

**CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST  
BOARD OF TRUSTEES  
Minutes for the Regular Board Meeting  
November 19, 2015**

The meeting was called to order by Jeremy Flack, Chairperson, at 9:41 a.m.

**ROLL CALL**

Members Present: Clark, DiGiovanni, Flack, Hastie, Lynch, Nerdrum  
Members Absent: Crawford, Heusel, Monroe  
Staff Present: Jarskey, Kluczynski, Walker  
Others: Michael VanOverbeke, Legal Counsel  
Mark Kettner, Rehmann Robson

**AUDIENCE COMMENTS – None**

**A. APPROVAL OF AGENDA**

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

**B. APPROVAL OF MINUTES – October 15, 2015**

It was **moved** by Nerdrum and **seconded** by Hastie to approve the October 15, 2015 Board Meeting minutes as submitted.  
**Approved**

**C. CONSENT AGENDA – None**

**D. ACTION ITEMS**

**D-1 Presentation: Audited Financial Statements for the Fiscal Year Ended June 30, 2015**

Mr. Kettner was present to review the June 30, 2015 Audited Financial Statements, and stated that this year's audit went very smoothly with no issues or concerns. The Statements of Plan Net Position is shown below:

<b>Statements of Plan Net Position</b>		
June 30, 2015 and 2014		
	2015	2014
<b>Assets</b>		
Investments, at fair value:		
Equities	\$ 75,073,418	\$ 74,607,812
Fixed income	41,633,632	40,165,654
Other	15,483,264	12,422,204
<b>Total investments</b>	<b>132,190,314</b>	<b>127,195,670</b>
Equity in City of Ann Arbor pooled cash and investments	1,050,543	563
Accrued interest and dividends	229,103	214,392
Due from broker for securities sold	78,549	929,470
<b>Total assets</b>	<b>133,548,509</b>	<b>128,340,095</b>
<b>Liabilities</b>		
Accrued liabilities	53,009	48,663
Due to broker for securities purchased	306,461	1,066,265
<b>Total liabilities</b>	<b>359,470</b>	<b>1,114,928</b>
<b>Net position restricted for pensions</b>	<b>\$ 133,189,039</b>	<b>\$ 127,225,167</b>

It was **moved** by Nerdrum and **seconded** by DiGiovanni to accept the Audited Financial Statements for the Fiscal Year Ended June 30, 2015

**Approved**

**E. DISCUSSION ITEMS - None**

**F. REPORTS**

**F-1 Investment Policy Committee Minutes – November 5, 2015**

Following are the Investment Policy Committee minutes from the meeting convened at 3:06 p.m. on November 5, 2015:

Member(s) Present: Clark, DiGiovanni, Hastie (via telephone), Monroe  
Member(s) Absent: Flack  
Other Trustees Present: None  
Staff Present: Kluczynski, Walker  
Others Present: Henry Jaung, Meketa Investment Group (via telephone)  
Richard Friary, SouthernSun Asset Management (via telephone)

**SEPTEMBER 30, 2015 QUARTERLY INVESTMENT REVIEW**

Mr. Jaung presented the Quarterly Investment Review for the quarter ended September 30, 2015:

- As of September 30, 2015, the VEBA was valued at \$125.5 million, a decrease of \$6.6 million for the third quarter.
  - During the third quarter, the VEBA reported net cash inflows of approximately \$0.9 million.
- The VEBA returned -5.7% for the second quarter, and -4.0% for the calendar year-to-date period, net of fees.
  - The VEBA second quarter return was driven by volatility across most markets. All asset classes produced negative returns with the exception of investment grade bonds, bank loans, and real estate.
  - All equities posted negative performance for the quarter. International emerging markets, international developed markets, and domestic equities returned, -15.3%, -10.3%, and -8.8%, respectively.
  - Investment grade bonds achieved the highest return within fixed income (+1.2%), followed by bank loans (+0.1%). Emerging market debt, high yield bonds, and TIPS all declined for the quarter, posting returns of -11.8%, -3.6%, and -0.9%, respectively.
- At the end of September, the VEBA was within all of its asset allocation target ranges, with the exception of investment grade bonds. The investment grade bond (+9%) overweight primarily offsets the current TIPS underweight (-7%).

**CONFERENCE CALL: SOUTHERN SUN ASSET MANAGEMENT**

The Committee conducted a conference call with Richard Friary of SouthernSun Asset Management regarding their recent investment performance. Mr. Friary discussed recent ownership changes, recent performance, and discussed significant growth in the company from 2009-2013. Mr. Friary reviewed recent performance, stating that the portfolio is up 4.8% for October and November is off to a decent start. The conference call ended at 4:24 p.m.

## SMALL CAP MANAGER DISCUSSION

Mr. Jaung further discussed SouthernSun, stating that they still are a solid company and suggested that the Committee continue to monitor their performance going forward. The Committee agreed.

## UPCOMING MEETING SCHEDULE

The Committee discussed its upcoming schedule, deciding that there will be no meeting on December 1<sup>st</sup> and no meeting on January 5, 2016 as originally scheduled, but that Mr. Jaung will attend the January 21, 2016 regular Board meeting to give the full Board a review of the investment performance for calendar year 2015.

## ADJOURNMENT

**Meeting adjourned at 4:53 p.m.**

### **F-2 Preliminary Investment Reports for the Month Ended October 31, 2015**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended October 31, 2015, to the Board of Trustees:

10/31/2015 Asset Value (Preliminary)	\$130,774,624
9/30/2015 Asset Value (Audited by Northern)	\$125,597,566
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$65,678)
Percent Gain <Loss>	-0.1%
<b>November 18, 2015 Asset Value</b>	<b>\$130,663,402</b>

### **F-3 Legal Report – No Report**

**G. TRUSTEE COMMENTS - None**

**H. FUTURE AGENDA ITEMS - None**

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

**I-1 Record of Paid Invoices**

**J. ADJOURNMENT**

It was **moved** by Nerdrum and **seconded** by Hastie to adjourn the meeting at 9:57 a.m.  
**Meeting adjourned at 9:57 a.m.**



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