue Devon for receiving the Philanthropist of the Year award.

Adjourn

Motion by Commissioner Price, Seconded by Commissioner Mullen to adjourn the meeting at 6:46 p.m.

Respectfully Submitted
Margaret Bossenbery
Chair, Committee of the Whole

FINANCE COMMITTEE

November 11, 2014

The Finance Committee of the Board of Water and Light met at the BWL Headquarters – REO Town Depot located as 1201 S. Washington Ave., Lansing, MI, at 6:55 on Tuesday, November 11, 2014

Finance Committee Chairperson Dennis M. Louney called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Dennis Louney, Margaret Bossenbery, Tony Mullen and Sandra Zerkle;
Also present, Commissioner Price and Ward

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

There was no Public Comment

Approval of Minutes

Motion by Commissioner Bossenbery, Seconded by Commissioner Zerkle to approve the Finance Committee meeting minutes of September 9, 2014.

Action: Carried Unanimously

Proposed Resolution

Authority to Invest Operating and Pension Funds

RESOLVED, that Board of Water and Light Policy 7-01 “Authority to Invest Operating and Pension Funds” is hereby amended as follows:

RESOLVED, that the General Manager and the Chief Administrative Officer shall be authorized to establish all necessary cash and investment accounts and to enter into all necessary transactions and agreements required to provide for the investment of operating and pension funds in the name of the Board of Water and Light (BWL), in such securities as permitted by law. Allowable transactions include, but are not limited to, the purchase, sale, and endorsement for transfer of certificates representing said securities. All transactions must also be in compliance with the then current BWL Pension and Operating Fund Investment Policies.

RESOLVED, that the General Manager and/or the Chief Administrative Officer may delegate full or limited investment authority to other specified BWL staff. The General Manager and/or

Chief Administrative Officer shall document the extent of authority delegated as well as the specific BWL staff receiving said authority. Only employees with actual, documented authority may be permitted to execute investment activities.

The Revenue Bond Act of 1933 (PA 94 of 1933, MSA5.2731), as amended, Act 20 of 1943, as amended, and BWL Bond Resolution 89-10-3 govern and restrict the investment of BWL operating funds. Pension funds are governed by the Public Retirement System Investment Act (MCL 38.1132 et seq.), as amended.

This resolution supersedes Resolution 2009-12-8

General Manager Lark stated that due to organizational and title changes, this resolution is necessary to incorporate the new title and or position of the Chief Administrative Officer. General Manager Lark respectfully requested the Board to forward the proposed Resolution of signature authority to the full Board for consideration.

Motion by Commissioner Bossenbery, seconded by Commissioner Mullen.

Action: Motion Carried

Purchasing Policy Report

General Manager Lark provided an annual update on the Board of Water & Light's Procurement Policy. General Manager Lark reviewed the following:

- Sole source contracts in an amount equal to or greater than \$5,000
- Emergency contracts in an amount equal to or greater than \$5,000

General Manager Lark stated the two above have been combined, and within that combination there are 3 groups:

- Group 1 is Non-Stock Material and Services
- Group 2 is Contract Releases
- Group 3 is Stock Material
- Contracts with a term exceeding thirty-six consecutive months –

General Manager Lark stated that there are two contracts both of which are greater than three years which provide a good attractive financial rate for the BWL.

- Lime and Gypsum for the Water Plant
- General Electric Railcar Service Company for leasing of railcars
- Mr. Lark stated that there was no litigation to report.

Quarterly Financial Update

General Manager reviewed the 1st Quarter Financial Report.

Actual v. Budgeted Variance in Combined Utility Net Income
Fiscal Year to Date September 30, 2014
Compared to FY 2015 Budget

	(\$000)
Budgeted Net Income	4,545
Changes in Operating Income:	
<u>Revenue Changes (net of fuel)</u>	
Retail Electric	(362)
Wholesale Electric	(1,413)
Water Sales	(557)
Steam Sales	(313)
Chilled Water Sales	(85)
<u>Operating Expense Changes</u>	
Depreciation	700
Labor, Material, and Other	4,688
Other	283
Subtotal Changes in Operating Income	2,941
Changes in Other Income:	
Interest Earnings	(423)
Other Income	172
Return on Equity	475
All Other - Non-Operating Variances	13
Subtotal Changes in Other Income	236
Actual Net Income	7,722

