

**CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST
BOARD OF TRUSTEES
Minutes for the Regular Board Meeting
May 19, 2011**

The meeting was called to order by Nancy Sylvester, Chairperson, at 11:17 a.m.

ROLL CALL

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

AUDIENCE COMMENTS

Mr. Diephuis stated that when the Board is selecting officers, it would be helpful in the future to have a document available which shows the various duties and responsibilities of each officer.

A. APPROVAL OF AGENDA

It was **moved** by Flack and **seconded** by Crawford to approve the agenda as presented.
Approved

B. APPROVAL OF MINUTES

B-1 March 17, 2011 Regular Retiree Health Care Benefit Plan & Trust Board Meeting

It was **moved** by Crawford and **seconded** by Clark to approve the March 17, 2011 Board meeting minutes as submitted.

Motion passes; 1 abstain (Heusel)

C. CONSENT AGENDA - None

D. ACTION ITEMS

D-1 Election of Board Officers – Chairperson, Vice-Chairperson & Secretary

It was **moved** by Crawford and **seconded** by Flack to elect the same slate of officers as the Retirement System.

Approved

D-2 Investment Policy Committee Appointments

It was **moved** by Flack and **seconded** by Crawford to maintain the same IPC appointments as the Retirement System.

Approved

D-3 Resolution to Rebalance Plan Assets

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, the Board of Trustees has an approved Investment Policy Statement in order to effectively monitor its portfolio, 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, 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, as of March 31st the Retiree Health Care Benefit Plan & Trust (VEBA) was overweight it's mid and small cap equity allocation targets by approximately 1% and 5%, and

WHEREAS, Meketa Investment Consultants has advised the Board to rebalance assets **from** the Rhumblin S&P 400 Index fund in the amount of \$1,000,000 and **from** the Southern Sun Assets Small Cap in the amount of \$4,000,000 **to** the Northern Trust Barclays Aggregate Bond Index-LS in the amount of \$5,000,000, so be it

RESOLVED, that the Board of Trustees authorizes the Executive Director to reallocate assets **from** the Rhumblin S&P 400 Index fund in the amount of \$1,000,000, and **from** the Southern Sun Assets Small Cap in the amount of \$4,000,000, **to** the Northern Trust Barclays Aggregate Bond Index-LS in the amount of \$5,000,000.

It was **moved** by Hastie and **seconded** by Crawford to approve the Resolution to Rebalance Plan Assets.

Approved

E. DISCUSSION ITEMS - None

F. REPORTS

F-1 Investment Policy Committee Minutes – April 5, 2011 & April 27, 2011

F-1a IPC April 5, 2011

Following are the Retiree Health Care Benefit Plan & Trust Investment Policy Committee minutes from the meeting convened at 4:42 p.m. on **April 5, 2011**:

Member(s) Present: Hastie, Monroe, Sylvester
Member(s) Absent: Flack
Other Trustees Present: Clark, Crawford
Staff Present: Kluczynski, Walker
Others Present: Ted Urban, Meketa Investment Group
David Diephuis, City Resident

VEBA QUARTERLY PERFORMANCE REPORT FOR DECEMBER 31, 2010

Mr. Urban reviewed the performance report for December 31, 2010. The Fund's total market value as of December 31, 2010 was \$76.6 million, which is an increase of \$6.5 million from September 30, 2010. The increase was driven by strong investment performance during the quarter, and it is within its target range for all asset classes except real estate; the Plan's allocation is 5% below its

target allocation of 10%. The Fund had a return of 9.3% net of fees for the 4th quarter, and a return of 19.2% for the year.

Summary of Assets as of December 31, 2010:

Managers	Market Value
Domestic Equity Composite	39,700,000
International Equity Composite	11,300,000
Fixed Income	19,500,000
Real Estate	3,500,000
Cash	2,600,000
Total Plan	\$76,600,000

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by Clark to adjourn the meeting at 5:08 p.m.
Meeting adjourned at 5:08 p.m.

F-1b IPC April 27, 2011

Following are the Retiree Health Care Benefit Plan & Trust Investment Policy Committee minutes from the meeting convened at 8:05 p.m. on **April 27, 2011**:

Member(s) Present: Flack, Hastie, Monroe, Sylvester
 Member(s) Absent: None
 Other Trustees Present: Clark
 Staff Present: Jarskey, Walker
 Others Present: Fran Peters, Henry, Juang, Ted Urban, Meketa Investment Group
 David Diephuis, City Resident

INITIAL FUND REVIEW WITH MEKETA INVESTMENT GROUP

Mr. Urban stated that relative to the market, this fund is significantly overweight in relation to the targets, and if the Committee grants approval for Ms. Walker to perform the rebalancing, Meketa can work with her to make sure the VEBA Fund is at its target. Mr. Peters stated that both funds are in a similar position, so it would be logical to do the rebalancing in the same way, and the Committee agreed, with the understanding that Ms. Walker will forward the figures to the Committee.

ADJOURNMENT

It was ***moved*** by Sylvester and ***seconded*** by Flack to adjourn the meeting at 8:10 p.m.
Meeting adjourned at 8:10 p.m.

F-2 Preliminary Investment Reports for the Month Ended April 30, 2011

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended April 30, 2011, to the Board of Trustees:

4/30/2011 Asset Value (Preliminary)	\$82,659,187
3/31/2011 Asset Value (Audited by Northern)	\$81,272,031
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$7,358,296

Percent Gain <Loss>	9.8%
May 18, 2011 Asset Value	\$ 82,504,144

F-3 Legal Report – No Report

G. TRUSTEE COMMENTS - None

H. FUTURE AGENDA ITEMS - None

I. INFORMATION

I-1 Record of Paid Invoices

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

I-1a April 21, 2011

	PAYEE	AMOUNT	DESCRIPTION
1	Meketa Investment Group, Inc.	2,916.67	Investment Consultant Retainer – March 2011
	TOTAL	2,916.67	

I-1b May 19, 2011

	PAYEE	AMOUNT	DESCRIPTION
1	Gray & Company	1,827.37	Investment Consultant Retainer – February 2011
2	Meketa Investment Group	2,916.67	Investment Consultant Retainer – April 2011
3	Southern Sun Asset Management	25,906.00	Investment mgmt. Fees: January-March 2011
4	RhumbLine Advisers	1,605.00	Investment mgmt. Fees: January-March 2011
5	Bradford & Marzec, Inc.	10,490.18	Investment mgmt. Fees: January-March 2011
6	Fisher Investments	26,603.53	Investment mgmt. Fees: January-March 2011
	TOTAL	69,348.75	

J. ADJOURNMENT

It was **moved** by Flack and **seconded** by Monroe to adjourn the meeting at 11:24 a.m.

Meeting adjourned at 11:24 a.m.

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