

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

Minutes for the Regular Board Meeting

August 20, 2020

B

The meeting was called to order by Board Secretary, Dave Monroe, at 11:03 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX*), Flack(*11:05 a.m. arrival, Via TX*), Hastie(*Via TX*), Lynch(*Via TX*), Monroe(*Via TX*), Peariso (*Via TX*), Schreier(*Via TX*)

Members Absent: Nerdrum

Staff Present: Buffone(*Via TX*), Gustafson(*Via TX*), Hollabaugh(*Via TX*), Orcutt(*Via TX*)

Others: Michael VanOverbeke(*Via TX*), Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by Schreier and **seconded** by Peariso to approve the agenda as submitted.
Approved

B. APPROVAL OF MINUTES

B-1 July 16, 2020 Regular Board Meeting

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

C. CONSENT AGENDA – None.

D. ACTION ITEMS - None.

E. DISCUSSION ITEMS

E-1 Return Assumption Discussion

Mr. Hastie discussed the 2020 Discount Rate stating that it is widely acknowledged that future investment returns will likely be lower than the past. The current policy using the 2020 Meketa projections is equal to a 6.9% expected return. The same policy using the 2012 Meketa projections is equal to a 7.9% expected return. Meketa data shows a 50%/50% chance of hitting a target return of 7% and this is not sufficient and a substantial reduction from 10 years ago. The Board further discussed the matter, considering three different options, one of which was reducing the discount rate to 6.5% over a 5-year period, changing by 10 basis points per year. The Board will continue to discuss and conclude at the September Board meeting. GRS will also be present at the September Board meeting to provide further modeling results.

E-2 OPEB Funding Policy

Mr. Horning informed the Board of recent changes to the OPEB Funding Policy as a result

of the COVID-19 pandemic. The City of Ann Arbor has proposed changing the targeted percentage funded from 100% to 90% funding. The remaining 10% will be reserved for in the City's Risk Fund. Retaining these funds in the Risk Fund provides the dual purpose of having a sufficient reserve for benefits which are not permanently legally restricted for OPEB costs, as well as having the funds available as a "rainy-day" reserve.

F. REPORTS

F-1 Preliminary Investment Reports for the Month Ended July 31, 2020

Maria Buffone, Accountant, submitted the Financial Report for the month ended July 31, 2020, to the Board of Trustees:

7/31/2020 Asset Value (Preliminary)	\$199,353,440
6/30/2020 Asset Value (Audited by Northern)	\$193,104,311
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$1,295,854
Percent Gain <Loss>	0.65%
August 19, 2020 Asset Value	\$204,835,876

F-3 Legal Report – None

G. TRUSTEE COMMENTS / SUGGESTIONS

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.

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Loomis Sayles	\$5,027.16	Investment Management Fees 4/1/2020 - 6/30/2020
2	Rhumblin (HEDI)	\$5,716.00	Investment Management Fees 4/1/2020 - 6/30/2020
3	Rhumblin	\$763.00	Investment Management Fees 4/1/2020 - 6/30/2020
4	IRM	\$1,454.58	Investment Management Fees 4/1/2020 - 6/30/2020
	Total	\$12,960.74	

J. ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Lynch to adjourn the meeting at 11:10 a.m.
Meeting adjourned at 11:10 a.m.

Wendy Orcutt

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