Revised Combined Utility Net Income
Projection Fiscal Year 2015
Based on 1st Quarter Operating Results

Net Income Projection - FY2015	
	(000s)
Net Income - Original Budget - Annual	\$ 2,534
FYTD Favorable Income Variance <i>(\$7,723 actual minus \$4,545 budget)</i>	\$ 3,178
Temporary O&M Expense Timing Differences	\$ (4,688)
Temporary Non-Operating Income Timing Differences	\$ 239
Projected Net Income	\$ 1,262

General Manager Lark stated that the Financial Management Team is beginning their first quarter budget reviews to see if the budgeted net income really is \$4.5 million or if it is \$5.6 million or \$3.6 million. Mr. Lark said that we are hoping to have a net income of \$2.5 million but taking into account other expenses that might come in we could have a net income of \$1.2 million rather than \$2.5 million we hope for.

Proposed Resolution Directing GM to present recommendations to the Board Regarding Future Reporting of Financial Information Metrics

After discussion regarding what and how information should be provided to the Board it was determined that this business would be set in action by a directive motion and not a resolution.

Resolution Directing General Manager to Provide Recommendations Regarding Future Reporting of Financial Information and Metrics

WHEREAS, the May 5, 2014 Community Review Team Report recommended that the Lansing Board of Water & Light institute a training process for all board members in Carver or other policy governance models and, further, to implement and use the model and continue board training on an ongoing basis, and

WHEREAS, the members of the finance committee of the Lansing Board of Water & Light participated in a day long governance training on October 28, 2014, and

WHEREAS, the members of the finance committee intends to discuss and determine appropriate financial information and metrics to be submitted periodically to the committee, therefore be it

RESOLVED, that the General Manager is hereby directed to provide recommendations regarding future reporting of financial information and metrics to the finance committee at its January 2015 meeting for further discussion and consideration by the committee members.

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen, to Direct General Manager Lark to present recommendations directly to the Board of future reporting and financial information. (Not done by Resolution)

Action: Motion Carried

Internal Audit Status update

Internal Auditor Phil Perkins presented a brief overview of:

- FY 2015 Audit Plan Progress Report
- Plan for Remainder of FY 2015

FY 2015 Audit Plan Progress Report

Engagements Completed or in Progress:

1. Surprise Cash Count #1 – completed
2. Time Reporting Review #1 - completed
3. Material Inventory – 85% completed
4. Health & Drug Benefit Programs Audit – 33% completed
5. Engineering (Annual Projects) – fieldwork just underway

Plan for Remainder of FY 2015

Engagements Planned:

1. Operational Audit of BWL Responsive Actions to Selected Recommendations – planned to start late Winter or early Spring of 2015
2. IT – Payment Card Industry Compliance – planned to start in January 2015
3. IT – Management of Non-Desktop Field Devices – planned to start in Spring 2015
4. Surprise Cash Count #2
5. Time Reporting Review #2

Commissioner Louney asked if there might be a need to bring in outside assistance on the audit in the IT field.

Mr. Perkins stated that between himself, possibly assistance from within the organization and working with the IT Department on these two audits that bringing in outside assistance will not be necessary.

Adjourn

On **Motion** by Commissioner Zerkle, seconded by Commissioner Bossenbery, the meeting adjourned at 7:13 p.m.

Respectfully submitted
Dennis M. Louney
Chair Finance Committee



BOARD OF WATER AND LIGHT
PENSION FUND TRUSTEES' ANNUAL MEETING
MINUTES

Tuesday, November 11, 2014

The Pension Fund Trustees' of the Lansing Board of Water and Light met at the BWL Headquarters – REO town Depot located at 1201 S. Washington Ave., Lansing, MI, at 7:14 on Tuesday, November 11, 2014.

Chairperson David Price called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Trustees Margaret Bossenbery, Dennis M. Louney, David Price, Cynthia Ward, Sandra Zerkle and Tony Mullen

Absent: Trustees Anthony McCloud and Tracy Thomas

Public Comments

There were no public comments.

Approval of Minutes

On **Motion** by Trustee Bossenbery and Seconded by Trustee Ward to approve the minutes of October 8, 2013 Pension Fun Trustees' Annual Meeting Minutes

Action: Motion Carried

FY 2014 Financial Information

FY 2014 Financial Information Relative to DB, DC and VEBA plan and Proposed Resolution Adopting the Audited Financial Statements

General Manager J. Peter Lark introduced Susan Devon to provide an overview of the different Pension Plans.

