

CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST
BOARD OF TRUSTEES

Minutes for the Regular Board Meeting

March 19, 2020

B

The meeting was called to order by Board Chair Person, Jeremy Flack, at 10:57 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX*), Flack(*Via TX*), Hastie(*Via TX*), Horning(*Via TX*), Lynch,
Monroe(*Via TX*), Nerdrum(*Via TX*), Schreier(*Via TX*)
Members Absent: Crawford, Peariso
Staff Present: Buffone(*Via TX*), Gustafson(*Via TX*), Hollabaugh, Orcutt
Others: Michael VanOverbeke(*Via TX*), Legal Counsel
Dave Diephuis(*Via TX*), City Resident

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by DiGiovanni and **seconded** by Schreier to approve the agenda as submitted.

Approved

B. APPROVAL OF MINUTES

B-1 February 20, 2020 Regular Board Meeting

It was **moved** by Schreier and **seconded** by Monroe to approve the February 20, 2020 Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA – None.

D. ACTION ITEMS

D-1 Resolution to Invest in BlackRock Global Renewable Power Fund III

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, Meketa Investment Group, as the Retirement System's investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have discussed an allocation to Infrastructure in the amount of a 3% target, and

WHEREAS, a potential infrastructure manager, BlackRock, presented their investment strategies to the IPC on March 3, 2020, and

WHEREAS, Meketa Investment Group and the Investment Policy Committee have recommended an investment with BlackRock in the Global Renewable Power Fund III, so be it,

RESOLVED, that the Board of Trustees approve the investment with BlackRock in the Global Renewable Power Fund III with a commitment in the amount of approximately \$ 3 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by DiGiovanni and **seconded** by Monroe to approve the investment with BlackRock in the Global Renewable Power Fund approximately \$3 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

E. DISCUSSION ITEMS – None.

F. REPORTS

F-1a Investment Policy Committee Minutes – February 28, 2020

Following are the Investment Policy Committee minutes from the meeting convened at 12:06 p.m. on February 28, 2020:

Member(s) Present: Crawford (12:17 – 12:57 p.m. via TX), DiGiovanni (via TX), Flack (via TX), Hastie (via TX), Monroe

Member(s) Absent: None

Other Trustees Present: Schreier

Staff Present: Buffone, Hollabaugh, Orcutt

*Others Present: Henry Jaung, Meketa Investment Group (via TX)
Keith Beaudoin, Meketa Investment Group (Via TX)
John Harris, Meketa Investment Group (via TX)*

DISCUSSION ON CURRENT MARKET DRAWDOWN AND POSSIBLE REBALANCE

Mr. Jaung from Meketa discussed the current market drawdown with the IPC Committee. As the drawdown approaches 10%, the IPC discussed the IPS which states that a possible rebalance of equities to their former "high-water weight" plus 1%. Meketa proposed rebalancing plan targets to bring Developed Intl Equity and EM Intl Equity back to their high water marks and Domestic Equity to its high water marks plus 1%. After further discussion, IPC decided to stagger the total rebalance into 4 tranches.

*It was **moved** by DiGiovanni and **seconded** by Hastie to rebalance 5 million every Monday over the next four weeks beginning March 2, 2020.*

ADJOURNMENT

*It was **moved** by Monroe and **seconded** by DiGiovanni to adjourn the meeting at 1:23 p.m. **Meeting adjourned at 1:23 p.m.***

F-1b Investment Policy Committee Minutes – March 3, 2020

Following are the Investment Policy Committee minutes from the meeting convened at 2:15 p.m. on March 3, 2020:

Member(s) Present: DiGiovanni, Flack(via TX, 4:28 p.m. depart), Hastie, Monroe
Member(s) Absent: Crawford
Other Trustees Present: None
Staff Present: Buffone, Gustafson (3:09 p.m. depart), Hollabaugh, Orcutt
Others Present: Henry Jaung, Meketa Investment Group(3:09 arrival)
Keith Beaudoin, Meketa Investment Group(3:09 arrival)
Andrew Citron, CFA, Vice President, BlackRock(3:30-4:34 p.m.)
Michael Ott, Director, BlackRock(3:30 p.m. – 4:34 p.m.)

RFP SUBMISSION REVIEW

The Committee discussed the Investment Consultant RFP's that were submitted by the February 2, 2020 deadline. Ms. Orcutt provided a summary document of the firms for the Committee to review. After discussion, the Committee selected the following three firms to present at the May Board meeting, tentatively:

- AndCo
- Meketa
- NEPC

It was **moved** by DiGiovanni and **seconded** by Monroe to recommend to the Board of Trustees to interview three investment consulting firms, AndCo, Meketa and NEPC for presentations tentatively at the May Board Meeting.

