

**MINUTES  
PUBLIC SAFETY RETIREMENT BOARD MEETING  
DECEMBER 18, 2018**

Pursuant to public notice, a regular meeting of the Escanaba Public Safety Retirement Board was held on Tuesday, December 18, 2018 at 8:00 a.m. in Room 102 of City Hall, 410 Ludington, Escanaba, MI.

**Call to Order**

Secretary Valentine called the meeting to order at 8:00 a.m.

**Roll Call**

**Board Members Present:** Gary Sovey, Marc Zawacki Robert Valentine

**Board Members Absent:** Dave Schaaf, Blake Cowen

**Approval/Adjustments to Agenda**

None

**Conflict of Interest Declaration**

None

**Approval and/or Corrections to Minutes**

The Board unanimously approved minutes from the October 23, 2018 meeting, no meeting was held in November due to lack of a quorum.

**Unfinished Business**

None

**New Business**

**1. Review October Investment Performance**

Secretary Valentine presented October investment returns

**2. Review November Investment Performance**

Secretary Valentine presented the following November summary of investment returns:

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**City of Escanaba Public Safety Retirement Plan**  
**Investment Performance Summary**  
11/30/2018

	10/31/2018	11/30/2018	
	\$ Value	\$ Value	% Total
<b>BONDS</b>			
Vanguard Total Bond Mkt Idx	2,784,551	2,799,448	9.4%
Vanguard Short Term Bond Idx	4,795,827	4,798,580	16.2%
Eaton Vance Bonds	2,874,770	2,852,059	9.6%
<b>Total Bonds</b>	<b>10,455,148</b>	<b>10,450,087</b>	<b>35.2%</b>
<b>STOCKS</b>			
Vanguard 500 Stock Index	6,518,435	6,651,051	22.4%
Vanguard Sm Cap Gro Idx	3,965,751	4,041,378	13.6%
JP Morgan Mid Val	5,297,331	5,413,591	18.2%
Vanguard REIT Index	1,518,733	1,590,477	5.4%
DFA Int'l Value	1,531,162	1,519,941	5.1%
<b>Total Stocks</b>	<b>18,831,412</b>	<b>19,216,438</b>	<b>64.8%</b>
<b>CASH</b>			
Money Market Accounts	0	0	0.0%
<b>Total</b>	<b>29,286,560</b>	<b>29,666,525</b>	<b>100.00%</b>

**TOTAL RETURNS**

	Nov-18	YTD	Trailing 3 mo	Trailing 1 year	Trailing 2 year	Trailing 3 year	Trailing 5 year
<b>BONDS</b>							
Vanguard Totl Bond Mkt Fnd VBTLX	0.5%	-1.8%	-0.7%	-1.4%	1.9%	3.9%	10.4%
Vanguard S.T. Inv Grade Fnd VFSUX	0.1%	0.2%	-0.1%	0.2%	2.4%	4.8%	n/a
Eaton Vance H.Y. Bond Fund EVIBX	-0.8%	-0.7%	-1.8%	-0.5%	7.0%	16.4%	19.7%
Escanaba Bond Composite	0.0%	-0.6%	-0.8%	-0.4%	3.5%	7.7%	12.1%
S&P 500 High Yield Index	-0.2%	-1.2%	-1.3%	-0.7%	7.2%	20.1%	27.3%
Barclays Agg	0.6%	-1.8%	-0.8%	-1.3%	2.0%	4.1%	n/a
<b>STOCKS</b>							
Vanguard S&P 500 Index Fnd VFIAX	2.0%	5.2%	-4.4%	6.4%	30.6%	41.1%	69.6%
Vanguard Sm Cap gro Idx VISGX	1.9%	5.5%	-10.9%	5.7%	29.2%	37.2%	47.2%
JP Morgan Mid Value FLMVX	2.2%	-1.7%	-6.1%	-1.3%	12.3%	25.3%	47.5%
DFA Int'l Value DFIVX	-0.7%	-12.1%	-7.5%	-9.8%	14.4%	16.3%	6.9%
Vanguard Reit Fund VGSLX	4.7%	2.2%	-1.0%	1.9%	12.2%	18.4%	55.6%
Escanaba Equity Composite	2.0%	1.4%	-6.3%	2.2%	21.9%	31.6%	51.4%
S&P 500 Index	2.0%	5.1%	-4.4%	6.3%	30.6%	41.1%	69.4%
EAFE Int'l Index	-0.3%	-11.8%	-7.8%	-10.4%	11.0%	3.9%	-4.2%
MSCI REIT Index	4.7%	3.9%	-1.0%	3.7%	14.3%	20.8%	59.0%
Russell 1000 : Mid Cap Index	1.8%	3.0%	-6.3%	3.8%	25.0%	32.1%	51.8%
Russell 2000: Small Cap Index	1.4%	-0.1%	-11.9%	-0.7%	16.0%	28.0%	34.2%
Russell 3000: Broad Mkt Index	1.8%	2.7%	-5.8%	3.6%	24.3%	31.8%	50.3%
<b>OVERALL</b>							
Escanaba Portfolio CAGR	1.3%	0.8%	-4.4%	1.4%	7.3%	7.0%	6.4%
Escanaba Portfolio Composite Gross	1.3%	0.8%	-4.4%	1.4%	15.1%	22.5%	36.2%
Combined Passive Index Gross	1.5%	2.0%	-3.1%	2.9%	19.1%	26.4%	44.0%
MERS Total Market Fund	0.3%	-1.9%	-3.9%	-0.8%			5.2%

**3. Benchmark Review**

Secretary Valentine reviewed returns for the Wilshire Universe, BNY Mellon Universe and Northern Trust Universe compared to the Escanaba portfolio. Escanaba placed ahead of the median quarterly, one year and five year returns of the three universes.