Ms. Devon, Chief Administrative Officer, provided information on the Defined Benefit and VEBA Trust Plans. Ms. Devon stated that the data included in the packets includes a copy of both funds' audited financial reports, the most recent actuarially report and the plans' performance information for the period ended in 2014. Also, included are summary annual reports for both funds that are required by PA 347 of 2012.

Defined Benefit Plan

Ms. Devon stated that the Defined Benefit (DB) Plan currently has 26 active employees and 413 Retirees and beneficiaries. As of our valuation date of February 2013 the plan had \$80 million in plan assets and our plan liabilities were at \$70 million. We are over funded by \$10 million dollars which means we have a Funded Ratio of 114.5%. We had \$14.2 million dollars of investment gains for our fiscal year on our plan assets which equals to about 18% return, compared to last year we had about \$10 million dollars in investment gains. We paid out \$85 million in benefits and our fees were \$579,000 on the DB Plan.

Retirement Pension Plan – VEBA

Ms. Devon stated that in the VEBA Trust we have 667 active employees and 693 retirees and beneficiaries. The plan assets were \$148 million at the valuation date and the plan liabilities were \$195 million dollars. We are 76.3% funded, last year we were 45% funded, we are making great progress. We had \$25.7 million dollars in investment income which was equated to approximately 17% return on our assets, last year we had \$15.7 in investment returns. We paid out \$9 million dollars in benefits and the fees were approximately \$962,000 dollars.

Commissioner Zerkle asked at what level do we stop putting the money into one of the plans.

Ms. Devon stated that we are not putting any money into our DB plan at this point in time.

General Manager Lark stated that the VEBA is not fully funded but he believes it to be very well funded relative to other VEBAs.

Ms. Devon stated that she also believes that we are very well funded. She stated that compared to the City of Lansing who does not have any money funded for their health care at this point in time and that the State is moving to try and fund their health care benefits. For us we have been moving this way for quite a few years and we are trying over a 15 year period to be 100% funded in our VEBA trust and we are on track to achieving that.

Defined Contribution Plan – 401A

Ms. Devon stated that the data in the packet for the Defined Contribution (DC) Plan or 401A includes a copy of the audited financial report, an investment performance report called the Plan Service Report. The DC Plan was established in 1997. Currently we have 682 active employees and 140 retirees and beneficiaries. The DC Plan assets at the evaluation date were \$169 million dollars and that was an increase of \$23 million dollars over last year. The Board of Water and Light contributed \$5 million dollars to the DC Plan in fiscal year 2014. The DC plan paid out \$8 million dollars in benefits and we have total fees of \$956,000 dollars. We have seen steady growth in the plan since 2009 and last fiscal year our rate of return was over 16%. As you may recall, last year we did establish a payroll deduction for Roth IRA and we have 128 employees who have decided to participate in that plan. There are about \$1.5 million dollars of assets in the Roth IRA. So this has been a very successful new option we have offered to our employees.

Overall, our employees are considered to be slightly more aggressive in their investment portfolios than other typical ICMA investors. We do see a trend in our employees decreasing their portfolio risk over time to mirror their age.

Ms. Devon stated that our DC Plan does allow employees to take loans out against their plan. We do have 403 loans outstanding in the plan and there were 121 new loans this year and the total loan balance for all of the loans outstanding were about \$4.4 million dollars. Anybody can go in and borrow against the DC Plan to the lesser of \$50,000 or 50% of the balance that they have in that plan and they can have no more than 2 loans outstanding at any time.

Commissioner Zerkle asked if the current loans out affect the overall program or just the individual.

Ms. Devon stated that it does affect the individual, there are \$169 million dollars of funds invested in everybody's individual accounts and then from that we have \$4.4 million dollars that have been bonded against that. One thing that we would want to be watching for is loans that could potentially be defaulted on and that would hurt our employees.

Ms. Devon stated that because our employees are responsible for making their own decisions of how they would like their retirement money invested, we do try to provide education meetings for them. ICMA did provide 333 meetings in 2013 and another additional 268 through September of this year. Ms. Devon believes that shows that the employees are interested and trying to be educated to make wise decisions on their retirement accounts. We did have 305 attendees go to 15 different presentations that ICMA put on for us and those presentations covered things like Estate planning, Social Security, Investing in Volatile Markets and Retirement Readiness Report. We did have a Retirement plan specialist on site for 90 days during this year and our Certified Financial Planner was also on site for 93 days. We did have employees attending and meeting with them during those times.

