

**CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST
BOARD OF TRUSTEES
Minutes for the Regular Board Meeting
March 15, 2012**

The meeting was called to order by Jeremy Flack, Chairperson, at 10:12 a.m.

ROLL CALL

Members Present: Flack, Hastie, Heusel, Monroe, Nerdrum
Members Absent: Clark, Crawford, Powers, Rogers
Staff Present: Kluczynski, Walker
Others: Michael VanOverbeke, Legal Counsel
David Diephuis, City Resident

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 February 16, 2012 Regular Retiree Health Care Benefit Plan & Trust Board Meeting

It was **moved** by Heusel and **seconded** by Hastie to approve the February 16, 2012 Board meeting minutes as submitted.
Approved

C. CONSENT AGENDA - None

D. ACTION ITEMS

D-1 Resolution to Approve Cash Investments

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the VEBA 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 recommends the following rebalancing transfers, to be executed as soon as practicable, to reduce the VEBA's cash allocation:

Transfer \$3 million from the cash account to the Northern Trust Russell 1000 Index (\$1.5 million), and the Northern Trust Barclays Aggregate Index (\$1.5 million); so be it

RESOLVED, that the Board of Trustees authorize the transfer of \$3 million from the cash account to the Northern Trust Russell 1000 Index (\$1.5 million), and the Northern Trust Barclays Aggregate Index (\$1.5 million).

It was **moved** by Hastie and **seconded** by Heusel to approve the resolution to Approve Cash Investments.

Approved

D-2 Resolution to Hire Stone Harbor Investment Partners as the Emerging Markets Debt Manager

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 has advised the Investment Policy Committee to add an Emerging Market Debt manager to the portfolio congruent with a new asset allocation policy; and

WHEREAS, the Investment Policy Committee interviewed the following three firms for Emerging Market Debt managers on March 6, 2012: Standish, Stone Harbor, and Payden & Rygel; and

WHEREAS, the Investment Policy Committee and Meketa concluded that Stone Harbor Local Currency Fund provided the best fit for the Retirement System to achieve its portfolio strategic objective in the addition of an Emerging Markets Debt Manager; and

WHEREAS, the Investment Policy Committee and Meketa Investment Group recommend funding the Emerging Market Debt Manager mandate to reach a target of 2% of the portfolio, so be it

RESOLVED, that Stone Harbor Local Currency Fund be added to the portfolio after successful contractual negotiations with the Board's Legal Counsel and Executive Director for Board approval. Timing of the allocations will be determined in conjunction with the Board and Meketa's recommendation.

It was **moved** by Hastie and **seconded** by Monroe to approve the Resolution to Hire Stone Harbor Investment Partners as the Emerging Markets Debt Manager.

Approved

D-3 Resolution to Approve Funding for Beach Point Capital

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the City of Ann Arbor Employees' Retirement System, 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 has advised the Investment Policy Committee to add a Bank Loan manager to the portfolio congruent with a new asset allocation policy, funding the Bank Loan mandate to reach a target of 4% of the portfolio; and

WHEREAS, the Retirement Board of Trustees approved the hiring of Beach Point Capital Management on December 15, 2011, with contractual negotiations being successfully finalized and executed, and

WHEREAS, Meketa Investment Group has recommended funding Beach Point Capital from the cash portion of the portfolio with approximately \$3.5 million, half from the Russell 1000 and half from the Barclay's Aggregate; so be it

RESOLVED, that Beach Point be funded from the cash portion of the portfolio with approximately \$3.5 million, half from the Russell 1000 and half from the Barclay's Aggregate.

It was **moved** by Hastie and **seconded** by Monroe to approve the Resolution to Approve Funding for Beach Point Capital.

Approved

E. **DISCUSSION ITEMS - None**

F. **REPORTS**

F-1 **Investment Policy Committee Minutes – March 6, 2012**

Following are the Investment Policy Committee minutes from the meeting convened at 5:37 p.m. on March 6, 2012:

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

EMERGING MARKETS DEBT MANAGER INTERVIEWS

Prior to the interviews, Mr. Jaung and Mr. Urban gave a brief summary of the three Emerging Markets Debt managers, noting that Meketa has recommended that the VEBA Fund invest in emerging market debt through a commingled fund vehicle, with 3% of the portfolio (approximately \$2.5 million). The following firms were interviewed:

PAYDEN & RYGEL - Justin G. Bullion, CFA, Managing Principal

STONE HARBOR INVESTMENT PARTNERS - Alan Fressle

STANDISH MELLON - Eric Pflaum, CFA, and Daniel W. Lass, Senior Vice President

DISCUSSION

The Committee discussed the three managers, ultimately deciding that Stone Harbor Investment Partners would be the best fit for the Retiree Health Care Benefit Plan & Trust, and that a hiring recommendation should be made to the Board of Trustees at the March regular Board meeting.

It was **moved** by Flack and **seconded** by Clark to recommend that the Board of Trustees hire Stone Harbor Investment Partners as the new Emerging Markets Debt Manager, funding 3% of the portfolio at approximately \$2.5 million.

Approved

Mr. Urban also discussed funding the System's new bank loan manager, Beachpoint Capital from the cash portion of the portfolio at approximately \$3.5 million, half from the Russell 1000, and half from the Barclay's Aggregate. Additionally, Meketa recommended investing \$3 million of cash, allocating \$1.5 million to the Russell 1000 and \$1.5 million to the Barclay's Aggregate. The Committee decided that this direction should also be discussed at the March Board meeting.

It was **moved** by Flack and **seconded** by Monroe to recommend the funding of the new bank loan manager, Beachpoint Capital, from the cash portion of the portfolio with approximately \$3.5 million, half from the Russell 1000 and half from the Barclay's Aggregate. In addition, a recommendation will be made to invest \$3 million in cash, allocating \$1.5 million to the Russell 1000 and \$1.5 million to the Barclay's Aggregate.

Approved

ADJOURNMENT

It was **moved** by Clark and **seconded** by Flack to adjourn the meeting at 5:45 p.m.

Meeting adjourned at 5:45 p.m.

F-2 Preliminary Investment Reports for the Month Ended February 29, 2012

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended February 29, 2012, to the Board of Trustees:

2/29/2012 Asset Value (Preliminary)	\$88,238,948
1/31/2012 Asset Value (Audited by Northern)	\$85,956,297
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$4,910,733
Percent Gain <Loss>	5.9%
March 14, 2012 Asset Value	\$89,465,496

F-3 Legal Report - None

G. TRUSTEE COMMENTS

Mr. Heusel requested that staff email the Board Retreat agenda. Mr. VanOverbeke wanted to confirm that the Board desired his attendance at the Retreat, and was advised that they would like him to be present, and that there are items on the agenda for him to address.

H. FUTURE AGENDA ITEMS

- ***New Hires / Accounting Procedures for \$2,500 City Contributions (Walker)***

I. INFORMATION

I-1 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	State Street Global Advisors	301.90	Investment Mgmt. Fees – 10/1/11 – 12/31/11
	TOTAL	301.90	

J. ADJOURNMENT

It was **moved** by Heusel and **seconded** by Nerdrum to adjourn the meeting at 10:24 a.m.

Meeting adjourned at 10:24 a.m.

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