

**CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST  
BOARD OF TRUSTEES  
Minutes for the Regular Board Meeting  
October 15, 2015**

The meeting was called to order by Jeremy Flack, Chairperson, at 10:26 a.m.

**ROLL CALL**

Members Present: Clark, Crawford, DiGiovanni, Hastie, Monroe, Nerdrum  
Members Absent: Flack, Heusel, Lynch  
Staff Present: Kluczynski, Walker  
Others: Michael VanOverbeke, Legal Counsel  
Larry Langer, Buck Consultants  
Dan Levin, Buck Consultants  
Tim Paquin, City Retiree

**AUDIENCE COMMENTS – None**

**A. APPROVAL OF AGENDA**

It was **moved** by Crawford and **seconded** by Clark to approve the agenda as submitted.  
**Approved**

**B. APPROVAL OF MINUTES – September 17, 2015**

It was **moved** by Hastie and **seconded** by Crawford to approve the September 17, 2015 Board Meeting minutes as submitted.  
**Approved**

**C. CONSENT AGENDA – None**

**D. ACTION ITEMS**

**D-1 Presentation: Actuarial Valuation for FY June 30, 2015**

Mr. Levin reviewed the drafted Actuarial Valuation for fiscal year ended June 30, 2015. Fiscal year 2015 experience impacting valuation results include:

- Market value returns of 1.3% compared to 7.0% assumed return
  - Impacts Unfunded Accrued Actuarial Liability
- Contributions to VEBA (in excess of benefits paid) were \$5.0 million higher relative to expected if GASB minimum had been used
  - Impacts Unfunded Accrued Actuarial Liability (UAAL)
- Payroll increased by 1.7% compared to the 3.5% increase assumed
  - Impacts Normal Cost (NC) and Unfunded Accrued Actuarial Liability (UAAL)
- Updated census produced a 0.5% decrease relative to expected liability
  - Impacts Normal Cost (NC) and Unfunded Accrued Actuarial Liability (UAAL)

Key takeaways include:

- FY 2015 lower than expected investment returns, lower salaries than expected, and higher contributions than expected.
  - Generated projected results that were 0.6% higher than expected FY 2017
  - FY 2017 projected AOC from this year's report is projected at \$11,246,000

- FY 2017 projected AOC from prior report was projected at \$11,182,000
- Existing Net OPEB Obligation of \$4.76 million as of June 30, 2015
- Minimum GASB 45 contributions do not result in a funded plan, due to open amortization period as level percent of payroll
- Alternative of prior contribution increased by 2.0% each year funds the plan by the end of FY 2031 (only normal cost contributions after that)

It was **moved** by Hastie and **seconded** by Clark to accept the Actuarial Report as drafted with minor language changes.

**Approved**

## **D-2 Eligibility Discussion & Potential Appeal of Health Care for Retiree**

Ms. Walker reviewed the following summary as submitted in the meeting packet:

*Tim Paquin, an AFSCME employee, came to the retirement office September 25 stating he thought he may have an adverse employment situation and he would like to apply for retirement. Tim met the eligibility for early retirement, and a final session was conducted. Tim completed the paperwork for a retirement for October 26. The City was notified of the retirement immediately. City staff advised the Retirement System that they would be treating this as a termination, not a retirement. The HR director indicated she would send a memo regarding the city's position on the issue of retiree health care eligibility for this employee.*

Mr. Paquin has also submitted a letter to the Board requesting that his healthcare benefits be reinstated due to the fact that he has 23 years of service and is over 50 years of age (eligible for retirement with healthcare benefits). Mr. Paquin was present at the meeting and stated his request to the Board of Trustees. Mr. Clark referenced other similar cases as Mr. Paquin's, noting that they all have healthcare and fall under the program. Ms. Nerdrum stated that it appears to her that it comes down to – is Mr. Paquin eligible for OPEB under the terms of the plan as far as service and age, or is he not? To her, it doesn't come down to how somebody left employment, because regardless of how he left employment, he is either a deferred retiree or a retiree.

Mr. VanOverbeke stated that the Board is vested with the responsibility to oversee a Trust, and as such they can only grant and authorize benefits that are provided within the trust document. The terms of the plan are those as negotiated between the employer and the union groups and for non-union employees, as adopted by the employer by virtue of an ordinance. Mr. VanOverbeke stated that in this instance, the Board has a responsibility to look at this issue and to look at the plan provisions and determine what the plan provisions provide. Healthcare has typically been provided to and attached to whether an employee is qualified for a service retirement, which is connected to age and service. To be eligible for healthcare, an employee must go directly from employment into retirement, and apply no less than 30 nor more than 90 days prior to the date of retirement. In this case, Mr. Paquin applied for retirement within the time frame, electing the October 26, 2015 date, he will then become a regular service retiree because on the date of application he met the requirements for voluntary retirement, and once you've obtained that right, it is no longer forfeitable, so even though the City terminated him after the date he applied, his rights are still non-forfeitable, so he will be drawing a service retirement benefit, not a deferred retirement benefit.