Commissioner Zerkle commented that she thought the educational meetings were a great option for our employees.

Commissioner Bossenbery asked if we have many defaults on the loans.

Ms. Devon stated that we do have some.

General Manager J. Peter Lark respectfully asked the Board Trustees to approve the resolution for the acceptance of the 2014 Audited Financial Statements for the Defined Benefit Plan (DB), Defined Contribution Plan (DC) and the Retiree Benefit Plan known as VEBA and that the Corporate Secretary receives and places these on file.

Motion by Trustee Bossenbery, Seconded by Trustee Mullen, to approve the following resolution:

RESOLUTION

ACCEPTANCE OF 2014 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSIONS PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)

Resolved, that the Corporate Secretary receive and place on file the Defined Benefit, Defined Contribution, and Retiree Benefit Pension reports presented during the Pension Trustee Meeting.

Staff Comments: All three Plans received clean audit reports.

Action: Motion Carried

RESOLUTIONS: ETHICS, TRAINING AND RECORD RETENTION

Board Chair Price stated that the resolutions re: 1) Retirements System Code of Conduct and Ethics, 2) Retirement System Education and Travel Policy and 3) Retirement System Records Retention Policy and Records Retention and Disposal Schedule, were considered during the Committee of the Whole meeting and will be brought before the full Board at next week's Regular Board meeting. Acknowledging and receiving the Resolutions in this packet serves as notice to the Trustees.

Excused Absence

Motion by Trustee Ward and Seconded by Bossenbery to excuse Trustees McCloud and Thomas from tonight's meeting

Action: Motion Carried

On Motion by Trustee Bossenbery and Seconded by Trustee Mullen with no further business, the Pension Fund Trustees meeting adjourned at 7:34.

MANAGER'S RECOMMENDATIONS

General Manager Lark respectfully requested that the Board approve the following Resolution:

RESOLUTION #2014-11-01

Retirement System Code of Conduct and Ethics

WHEREAS, the Lansing Board of Water & Light's Retirement System ("Retirement System") , which consist of the Defined Benefit Plan, Defined Contribution Plan and the Retiree Benefit Plan (also known as VEBA) is administered in accordance with the provisions of Public Act 314 of 1965, as amended ("Act 314"), applicable plan documents, and local, state and federal laws, and

WHEREAS, the Lansing Board of Water & Light Board of Commissioners ("Board") is vested with the general administration, management, and operation of the Retirement System, and has a fiduciary responsibility to make decisions solely in the interest of plan members and beneficiaries, and

WHEREAS, the Board recognizes that it is subject to the provisions of the Public Employee Retirement System Investment Act, Michigan Public Act 314 of 1965 ("Act 314"), as amended [MCL 38.1132 *et seq.*], wherein the Board and its appointed Trustees is required to act as a prudent investor in all transactions related to Retirement System funds and assets by

discharging its duties solely in the interests of the participants and beneficiaries, and shall act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered, and

WHEREAS, the Board recognizes that in order for the participants and beneficiaries of the Retirement System to have the best representation it is imperative for the representatives of the Retirement System to participate in Board business, including Board meetings, continuing education programs, and due diligence evaluations of current and potential investments, and

WHEREAS, due to the fiduciary responsibilities entrusted to the Board, all Retirement System representatives are encouraged to participate in Board business and maintain the highest standards of conduct and ethics above the minimum requirements of applicable law and policy, and

WHEREAS, while the Lansing Board of Water & Light adheres to the City of Lansing's Ethics Policy, the Board desires to state its policy with regard conduct and ethics as it specifically pertains to administration, management and operation of the Retirement System, therefore be it

RESOLVED, that the Board, its appointed Trustees and all Retirement System representatives shall conduct official and private affairs so as to avoid giving rise to a reasonable conclusion that he or she can be improperly influenced in the performance of his or her public duty or that he or she is using his or her position and/or role as it relates to the Retirement System to further his or her own financial interests, and further

RESOLVED, the Board, its appointed Trustees and all Retirement System representatives shall not do any of the following:

- (a) accept or solicit any gift, favor, or service that may reasonably tend to influence the discharge of official duties or that he or she knows, or should know, is being offered with the intent to influence his or her official conduct;
- (b) accept other employment or compensation that could reasonably be expected to impair the independence of judgment in the performance of official duties;
- (c) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised official powers or for having performed the official duties in favor of another;
- (d) transact any business in the his or her official capacity with any entity or person in which he or she has an economic interest;

