

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

**Minutes for the Regular Board Meeting
September 17, 2020**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 10:03 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX*), Flack(*11:05 a.m. arrival, Via TX*), Hastie(*Via TX*), Lynch(*Via TX*), Nerdrum(*Via TX*), Schreier(*Via TX*)
Members Absent: Monroe, Peariso
Staff Present: Buffone(*Via TX*), Gustafson(*Via TX*), Hollabaugh(*Via TX*), Orcutt(*Via TX*)
Others: Michael VanOverbeke(*Via TX*), Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B-1 August 20, 2020 Regular Board Meeting

It was **moved** by Horning and **seconded** by DiGiovanni to approve the August 20, 2020 Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA

C-1 GASB Disclosure 74/75

The disclosure has been received and filed.

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

Approved

D. ACTION ITEMS

D-1 Resolution to Invest in Torchlight Debt Fund VII

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 as the Retirement System's investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have discussed an additional allocation to opportunistic real estate in accordance with the Pacing Study reviewed at the August 12, 2020 IPC, and

WHEREAS, a potential real estate, Torchlight Investors LLC, presented their investment strategies to the IPC on September 1, 2020, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with Torchlight Investors, LLC so be it

RESOLVED, that the Board of Trustees approve the investment In Torchlight Debt Fund VII with a commitment in the amount of \$ 4 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 Schreier to approve the investment In Torchlight Debt Fund VII with a commitment in the amount of \$ 4 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

E. DISCUSSION ITEMS

E-1 Return Assumption Discussion

After reviewing the GRS modeling and further discussing, the Board decided to lower the discount rate.

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

WHEREAS, the Board 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, the Board's investment consultant, projects forward-looking returns to be lower in the next 10-20 years; and

WHEREAS, bond yields are lower than any other period over the last 40 years, and stock valuations are higher than any period over the last 100 years (except 1999-2000); and

WHEREAS, the Retiree Health Care Benefit Plan & Trust 's funded ratio, as calculated by GRS, the Board's actuarial consultant, has shown only a 4 percent increase over the past 5 years despite a strong investment environment; and

WHEREAS, GRS has projected that the Retiree Health Care Benefit Plan & Trust's funded ratio will not reach 100% funded if lower returns are incurred; and

WHEREAS, the City of Ann Arbor has adopted a consistent but optional policy of increasing actuarially determined annual employer contributions by 2 percent; and

WHEREAS, the Board has discussed this matter amongst the Board members, and with its Actuary and Investment Consultant, therefore be it

RESOLVED, that the Board of Trustees approve a change to the assumed rate of investment return (i.e., the discount rate) utilized by GRS from 7.0% to 6.5% over a 5-year period, with a reduction of 0.1% per year starting with the 2020 valuation analysis; it being understood that the actuary will only recognize the 0.1% reduction for all future years in the valuation, and further

RESOLVED, that the Board will annually review the reduction in the assumed rate of return over this 5- year period to determine if additional modifications or time-line considerations should be addressed.

RESOLVED, a copy of this resolution be provided to appropriate City of Ann Arbor representatives, The Board's Actuarial Consultant (GRS), and the Board's Investment Consultant (Meketa).

It was **moved** by Hastie and **seconded** by Nerdrum to approve a change to the assumed rate of investment return (i.e., the discount rate) utilized by GRS from 7.0% to 6.5% over a 5-year period, with a reduction of 0.1% per year starting with the 2020 valuation analysis.

Approved

E-2 OPEB Funding Policy Update

Mr. Horning informed the Board that the OPEB Funding Policy did not pass with City Council therefore, the Funding Policy remains unchanged.

F. REPORTS

F-1 Preliminary Investment Reports for the Month Ended August 20, 2020

Maria Buffone, Accountant, submitted the Financial Report for the month ended August 20, 2020, to the Board of Trustees:

8/31/2020 Asset Value (Preliminary)	\$208,035,907
7/31/2020 Asset Value (Audited by Northern)	\$200,467,035
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$9,319,352
Percent Gain <Loss>	4.70%
September 17, 2020 Asset Value	\$207,107,502

F-2 Legal Report – None

G. TRUSTEE COMMENTS / SUGGESTIONS

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	GRS	\$2,400.00	GASB 74/75 Q3 2020
2	GRS	\$6,600.00	VEBA Valuation Q3 2020
3	Meketa Investment Group	\$3,750.00	Investment Consultant Fee 7/2020
4	Meketa Investment Group	\$3,750.00	Investment Consultant Fee 8/2020
5	VanOverbeke, Michaud & Timmony	\$1,999.80	Legal Fees 4/1/2020 - 6/30/2020
6	Yeo & Yeo	\$2,800.00	6/30/2020 Audit
Total		\$21,299.80	

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Hastie to adjourn the meeting at 10:06 a.m.
Meeting adjourned at 10:06 a.m.

Wendy Orcutt

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