

**CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST
BOARD OF TRUSTEES
Minutes for the Regular Board Meeting
June 15, 2017**

The meeting was called to order by Jeremy Flack, Board Chairperson, at 9:34 a.m.

ROLL CALL

Members Present: Crawford, DiGiovanni, Flack, Hastie, Lynch, Monroe, Nerdrum
Members Absent: Clark, Heusel
Staff Present: Hammond, Hollabaugh, Gustafson, Kluczynski, Orcutt
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 May 18, 2017 Regular Board Meeting

It was **moved** by Crawford and **seconded** by Nerdrum to approve the May 18, 2017 Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA – None

D. ACTION ITEMS

D-1 Resolution to Terminate Fisher Investments & Hire WCM Investments and Hexavest Inc. as International Equity Managers (Hastie)

Mr. Hastie reviewed the purpose for the following resolution as recommended by the IPC and Meketa.

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, and the Board of Trustees have discussed the replacement of Fisher Investments as an International Equity Manager, and

WHEREAS, the Investment Policy Committee (IPC) has reviewed material presented by Meketa Investment Group, its investment consultant, regarding Fisher Investments Strategy's performance, and

WHEREAS, the potential managers, WCM Investment Management and Hexavest Inc. presented their investment strategies to the IPC on June 6, 2017, and

WHEREAS, Meketa and the Investment Policy Committee have recommended that Fisher Investments be terminated and the liquidated funds be invested with both WCM Investment Management and Hexavest Inc., so be it

RESOLVED, that the Board of Trustees approves the termination of Fisher Investments and approves the hiring of WCM Investment Management and Hexavest Inc. with a commitment in the amount of approximately \$ 15,000,000 split equally between both managers 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 Nerdrum to approve the termination of Fisher Investments and approve the hiring of WCM Investment Management and Hexavest Inc. with a commitment in the amount of approximately \$ 15,000,000 split equally between both managers pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

D-2 Resolution to Rebalance Domestic Equity Aggregate

Mr. Hastie reviewed the purpose for the following resolution as recommended by the IPC and Meketa.

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 an approved Investment Policy Statement in order to effectively monitor its portfolio, and

WHEREAS, the Investment Policy Statement recognizes that from time to time the asset mix will deviate from the targeted percentages due to market conditions, and

WHEREAS, the Investment Policy Statement has established a range for each asset class to control risk and maximize the effectiveness of the System's assets, and

WHEREAS, when an asset class is outside of its allowable range, a reallocation should be made to rebalance that asset class back to the target allocation, and

WHEREAS, the System's investment consultant, Meketa has evaluated the current asset class allocations relative to their respective targets and determined that the Retirement System was significantly overweight in both mid and small cap domestic equity relative to the Russell 3000 Index. Meketa recommends the System move toward a market weight of small and midcap stocks by reducing the Rhumblin S&P 400 by \$ 6 million and the Southern Sun Small Cap by \$ 4 million and funding the approved allocation to First Eagle Gold Fund with \$2 million and moving the remaining balance of approximately \$ 8 million to the Russell 1000 index, so be it

RESOLVED, that the Board of Trustees authorizes the Executive Director to reallocate funds per Meketa Investment Group's Rebalancing Recommendation.

It was **moved** by DiGiovanni and **seconded** by Crawford to authorize the Executive Director to reallocate funds per Meketa Investment Group's Rebalancing Recommendation the Resolution to Rebalance Domestic Equity Aggregate.

Approved

E. **DISCUSSION ITEMS - None**

F. **REPORTS**

F-1 **Investment Policy Committee Minutes – June 6, 2017**

Following are the Investment Policy Committee minutes from the meeting convened at 3:13 p.m. on June 6, 2017:

Member(s) Present: Clark, Crawford, DiGiovanni (dep @ 4:20), Flack (via tx), Hastie, Monroe
 Member(s) Absent: None
 Other Trustees Present: None
 Staff Present: Hammond, Hollabaugh, Kluczynski, Orcutt
 Others Present: Henry Jaung, Meketa Investment Group

APRIL 30, 2017 QUARTERLY PERFORMANCE UPDATE

As of April 30, 2017, the balance of the Fund was \$151,235,323.

REBALANCE DOMESTIC EQUITY AGGREGATE

It was **moved** by Crawford and **seconded** by Clark to rebalance by reducing the Rhumblin S&P 400 by \$6 million, and reducing the Southern Sun small cap equity by \$4 million, with \$2 million funding the First Eagle Gold Fund and the remaining balance of approximately \$8 million going to the Russell 1000.

Approved

ADJOURNMENT

Meeting adjourned at 5:59 p.m.

F-2 **Preliminary Investment Reports for the Month Ended May 31, 2017**

Corbin Hammond, Accountant, submitted the Financial Report for the month ended May 31, 2017, to the Board of Trustees:

5/31/2017 Asset Value (Preliminary)	\$152,765,443
4/30/2017 Asset Value (Audited by Northern)	\$151,492,859
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$9,733,759
Percent Gain <Loss>	6.80%
June 14, 2017 Asset Value	\$154,318,308

F-3 **Legal Report – No Report**

G. **TRUSTEE COMMENTS / SUGGESTIONS - None**

H. **FUTURE AGENDA ITEMS - None**

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

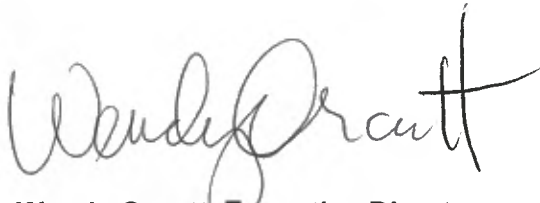
I-1 **Record of Paid Invoices**

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

	PAYEE	AMOUNT	DESCRIPTION
1	Meketa Investment Group	3,750.00	Investment Consultant Retainer – April 2017
2	Meketa Investment Group	3,750.00	Investment Consultant Retainer –May 2017
	TOTAL	7,500.00	

J. **ADJOURNMENT**

It was **moved** by Nerdrum and **seconded** by Hastie to adjourn the meeting at 9:37 a.m.
Meeting adjourned at 9:37 a.m.



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