- (e) appear before the Board or Board of Trustees while acting as an advocate for themselves or any other person, group, or entity;
- (f) represent any business entity before the Board or Board of Trustees, for pay;
- (g) use his or her position and/or role to secure a special privilege or exemption for themselves or others, or to secure confidential information for any purpose other than official duties; and
- (h) intentionally or knowingly disclose any confidential information gained by reason of his or her position and/or role concerning the property, operations, policies or affairs of the Retirement System, or use such confidential information for pecuniary gain, and it is further

RESOLVED, that the Board and its appointed Trustees shall provide fair and equal treatment to all persons and matters coming before the Board or Board of Trustees, and it is further

RESOLVED, that the Board, its appointed Trustees or designees are expected to and may provide general information to participants, however, the Board, its appointed Trustees or designees shall also be aware of the risk of communicating inaccurate information to participants, and the possible harm to participants that may result from any such miscommunications, and it is further

RESOLVED, that the Board, its appointed Trustees or designees shall mitigate the risk of miscommunication with participants by refraining from providing specific detail, advice or counsel with respect to the rights or benefits to which a participant may be entitled, and where explicit advice or counsel is needed, the Board, its appointed Trustees or designees will refer inquiries to the appropriate Retirement System representative, and it is further

RESOLVED, that upon becoming aware of a violation of this Policy, the Board, its appointed Trustees, designees or Retirement System representatives shall have a duty to disclose said violation(s) in writing to the Corporate Secretary prior to the next regularly scheduled meeting of the Board, and it is further

RESOLVED, that violation of this Policy by any member of the Board, its appointed Trustees, designees or Retirement System representatives may result in disciplinary action as determined by the remaining Board members, up to and including terminate of employment, removal from service as an officer and or disqualification from service as an officer for the duration of their service on the Board or Board of Trustees, or as otherwise provided by applicable law, and it is further

RESOLVED, that the Board shall make this policy resolution available to all current and prospective service providers, as well as the appropriate City, Union, and Departmental Representatives.

Motion by Commissioner Bossenbery, Seconded by Commissioner Mullen, to approve the Resolution for the Retirement System Code of Conduct and Ethics policy.

Action: Motion Carried

RESOLUTION #2014-11-02

Retirement System Education and Travel Policy

WHEREAS, The Lansing Board of Water & Light Board of Commissioners (“Board”) is vested with the general administration, management, and operation of the Lansing Board of Water & Light’s Retirement System (“Retirement System”), which consist of the Defined Benefit Plan, Defined Contribution Plan and the Retiree Benefit Plan (also known as VEBA) and has fiduciary responsibility to make decisions solely in the interest of plan members and beneficiaries.

WHEREAS, the Board recognizes that it is subject to the provisions of the Public Employee Retirement System Investment Act, Michigan Public Act 314 of 1965, as amended. The Board is required to act as a prudent investor in all transactions related to Retirement System funds and assets by discharging its duties solely in the interests of the participants and beneficiaries and shall act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered.

WHEREAS, the Board recognizes that in order for the participants and beneficiaries of the Retirement System to have the best representation, it is imperative for the representatives of the Retirement System to participate in Board business, including Board meetings, continuing education programs, and due diligence evaluations of current and potential investments.

WHEREAS, the Board recognizes that, consistent with its fiduciary duty and liability, it is necessary and appropriate for Retirement System representatives to attend Board meetings and educational seminars/conferences so that the Board and its appointed Trustees may be made aware of developments regarding Retirement System administration, and so that the Board may further become aware of how persons acting in a like capacity administer their respective retirement systems.

WHEREAS, the Board further recognizes that, consistent with its fiduciary duties, it is necessary to conduct regular due diligence on each current and prospective manager and consultant engaged in the ordinary course of business.

WHEREAS, due to the fiduciary responsibilities entrusted to the Board, all Retirement System representatives are encouraged to participate in meetings of the Board and maintain educational levels consistent with established fiduciary responsibilities.

RESOLVED, the Board hereby strongly recommends that each representative is encouraged and expected to attend pension related meetings/conferences/seminars on behalf of the Retirement System.

