

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

Minutes for the Regular Board Meeting
January 16, 2020

B

The meeting was called to order by Board Chair Person, Jeremy Flack, at 9:27 a.m.

ROLL CALL

Members Present: DiGiovanni, Flack, Hastie, Monroe, Nerdrum, Peariso, Schreier
Members Absent: Crawford, Lynch
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 January 16, 2020 Regular Board Meeting

It was **moved** by Hastie and **seconded** by Schreier to approve the January 16, 2020 Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA – None.

D. ACTION ITEMS

D-1 Resolution to Invest in Rhumblin (Russell HEDI)

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 equity allocation to an alternative beta strategy, and

WHEREAS, the strategies of potential alternative beta managers were presented and discussed at IPC meetings on December 3, 2019 and January 7, 2020, and

WHEREAS, Meketa Investment Group and the Investment Policy Committee have recommended an investment with Rhumblin (Russell High Efficiency Defensive Index – HEDI) and,

WHEREAS, Meketa Investment Group has recommended funding Rhumblin (Russell – HEDI) from domestic equity with a commitment of approximately 15% of the portfolio, so be it

RESOLVED, that the Board of Trustees approve the investment in Rhumblin (Russell HEDI) with a commitment in the amount of approximately \$ 32 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 in Rhumblin (Russell HEDI) with a commitment in the amount of \$32 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-1 Investment Policy Committee Minutes – January 7, 2020

Following are the Investment Policy Committee minutes from the meeting convened at 3:10 p.m. on January 7, 2020:

Member(s) Present: Crawford (5:13 p.m. depart), DiGiovanni, Hastie (4:07p.m. arrival), Monroe

Member(s) Absent: Flack

Other Trustees Present: None

Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt

Others Present: Henry Jaung, Meketa Investment Group
Steve McClellan, Meketa Investment Group
Keith Beaudoin, Meketa Investment Group
Robb Ruhr, Analytic Investors (4:05-4:55p.m)
Ryan Shelby, Analytic Investors (4:05-4:55p.m)
Joseph Conroy, Analytic Investors (4:05-4:55p.m)
David Diephuis, City Resident

PERFORMANCE REVIEW OF THE ERS AND VEBA THROUGH 11/30/2019

As of November 30, 2019, the balance of the Funds were \$524,747,683 for ERS. Fiscal Year to Date performance was 3.2% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

As of November 30, 2019, the balance of the Funds were \$193,258,110 for VEBA. Fiscal Year to Date performance was 3.7% for VEBA net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

CONTINUATION OF SMART BETA DISCUSSION

The Committee briefly discussed the Smart Beta Strategies that were presented for comparison in the Meketa materials which were Northern Trust Quality Low Vol, Rhumblin (Russell HEDI) and Analytic Investors. Meketa explained that Analytic

Investors was present to discuss their strategy and that Meketa would also provide some information on Rhumblin's strategies after the presentation. Smart Beta provides equity exposure but also offers downside protection.

PRESENTATION: SMART BETA STRATEGIES ANALYTIC INVESTORS & RHUMLINE – BY MEKETA)

Robb Ruhr, Ryan Shelby and Joseph Conroy from Analytic Investors were present to discuss their Factor Enhanced Equity Strategy (Smart Beta). The following language was included in Analytic Investors presentation:

- Smart Beta offers exposure to factors that may improve the overall risk/return profile of a portfolio relative to a passive index
- Smart Beta is efficient implementation with low tracking error to targeted index
- Smart Beta has a low total expense ratio
- Analytic Investors provide a deep factor of investing experience, are grounded in academic research and can provide efficient factor exposure.

Mr. McClellan from Meketa also provided information to the Board regarding Rhumblin's (Russell High Efficiency Defensive Index-HEDI) strategy. The Committee briefly discussed the strategy further. Mr. Hastie requested to see how each of the managers perform in a market drawdown. Meketa will prepare the data and submit to the Committee for review.

It was **moved** by DiGiovanni and **seconded** by Hastie to recommend to the Board to invest 50% of the current holdings in the Russell 1000 Index in the Rhumblin (Russell HEDI) Strategy for both the Retirement System and VEBA, subject to the verification of the data.

APPROVED

ADJOURNMENT

It was **moved** by Hastie and **seconded** by Monroe to adjourn the meeting at 5:50 p.m.
Meeting adjourned at 5:50 p.m.

F-2 Preliminary Investment Reports for the Month Ended December 31, 2019

Maria Buffone, Accountant, submitted the Financial Report for the month ended December 31, 2019, to the Board of Trustees:

12/31/2019 Asset Value (Preliminary)	\$197,388,707
11/30/2019 Asset Value (Audited by Northern)	\$193,919,656
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$31,513,040
Percent Gain <Loss>	19.28%
January 16, 2020 Asset Value	\$200,029,434

F-3 Legal Report – None

G. TRUSTEE COMMENTS / SUGGESTIONS - None

H. FUTURE AGENDA ITEMS - None

I. INFORMATION (Received & Filed)₃

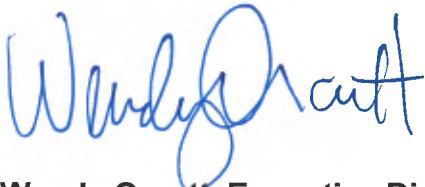
I-1 Record of Paid Invoices

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

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	GRS	\$1,750.00	PA 202 Compliance
2	Meketa Investment Group	\$3,750.00	Investment Consulting 12/2019
3	Hexavest	\$14,380.40	Investment Management Fee 10/1/19-12/31/19
	Total	\$19,880.40	

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by DiGiovanni to adjourn the meeting at 9:29 a.m.
Meeting adjourned at 9:29 a.m.



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