

CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST
BOARD OF TRUSTEES
Minutes for the Regular Board Meeting
June 19, 2014

The meeting was called to order by Jeremy Flack, Chairperson, at 10:22 a.m.

ROLL CALL

Members Present: Clark, Crawford, Flack, Hastie, Heusel, Monroe (*via telephone*), Nerdrum, Powers
Members Absent: None
Staff Present: Kluczynski, Walker
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

It was **moved** by Nerdrum and **seconded** by Powers to approve the agenda as submitted.
Approved

B. APPROVAL OF MINUTES – May 15, 2014 Regular Board Meeting Minutes

It was **moved** by Heusel and **seconded** by Clark to approve the May 15, 2014 Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA – None

D. ACTION ITEMS

D-1 Resolution to Reallocate Funds Among Fixed Income Managers

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retiree Health Care Benefit Plan & Trust, and

WHEREAS, the Board of Trustees is required to 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

WHEREAS, the Investment Policy Committee in conjunction with Meketa, the Board's investment consultant, reviewed the performance of fixed income manager Bradford & Marzec, recent personnel and corporate changes, as well as its fee and investment holding structure in comparison with other managers, and

WHEREAS, the review included consideration of the current fixed income investment climate including future interest rate uncertainty, and

WHEREAS, Meketa recommends and the Investment Policy Committee concurs that a similar asset allocation for this portion of the Fund's fixed income portfolio could be achieved at competitive cost, and similar credit quality, but with lower duration, by deconstructing the Bradford & Marzec holdings and reallocating the component classes of holdings including among current fixed income managers, so be it

RESOLVED, that the Board of Trustees authorizes the liquidation of the entire VEBA portfolio of Bradford & Marzec, and the reallocation of the investment to the Northern Trust Barclays Aggregate, High Yield and Bank Loans managers, as recommended by Meketa, either in cash or in kind as determined by a transition manager.

It was **moved** by Clark and **seconded** by Flack to approve the termination of Bradford & Marzec and replace those funds with a mix of investments in the Northern Trust Barclays aggregate, high yield, and bank loan managers, based upon the recommendation of the Board's investment consultant, as well as with a reallocation of those funds consistent with the recommendation of the investment consultant, and as provided in the supplement of today's meeting.

Approved

D-2 Meketa Fee Proposal

Ms. Walker will conduct additional research in the area of current investment consultant fees and structures, and report back to the IPC at its next meeting.

D-3 Resolution to Retain Northern Trust as Custodial Bank

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retiree Health Care Benefit Plan & Trust, and

WHEREAS, the Board of Trustees is required to 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

WHEREAS the Board of Trustees has a policy to review service providers on a regular and scheduled basis, either by RFI or RFP, and

WHEREAS, the Board of Trustees and Meketa, its investment consultant, have requested information regarding custodial bank services and expenses from a number of major banks providing custodial service, and

WHEREAS, Meketa and the Investment Policy Committee reviewed the options, proposed fee schedules and arrangements presented as well as the performance and capabilities of the current custodian, so be it

RESOLVED, that the Board of Trustees authorizes the continuation of Northern Trust as custodial bank for the VEBA with a restructuring of custodial fees to a single annual fee.

It was **moved** by Hastie and **seconded** by Clark approve the Resolution to Retain Northern Trust as Custodial Bank as presented, including the restructured fee methodology and potential future hedge fund accounting.

Approved

D-4 Resolution to Approve Actuarial Valuation Assumptions and Proposed Costs for GASB 67/68 Work for 2014/2015 Actuarial Valuation

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retiree Health Care Benefit Plan & Trust, and

WHEREAS, the Board of Trustees is required to 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

WHEREAS the Board of Trustees is responsible for determining the economic assumptions and certain actuarial parameters for the annual actuarial valuation, and

WHEREAS, the Board of Trustees and the Audit Committee have conducted a 5-Year Experience Study in 2013 to review and validate or amend past years actuarial assumptions, and

WHEREAS, the City of Ann Arbor has adopted a new funding policy for the Retirement System and the Retiree Health Care Benefit Plan & Trust, and

WHEREAS, the Audit Committee requested information from the actuarial consultant regarding the scope of work necessary and the costs for implementing new GASB standards 67 and 68, and

WHEREAS, the Audit Committee and the actuary reviewed the prior year's assumptions, results of the 5-Year Experience Study, and proposed fees so be it

RESOLVED, that the Board of Trustees accepts the recommendation of the actuary that the same inflation, salary, investment return and demographic assumptions used last year, be utilized in the upcoming year's valuation, and

RESOLVED, that the Board of Trustees hereby accepts the proposed fees for the implementation of the new GASB standards.

It was **moved** by Powers and **seconded** by Clark to approve the Resolution to Approve Actuarial Valuation Assumptions and Proposed Costs for GASB 67/68 Work for 2014/2015 Actuarial Valuation as amended and discussed during the Retirement Board meeting.

Approved

E. **DISCUSSION ITEMS - None**

F. **REPORTS**

F-1 **Investment Policy Committee Minutes – None**

F-2 **Preliminary Investment Reports for the Month Ended May 31, 2014**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended May 31, 2014, to the Board of Trustees:

5/31/2014 Asset Value (Preliminary)	\$121,133,550
4/30/2014 Asset Value (Audited by Northern)	\$119,040,205
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$5,008,874
Percent Gain <Loss>	4.3%
June 18, 2014 Asset Value	\$122,083,045

F-3 **Legal Report – None**

G. **TRUSTEE COMMENTS - None**

H. **FUTURE AGENDA ITEMS - None**

I. **INFORMATION**

I-1 **Record of Paid Invoices**

	PAYEE	AMOUNT	DESCRIPTION
1	Meketa Investment Group	2,916.67	Investment Consultant Retainer - April 2014
2	Bradford & Marzec	6,904.87	Investment Mgmt. Fees: 1/1/2014 – 3/31/2014
3	Meketa Investment Group	2,916.67	Investment Consultant Retainer - May 2014
	TOTAL	12,738.21	

I-2 SouthernSun in the News

In May 2014, Pensions & Investments ranked SouthernSun the top-performing manager on a 5-year basis in its Mid-Cap Blend Equity category.

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Crawford to adjourn the meeting at 10:25 a.m.
Meeting adjourned at 10:25 a.m.



**Nancy R. Walker, Executive Director
City of Ann Arbor Employees' Retirement System**