RESOLVED, the Retirement System representatives are encouraged to attend all meetings of the Board, and attend one conference per year. Individuals wishing to attend additional conferences in a year shall request prior Board approval and provide a post conference report to the Board on topics covered.

RESOLVED, for each seminar/conference request the following information shall be required: (1) the name of the traveler; (2) the title of the event, seminar, or conference; (3) location of the event, seminar, or conference; (4) the dates of travel; (5) name of hotel, number of nights, and daily rate; (6) registration fees; (7) mode of transportation; (8) cost of travel; (9) other expected incidental costs; (10) advance checks required, including to whom, amount, and reason for the check; (11) copy of promotional brochure for the event, seminar, or conference; and (12) reason for attendance at the event, seminar, or conference citing the benefits received or expected.

RESOLVED, the following expenses will be reimbursed so long as proper documentation is provided and filed in accordance ordinary Lansing Board of Water & Light Travel Policies and Procedures, and available for reporting as permitted by the applicable Lansing Board of Water & Light Records Retention Policy and Schedule:

Registration: Conference fees and actual registration charged by the conference.

Transportation: Individuals traveling on Retirement System business will utilize the most economical and efficient means of transportation. Use of a more expensive method of transportation other than the most economical and efficient, will be allowed only upon the approval of the Board or its designee(s). For the purposes of Non-Board member and/or Non-Trustee travel, except for the General Manager, the Board's designee is the General Manager or as further delegated by the General Manager.

Air fare must be jet coach fare. First class or business class will be allowed only where there is no other service available or urgency exists. Early arrival or Saturday travel is allowed where there is a net gain to the Retirement System.

Ground transportation/parking includes airport parking and transportation to and from the conference site and any transportation necessary to conduct Retirement System business. All individuals traveling to out-of-state conferences may have a rental vehicle available, upon request and prior approval by the Board or its designee(s), for their use during the time period that they are approved for travel. For the purposes of Non-Board member and/or Non-Trustee travel, except for the General Manager, the Board's designee is the General Manager or as further delegated by the General Manager.

Flat rate mileage will paid for use of a private vehicle as per the current Internal Revenue Service regulations, plus parking fees.

Lodging: Allowance for lodging will be at the lowest rate charged at the hotel facility housing the conference or seminar. If the conference facility upgrades the room rate, based on availability at the time of registration, the upgrade shall be allowed.

Meals: Charges for meals shall be properly documented by either a hotel receipt or credit card voucher and are not to exceed \$100 per day, or as otherwise specified in the applicable Lansing Board of Water & Light Travel Policy and Procedure. No alcoholic beverages will be paid for at Board expense.

Miscellaneous: Miscellaneous expenses incidental to Retirement System business travel shall be held to a minimum in accordance with essential and reasonable requirements for official conduct of Retirement System business. Individuals will be reimbursed for any miscellaneous expenses that are incurred for the express purpose of Retirement System business and shall include: local transportation (e.g., taxi, bus, subway), telephone calls, postage, tolls, parking. Expenses not allowed include: parking/moving violations, alcohol, entertainment, travel insurance, laundry, valet, or other personal services, repair and maintenance of personal vehicle.

Per Diem: Representatives may receive a per diem amount in accordance with the applicable Lansing Board of Water & Light Travel Policies and Procedures. Reimbursement for additional amounts if actual expenses exceed the per diem rate is also allowed in accordance with the applicable Lansing Board of Water & Light Travel Policies and Procedures. To the extent not addressed in applicable Lansing Board of Water & Light Travel Policies and Procedures the per diem amounts shall be based upon the rates established by the Internal Revenue Service for out-of-state business travel.

Advance: An individual may draw an estimated amount of money in advance to cover the expected cost of the trip and expenses connected therewith by submitting an appropriate request in writing to the Board's secretary or as otherwise provided in the applicable Lansing Board of Water & Light Travel Policies and Procedures. Travel advances are limited to a maximum of \$500 per day.

Upgrades: Any upgrade above all established policy limits shall be at the individual's personal expense, unless otherwise allowed for and defined herein or the applicable Lansing Board of Water & Light Travel Policy and Procedure.

Expenses: It is preferred that any anticipated costs are prepaid directly to the charging entity.

RESOLVED, failure to provide proper documentation of an expense within 60 days, or as otherwise provided in the applicable Lansing Board of Water & Light Travel Policy and Procedure, may invalidate any claim for reimbursement and will prevent any future advances being provided.

