

**CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST
BOARD OF TRUSTEES
Minutes for the Regular Board Meeting
May 21, 2009**

The meeting was called to order by Nancy Sylvester, Chairperson, at 10:08 a.m.

ROLL CALL

Members Present: Crawford, Flack, Heatley, Hescheles, Kahan, Kaur, Sylvester
Members Absent: Fraser, Nerdrum
Staff Present: Kluczynski, Powell
Others: Michael VanOverbeke, Legal Counsel
David Diephius, City Resident

AUDIENCE COMMENTS - None

A. APPROVAL OF REVISED AGENDA

Mr. Powell stated that the following item has been revised since the distribution of the agenda packet:

- C-1 Authorization for Payment of Invoices – additional invoices received

It was **moved** by Kahan and **seconded** by Heatley to approve the revised agenda.

Approved

B. APPROVAL OF MINUTES

B-1 April 16, 2009 Regular Retiree Health Care Benefit Plan & Trust Board Meeting

It was **moved** by Kahan and **seconded** by Heatley to approve the April 16, 2009 Board meeting minutes as submitted.

Approved

C. CONSENT AGENDA

C-1 Authorization for Payment of Invoices (\$ 13,767.25)

WHEREAS, the Board of Trustees is vested with the general administration, management and responsibility for the proper operation of the Trust; and

WHEREAS, Section 1:746(1) of Chapter 21 of the Code of the City of Ann Arbor provides that the Trustees may use a portion of the income of the system for payment for reasonable and necessary professional services costs and expenses related to assisting the Trustees and Trust Administrator in the operation of the 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; therefore be it

RESOLVED, that the Board of Trustees' custodial bank, The Northern Trust Company, is authorized and directed to provide payment to the following vendors and providers of service in the

amount as indicated upon receipt by the Board of appropriate invoices or as required by lease agreements, subject to (a) review and approval of said invoices and lease agreements by appropriate Board representatives and (b) payment authorization signed by Nancy Sylvester/Chairperson, Chris Heatley/Vice-Chairperson, or Jeffrey Kahan/Secretary, and Willie J. Powell, Executive Director.

	PAYEE	AMOUNT	DESCRIPTION
1.	Gray & Company	1,148.36	Investment Consultant Retainer – April 2009
2.	Chicago Equity Partners	12,618.89	Investment Mgmt. Fees – 1/1/09-3/31/09
	<u>TOTAL</u>	13,767.25	

It was **moved** by Kahan and **seconded** by Flack to approve the consent agenda as revised.
Approved

D. ACTION ITEMS

D-1 Approval of Contract to Hire Bradford & Marzec, Inc. as the Core Plus Fixed Income Manager

Mr. Heatley stated that the reason for the three contracts is that the IPC is trying to get the VEBA investments to mirror a little bit closer to the investments in the pension fund.

It was **moved** by Heatley and **seconded** by Hescheles to approve the contract to hire Bradford & Marzec, Inc. as the Core Plus Fixed Income Manager with an allocation of up to 14% of the Retiree Healthcare Fund portfolio.

Approved

D-2 Approval of Contract to Hire MacKay Shields as the High Yield Fixed Income Manager

It was **moved** by Heatley and **seconded** by Kahan to approve the contract to hire MacKay Shields as the High Yield Fixed Income Manager with an allocation of up to 3% of the Retiree Healthcare Fund portfolio.

Approved, 1 abstain (Hescheles)

D-3 Approval of Contract to Hire Fisher Investments as the International Equity Manager

It was **moved** by Heatley and **seconded** by Hescheles to approve the contract to hire Fisher Investments as the International Equity Manager with an allocation of up to 15% of the Retiree Healthcare Fund portfolio.

Approved

D-4 Proposed FY 2009/2010 Budget

Mr. Powell presented the proposed budget for fiscal year 2009/2010.

It was **moved** by Kahan and **seconded** by Heatley to approve the budget for fiscal year 2009/2010 as submitted.

Approved

E. **DISCUSSION ITEMS** – None

F. **REPORTS**

F-1 **Investment Policy Committee Report – May 5, 2009**

Following are the Retiree Health Care Benefit Plan & Trust Investment Policy Committee minutes from the meeting convened at 1:01 p.m. on May 5, 2009:

Member(s) Present: Heatley, Hescheles, Kahan
Member(s) Absent: Flack, Sylvester
Other Trustees Present: Crawford
Staff Present: Powell, Kluczynski
Others Present: Larry Gray, Gray & Company
Chris Kuhn, Gray & Company

RETIREE HEALTH CARE BENEFIT PLAN & TRUST QUARTERLY REVIEW FOR THE QUARTER ENDING MARCH 31, 2009

Mr. Kuhn reviewed the Executive Overview of the portfolio. The Fund's total market value as of March 31, 2009 was \$47.20 million. The Fund had a return of -6.66% for the current quarter, and a return of -25.26% for the last twelve months.

Summary of Assets as of March 31, 2009:

Managers	Market Value
Domestic Equity Composite	22,155,000
Fixed Income	21,710,000
Real Estate	1,303,000
Cash	2,036,000
Total Plan	\$47,204,000

It was **moved** by Kahan and **seconded** by Crawford to adjourn the meeting at 1:34 p.m.
Approved

F-2 **Preliminary Investment Reports for the Month Ended April 30, 2009**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended April 30, 2009, to the Board of Trustees:

4/30/2009 Asset Value (Preliminary)	\$50,579,684
3/31/2009 Asset Value (Audited by Northern)	\$47,177,494
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$ 34,034
Percent Gain <Loss>	-0.1%
May 20, 2009 Asset Value	\$ 51,873,460

F-3 **Legal Report**

Mr. VanOverbeke commented on the Detroit Free Press article presented on the Retirement System agenda, and noted that his office is closely watching that case.

Mr. VanOverbeke stated that the Board had discussions at the last meeting with regards to the Board versus the City's authority in terms of who makes the determination as to benefit eligibility, and after the meeting he had reviewed the Retiree Healthcare Plan and Trust, and has found that there are over thirty references to the term "Qualified Beneficiary", and there are many instances where it is unclear in the Ordinance who has the authority. Mr. VanOverbeke is requesting the Board's authorization to research and render a legal opinion on the issue of who has the authority to determine benefit eligibility in terms of retiree healthcare benefits so that this issue is finally resolved and is fully clear and clarified.

Mr. VanOverbeke stated that it is very clear in his cursory review that the benefits administrator is responsible for maintaining the plan and plan issues, but benefit eligibility is more unique in terms of who is entitled to those benefits. Mr. Crawford stated that the City is in the process of evaluating the current Ordinance and clarifying this issue, he does not believe it would be wise to spend money to evaluate how clear it is now when the City is doing this anyway. Mr. Kahan asked Mr. VanOverbeke what he estimates as the cost for researching this issue, and Mr. VanOverbeke stated that it would be approximately \$3,000. Ms. Sylvester stated that she believes that this is a very important issue that needs to be resolved, and she would be in favor of getting the legal opinion.

It was **moved** by Heatley and **seconded** by Flack to direct legal counsel to draft an opinion on the issue of who has the authority to determine benefit eligibility with regards to healthcare benefits under the Plan.

Approved

- G. TRUSTEE COMMENTS - None**
- H. FUTURE AGENDA ITEMS - None**
- I. INFORMATION**
- J. ADJOURNMENT**

It was **moved** by Kahan and **seconded** by Crawford to adjourn the meeting at 10:29 a.m.
Meeting adjourned at 10:29 a.m.

**Willie J. Powell, Executive Director
City of Ann Arbor Employees' Retirement System**