Approved

PRESENTATION FROM BLACKROCK ON THE GLOBAL RENEWABLE PARTNERS FUND

Michael Ott and Andrew Citron from BlackRock were present to discuss their Global Renewable Power III Fund (GRP III), a climate infrastructure fund. The following was included in BlackRock's presentation:

- Leading infrastructure deal flow: Climate infrastructure represents more than one third of infrastructure deal flow;
- Green energy transition: Transition to a low-carbon world driven by cost competitiveness and social and political commitment requires US\$9 trillion future investment;
- Relationship-led origination through long-term partnerships with fellow industry specialist;
- Active management of investments through in-house engineering team and expert asset managers;
- Leading impact integration and measurable outcomes aligned to the UN Sustainable Developed Goals;
- Strength of BlackRock platform provides strong risk management, expanded sourcing and organizational stability.

The Committee discussed BlackRock's presentation further and decided to make the following motion:

It was **moved** by DiGiovanni and **seconded** by Monroe to recommend to the Board of Trustees to invest \$8 Million from the Retirement System and \$3 Million from VEBA in the BlackRock Global Renewable Power Fund III.

Approved

PERFORMANCE REVIEW THROUGH JANUARY

As of January 31, 2020, the balance of the Funds were \$531,734,489 for ERS. Fiscal

Year to Date performance was 5.1% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

As of January 31, 2020, the balance of the Funds were \$196,830,538 for VEBA. Fiscal Year to Date performance was 5.9% for VEBA net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

ASSET ALLOCATION UPDATE

Meketa presented a proposed Asset Allocation Policy option. After discussion, the Committee decided to accept the proposed policy.

It was **moved** by DiGiovanni and **seconded** by Monroe to recommend to the Board of Trustees to accept the proposed Asset Allocation Policy of 3% allocation to Infrastructure from TIPS for both the Retirement System and VEBA.

Accepted

UPDATE ON THE RECENT TRANSFERS

Mr. Jaung updated the Committee regarding the rebalance of \$20 million that was approved at the February 28, 2020 Special Meeting. The first tranche of \$5 million was completed. Staff will continue to work with Meketa on the next set of tranches over the next three weeks.

Mr. Jaung also updated the Committee that the recent transfer from the Russell 1000 to the Rhumblin (Russell HEDI) is complete.

ERS CASH NEEDS – REMAINDER OF FISCAL YEAR

Ms. Orcutt informed the Committee that cash needed to be raised for benefits by March 27, 2020. The Committee decided to raise \$5 million total with \$4 million from Investment Grade Bonds and \$1 million from TIPS.

OTHER

The Committee discussed upcoming schedules and decided to cancel the April IPC meeting.

ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Monroe to adjourn the meeting at 5:09 p.m.
Meeting adjourned at 5:09 p.m.

F-1c Investment Policy Committee Minutes – March 11, 2020

Following are the Investment Policy Committee minutes from the meeting convened at 4:08 p.m. on March 11, 2020:

Member(s) Present: DiGiovanni (via TX), Flack (via TX), Hastie (via TX), Monroe (via TX)
Member(s) Absent: Crawford
Other Trustees Present: None
Staff Present: Buffone, Hollabaugh, Orcutt
Others Present: Henry Jaung, Meketa Investment Group (via TX)
Keith Beaudoin, Meketa Investment Group (Via TX)
John Harris, Meketa Investment Group (via TX)

DISCUSSION ON CURRENT MARKET DRAWDOWN AND POSSIBLE REBALANCE

Mr. Jaung from Meketa discussed the current market drawdown with the IPC Committee. As the drawdown approaches 20%, the IPC discussed the IPS which states the next course of action which may be a possible rebalance or no action. After further discussion, IPC decided to make no additional action and to move forward with the remaining tranches; if market conditions change during this period the Committee may meet to reassess as needed.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by DiGiovanni to adjourn the meeting at 4:40 p.m.
Meeting adjourned at 4:40 p.m.

F-2 Preliminary Investment Reports for the Month Ended February 29, 2020

Maria Buffone, Accountant, submitted the Financial Report for the month ended February 29, 2020, to the Board of Trustees:

2/29/2020 Asset Value (Preliminary)	\$190,122,150
1/31/2020 Asset Value (Audited by Northern)	\$198,213,581
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$8,023,804)
Percent Gain <Loss>	-4.05%
March 19, 2020 Asset Value	\$168,420,622

F-3 Legal Report – None

G. TRUSTEE COMMENTS / SUGGESTIONS - None

H. FUTURE AGENDA ITEMS - None

I. INFORMATION (Received & Filed)

I-1 Record of Paid Invoices

The following invoices have been paid since the last Board meeting.

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Meketa Investment Group	\$3,750.00	Investment Consulting Service 2/2020
	Total	\$3,750.00	

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Schreier to adjourn the meeting at 11:01 a.m.
Meeting adjourned at 11:01 a.m.

Wendy Orcutt

Wendy Orcutt, Executive Director
City of Ann Arbor Employees' Retirement System