RESOLVED, all persons who attend a seminar or conference must earn an attendance or participatory certificate if the seminar or conference sponsor offers such a certificate. The failure to earn such a certificate may result in the particular attendee becoming ineligible to attend any further educational seminars and/or conferences.

RESOLVED, any representative(s) who attends an educational seminar or conference shall be required to provide the Board or its designee with the handout materials from the seminar or

conference. Satisfaction of this requirement is a condition precedent to reimbursement of any expenses to the attendee. Failure to satisfy this requirement, and failure to earn an attendance or participatory certificate where the sponsor offers one, may obligate the attendee(s) to reimburse the Retirement System in full for any expenses advanced to the attendee(s). For the purposes of Board member, Trustee, General Manager, Corporate Secretary and Internal Auditor attendance, the Corporate Secretary is designated to receive seminar or conference materials on behalf of the Board. For the purposes of Non-Board member and/or Non-Trustee attendance, the Board's designee is the General Manager or as further delegated by the General Manager.

RESOLVED, in accordance with Public Act 314 of 1965, the Board may utilize a portion of the Plan's investment earnings to pay for such expenses.

RESOLVED, abuse of the foregoing policy, including falsifying expense reports to reflect costs not incurred, can be grounds for disciplinary action, including, but not limited to, termination of employment; for Board members removal from service as an officer and or disqualification from service as an officer for the duration of their service on the Board.

Motion by Commissioner Mullen, Seconded by Commissioner McCloud, to approve the Resolution for the Retirement System Education and Travel policy.

Action: Motion Carried

RESOLUTION #2014-11-03

Retirement System Records Retention Policy and Records Retention and Disposal Schedule

WHEREAS, the Lansing Board of Water & Light Board of Commissioners ("Board") is vested with the responsibility to manage and maintain the records of the Lansing Board of Water & Light's Retirement System ("Retirement System"), which consist of the Defined Benefit Plan, Defined Contribution Plan and the Retiree Benefit Plan (also known as VEBA).

WHEREAS, as required by Michigan Law (MCL 399.5 and 750.491) the Lansing Board of Water & Light maintains as approved by the Board and State of Michigan a Records Retention Policy and Disposal Schedule.

WHEREAS, as custodian of the records, the Board recognizes its duty to ensure that Retirement System records are retained in a secure manner which allows for relative ease of retrieval/accessibility, as well as protects confidentiality of participant and beneficiary information.

RESOLVED, that the Board of Water and Lights' "Records Retention Policy and Disposal Schedule" will be revised as necessary and maintained in accordance with the guidelines set forth in the Public Employee Retirement System Investment Act, Michigan Public Act 314 of 1965 as amended which specifies that

A system shall retain its financial records for a minimum period of 6 years from the date of the creation of the record unless state or federal law requires a longer retention period. As used in this subsection, "Financial records" includes, but is not limited to, records pertaining to expenditures for professional training and education, including travel expenditures, by or on behalf of system board members that are paid by the system.

RESOLVED, that this Policy is applicable to public records which are defined as writing prepared, owned, used, in the possession of, or retained by, Board, its Trustees or designees and representatives in the performance of an official function from the time it is created.

RESOLVED, the term "writing" shall include handwriting, typewriting, printing, photostating, photographing, photocopying, and every other means of recording including, but not limited to: letter, words, picture, sounds, symbols, papers, maps, magnetic or paper tapes, photographic films or prints, microfilm, microfiche, magnetic or punched cards, discs, drums, or other means of recording or retaining meaningful content.

RESOLVED, this Policy and Disposal Schedule shall be administered in accordance with the Michigan Freedom of Information Act [MCL 51.231 et seq.] and other applicable laws.

RESOLVED, administering this Policy the Board, its Trustees and its designees and representatives recognize that certain Retirement System records (i.e., closed session minutes, disability retirement applications, disability retirement and medical records, legal opinions, and employee/retiree/beneficiary personal information) are to be kept in a locked/secure location.

Motion by Commissioner Thomas, Seconded by Commissioner Louney, to approve the Resolution for the Retirement System Records Retention Policy and Records Retention and disposal Schedule.