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This occurred despite Escanaba's returns being reported net of fees compared to gross returns reported for the universes.

Secretary Valentine also reviewed the historical chart of the Shiller PE and pointed out that equity valuations remain high despite recent market declines. Mr. Valentine further pointed out that the equity markets would need to decline by nearly 50% before they would reach the long term median valuations.

**4. GASB Audit**

The board reviewed the draft GASB valuation for the fiscal year ending 6/30/2018. Secretary Valentine advised that no changes were anticipated. It was further explained that the GASB valuation is used for accounting and financial reporting purposes and incorporates different methodologies that the traditional valuation which is used for plan funding, the primary difference being use of marked value as opposed to smoothed value of assets.

**5. Buck Consulting Invoice**

The board unanimously approved the final progress payment for 2018 in the amount of \$4,000. Board member Zawacki made the motion with support from member Sovey.

**6. Joan Larson Survivor Benefit**

Secretary Valentine advised that pensioner, James Larson, passed away on 10/30/2018 leaving a 60% survivor benefit payable to wife, Joan for the remainder of her life. Upon review of the supporting obituary and other file documents, member Sovey moved to award survivor benefits to Joan Larson in the amount of \$1,159.47 with a one-time recoupment of \$24.94 for overpayment in October.

**7. MAPERS Membership**

The board unanimously approved renewal of its membership in MAPERS for the 2019 year at a cost of \$200. The motion was made by member Sovey with support from member Zawacki.

**8. Resolution for Lump Sum Distribution Safe Harbor Notice**

On the advice of legal counsel, the board reviewed a proposed resolution prescribing the protocol for taxable lump sum distributions from the plan. Secretary Valentine advised that the protocol would only apply in the very rare event, whereby a member receives a taxable lump sum payout from the plan. The only example which came to mind was the case where there would be a payout of a member's contributions with credited interest. In such a case, the interest component of the payout, albeit small, would be taxable to the recipient. The IRS requires that such a recipient be notified of rollover options in the case of such distributions. Mr. Valentine advised that the likelihood of the Plan ever making such a distribution is very small and could only occur upon the death of a member who dies prior to retirement, or within a year of retirement, and has no surviving spouse.

Member Zawacki moved for adoption of the following resolution with support from member Sovey. The resolution was adopted unanimously.

**CITY OF ESCANABA PUBLIC SAFETY RETIREMENT PLAN**

**RESOLUTION**

Adopted: 12/18/18

**Re: Eligible Rollover Distributions**

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**WHEREAS**, the Retirement Board is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

**WHEREAS**, the Retirement Board acknowledges that Section 402(f) of the Internal Revenue Code (the "Code") requires the Board to provide written notice and explanation to recipients of eligible rollover distributions from the Retirement System (hereinafter, the "Safe Harbor Notice"), and

**WHEREAS**, applicable tax law and regulations require said Safe Harbor Notice to be provided within a reasonable period of time in advance of such distributions, and

**WHEREAS**, the Internal Revenue Service recently published Notice 2018-74 which modifies the safe harbor explanations that may be used to satisfy the requirements of Code Section 402(f), and

**WHEREAS**, legal counsel has prepared a revised Safe Harbor Notice consistent with the requirements of Section 402(f) and Notice 2018-74, and

**WHEREAS**, the Retirement Board has discussed this matter with legal counsel, therefore be it

**RESOLVED**, that the Retirement System is hereby amended to comply with and shall be administered in accordance with the requirements of Notice 2018-74, and further

**RESOLVED**, that the Retirement Board hereby adopts the revised Safe Harbor Notice consistent with the requirements of Notice 2018-74, and further

**RESOLVED**, that the Safe Harbor Notice be provided to recipients of eligible rollover distributions from the Retirement System consistent with Code Section 402(f), and further

**RESOLVED**, that a copy of this resolution shall be retained in accordance with the Retirement System's record retention policy and provided to all appropriate parties.

**9. Retirement Application from Greg Vandrese**

The board reviewed a retirement application from Greg Vandrese establishing December 31, 2018 as his last day of work. Secretary Valentine advised that Mr. Vandrese started his employment on 1/18/1994. As a result, Mr. Vandrese will leave employment as a deferred retiree with a benefit commencement date of 1/18/2019 based on 24 years, 11 months and 14 days service. Member Sovey moved for

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approval of Vandrese's application with support from member Zawacki. The motion carried unanimously.

**10. Disbursement Review**

Review of disbursements was tabled until the January meeting.

**11. Administrative Transition**

Secretary Valentine advised that he is planning to retire in July 2019 and suggested that the board develop a plan for administration of the retirement system following his departure. Mr. Valentine advised that most 345 plans hire outside investment managers and consultants to manage the financial affairs of their plans and that it may not be an option for the next treasurer to continue to manage the financial affairs of the plan. The board agreed to continue to the discussion at the January meeting when all members could be present to offer their input.

**12. Other Business**

None

**General Public Comment**

None

**Announcements**

None

**Adjournment**

The meeting was adjourned at 9:30 a.m.

APPROVED:



ROBERT VALENTINE,  
SECRETARY



GARY SOVEY  
CHAIRMAN