According to the VEBA Ordinance, in order to be eligible, the employee must have been a participant of the Plan, which he clearly was, and he has to be a retiree who upon retirement elects to draw the healthcare benefits. Mr. VanOverbeke stated that although the City is the day-to-day administrator of the Plan, the ability to determine eligibility for participation in the Plan under the Plan Document very clearly says that it is vested in the Board of Trustees. In conclusion, Mr. VanOverbeke stated that this clearly is within the purview of the Board, and he respectfully disagrees with the City in their opinion, the individual clearly is drawing a voluntary service retirement benefit and healthcare is tied to the ability to draw that service retirement benefit; this is not a deferred retirement status, and it is his legal opinion that Mr. Paquin is eligible for retiree healthcare. After discussing the 30-day notice period, it was determined that it is for administrative

purposes, since it is not administratively feasible to retire someone within a one-day timeframe. Mr. Hastie suggested that in order to avoid similar discussions in the future, perhaps a policy resolution or Ordinance amendment be created to clarify the intended language in both Chapters 18 and 21 of the City Code.

It was **moved** by Nerdrum and **seconded** by Clark to grant Mr. Paquin retiree healthcare based on retirement eligibility requirements.

**Approved**

Mr. VanOverbeke will work with Ms. Walker in sending correspondence to the City indicating what action the Board has taken today, and to include a request for a receipt of acknowledgment as well as what action, if any, is taken regarding Mr. Paquin's healthcare benefit. Mr. VanOverbeke stated that if the City refuses to implement the action, the Board's next course of action would be to file a circuit court action for Order of Superintendent Control.

**E. DISCUSSION ITEMS - None**

**F. REPORTS**

**F-1 Investment Policy Committee Minutes – October 6, 2015**

Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on October 6, 2015:

*Member(s) Present: Clark, Flack, Hastie, Monroe*  
*Member(s) Absent: None*  
*Other Trustees Present: DiGiovanni*  
*Staff Present: Kluczynski, Walker*  
*Others Present: Henry Jaung, Meketa Investment Group*

**SEPTEMBER 30, 2015 INTERIM INVESTMENT REVIEW**

*Mr. Jaung reviewed the interim investment performance, stating that the fund's market value as of August 31, 2015 was at \$127.7 million, down \$4.4 million since June 30<sup>th</sup>. The Committee also discussed SouthernSun's lagging numbers, and decided to request that the firm call in to the next IPC meeting to discuss their recent performance.*

**DISCUSSION ITEM: INVESTMENT OF EXCESS CASH**

*Ms. Walker informed the Committee of \$4 million in excess cash in the fund, and Meketa recommends that this money could be placed into a fixed income area within the portfolio. Mr. Jaung presented three options for consideration. After discussion, the Committee decided to place the money into the Northern Trust 90% 1-5 Year Credit/10% Short-Term Government Bond index.*

*It was **moved** by Flack and **seconded** by Clark to place the excess cash into the Northern Trust 90% 1-5 Year Credit/10% Short-Term Government Bond index as recommended and discussed with Meketa.*

**Approved**

**ADJOURNMENT**

**Meeting adjourned at 5:17 p.m.**

**F-2 Preliminary Investment Reports for the Month Ended September 30, 2015**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended September 30, 2015, to the Board of Trustees:

9/30/2015 Asset Value (Preliminary)	\$126,211,002
8/31/2015 Asset Value (Audited by Northern)	\$127,961,424
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$4,653,574)
Percent Gain <Loss>	-3.7%
<b>October 14, 2015 Asset Value</b>	<b>\$128,124,296</b>

**F-3 Legal Report – No Report**

**G. TRUSTEE COMMENTS - None**

**H. FUTURE AGENDA ITEMS - None**

**I. INFORMATION (Received & Filed)**

**I-1 Record of Paid Invoices - None**

**J. ADJOURNMENT**

It was **moved** by Crawford and **seconded** by Clark to adjourn the meeting at 12:08 p.m.  
**Meeting adjourned at 12:08 p.m.**

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