Action: Motion Carried

RESOLUTION #2014-11-04

Authority to Invest Operating and Pension Funds

RESOLVED, that Board of Water and Light Policy 7-01 "Authority to Invest Operating and Pension Funds" is hereby amended as follows:

RESOLVED, that the General Manager and the Chief Administrative Officer shall be authorized to establish all necessary cash and investment accounts and to enter into all necessary transactions and agreements required to provide for the investment of operating and pension funds in the name of the Board of Water and Light (BWL), in such securities as permitted by law. Allowable transactions include, but are not limited to, the purchase, sale, and endorsement for transfer of certificates representing said securities. All transactions must also be in compliance with the then current BWL Pension and Operating Fund Investment Policies.

RESOLVED, that the General Manager and/or the Chief Administrative Officer may delegate full or limited investment authority to other specified BWL staff. The General Manager and/or Chief Administrative Officer shall document the extent of authority delegated as well as the specific BWL staff receiving said authority. Only employees with actual, documented authority may be permitted to execute investment activities.

The Revenue Bond Act of 1933 (PA 94 of 1933, MSA5.2731), as amended, Act 20 of 1943, as amended, and BWL Bond Resolution 89-10-3 govern and restrict the investment of BWL operating funds. Pension funds are governed by the Public Retirement System Investment Act (MCL 38.1132 et seq.), as amended.

This resolution supersedes Resolution 2009-12-8

Staff Comments: Due to organizational and title changes, this resolution is necessary to incorporate the new titles and/or positions of Chief Administrative Officer.

Motion by Commissioner Mullen, Seconded by Commissioner Bossenbery, to approve the Resolution for the Authority to Invest Operating and Pension Funds.

Action: Motion Carried

RESOLUTION #2014-11-05

ACCEPTANCE OF 2014 AUDITED FINANCIAL STATEMENTS FOR THE DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)

Resolved, that the Corporate Secretary received and placed on file the Defined Benefit, Defined Contribution and Retiree Benefit Pension reports presented during the Pension Trustee Meeting.

Staff comments: All three Plans received clean audit reports.

Motion by Commissioner McCloud, seconded by Commissioner Mullen, to Receive and Place on File the FY 14 Audited Financial Statements for all three pension plans.

Action: Motion Carried

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

RESOLUTION 2014-11-06



BOARD MEETING SCHEDULE

In accordance with the Board of Water & Light's Rules of Administrative Procedure, a schedule of dates, places, and times for each regular meeting of the Board of Commissioners for the calendar year shall be adopted in November.

RESOLVED, That regular meetings of the Board of Water & Light's Board of Commissioners are hereby set for calendar year 2015 as follows, unless otherwise notified or as a result of date conflicts with rescheduled City Council meetings:

2015

Board of Water and Light Commissioners

Regular Board Meeting Schedule

Tuesday	January 27
Tuesday	March 31
Tuesday	May 26
Tuesday	July 28
Tuesday	September 22
Tuesday	November 17

Meetings will be held in Board of Water and Light's REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m.

RESOLVED FURTHER, That a notice of the meeting schedule be published in the Lansing City Pulse the first week of January 2015 and or at least three days prior to.

Motion by Commissioner McCloud seconded by Commissioner Mullen Ward, to approve the schedule for the 2015 Regular Board Meeting Dates.

Action: Motion Carried

MANAGER'S REMARKS

General Manager Lark and Chair David Price presented the following charity checks:

2014 BWL Chili Cook-Off proceeds for \$5000.00 to:

- Shela Dubenion-Smith, Development Director, Sparrow
- Brad Patterson, Executive Director, Lansing Promise/Hope Scholars
- Erik Larson, Executive Director, Impression 5 Science Center

BWL Hometown Power 5K proceeds for \$2700.92 to:

- Tom Mee, President & CEO, McLaren Greater Lansing

Capital Area Community Services Board (CACS) proceeds for \$2165.00 to:

- Eric Schertzing, Board of Directors Chair, Capital Area Community Services

The Board of Water & Light will also be presenting a check to the Wounded Warrior Project for \$4,370 derived from all golf related proceeds.

COMMISSIONERS' REMARKS

There was no Commissioner Remarks.

EXCUSED ABSENCE

Motion by Commissioner McCloud, Seconded by Commissioner Mullen to excuse Commissioner Ward from tonight's meeting.

PUBLIC COMMENTS

There was no Public Comments

ADJOURNMENT

On motion by Commissioner Bossenbery, seconded by Commissioner McCloud the meeting adjourned at 6:10 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: December 5, 2014
Official Minutes filed (electronically) with Lansing City Clerk: February 3, 2015