

**CITY OF ANN ARBOR RETIREE HEALTH CARE BENEFIT PLAN & TRUST  
BOARD OF TRUSTEES  
Minutes for the Regular Board Meeting  
November 21, 2019**

**B**

The meeting was called to order by Board Chair Person, Jeremy Flack, at 8:36 a.m.

**ROLL CALL**

Members Present: Crawford, DiGiovanni, Flack, Hastie(8:41 a.m. arrival), Lynch, Monroe, Peariso  
Members Absent: Nerdrum, Schreier  
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Jim Anderson, GRS (Depart at 9:38 a.m.)  
Rich Koch, GRS (Depart at 9:38 a.m.)

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**Approved**

**B. APPROVAL OF MINUTES**

**B-1 October 17, 2019 Regular Board Meeting**

It was **moved** by Crawford and **seconded** by Peariso to approve the October 17, 2019 Board Meeting minutes as submitted.

**Approved**

**C. CONSENT AGENDA – None**

**D. ACTION ITEMS**

**D-1 PRESENTATION: Actuarial Valuation for Fiscal Year End June 30, 2019**

Mr. Anderson, Mr. Koch from GRS were present to review the drafted Actuarial Valuation for fiscal year ending June 30, 2019. Mr. Crawford noticed that the Estimated City Contribution on page A-2 and F-2 was incorrect. The Funding Policy states the City will pay the higher of the prior year contributions increased by 2% or the ADC, rather than a 2% increase on the prior year ADC. After further discussion, the Board decided to have the Estimated City Contributions confirmed and to have GRS prepare a revised VEBA and Retirement System Valuation for approval at the December meeting.

**D-2 Audited Financial Statements for the Fiscal Year Ended June 30, 2019**

Ms. Orcutt informed the Board that the audit went well and no issues were found. The Board found no suggested changes or corrections.

It was **moved** by Crawford and **seconded** by Hastie to accept the FYE June 30, 2019 Audited Financial Statements as submitted.

**Approved**

**D-3 Resolution to Invest in DRA Fund X**

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 as the Retirement System's investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have discussed an additional allocation to value added real estate in accordance with the Pacing Study reviewed at the October 2, 2018 IPC, and

WHEREAS, a current real estate manager, DRA, offers the Growth and Income Fund X, LLC, with a final close at the end of 2019, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with DRA Growth and Income Fund X, LLC so be it

RESOLVED, that the Board of Trustees approve the investment In DRA Growth and Income Fund X, LLC with a commitment in the amount of \$ 4 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Crawford and **seconded** by Monroe to approve the investment in DRA Growth and Income Fund X, LLC with a commitment in the amount of \$4 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 – November 5, 2019**

*Following are the Investment Policy Committee minutes from the meeting convened at 4:03 p.m. on November 5, 2019:*

*Member(s) Present: Crawford, Hastie, Monroe  
Member(s) Absent: DiGiovanni, Flack  
Other Trustees Present: None  
Staff Present: Buffone, Hollabaugh, Orcutt  
Others Present: Henry Jaung, Meketa Investment Group*

### **DRA GROWTH AND INCOME FUND X OVERVIEW**

Meketa provided the Committee with an overview of the DRA Growth and Income Fund X recommending that the VEBA invest in this fund. The Committee further discussed the fund with Mr. Jaung and decided to make the following motion:

It was **moved** by Monroe and **seconded** by Crawford to recommend to the Board to invest \$4 million in the DRA Growth and Income Fund X, LLC.

**Approved**

### **PERFORMANCE UPDATE AS OF SEPTEMBER 30, 2019; INCLUDING ACT 314 COMPLIANCE**

As of September 30, 2019, the balance of the Funds were \$188,116,438 for VEBA. Fiscal year to date performance was 0.9% for VEBA net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

### **ALTERNATIVE BETA OVERVIEW**

Mr. Jaung discussed Alternative Beta strategies with the Committee. Alternative Beta strategies aim to achieve better risk-adjusted performance relative to cap-weighted indices and are constructed with specific objectives such as targeting value, momentum, or quality exposures; lowering volatility; or reducing stock specific risks. Meketa suggested bringing in a representative from Northern Trust to provide an educational overview. Mr. Hastie suggested that this topic be discussed further and also requested that Meketa provide scenarios to review.

### **DFA STRATEGY CHANGE**

Mr. Jaung informed the Committee of recent portfolio construction changes with DFA. The implication going forward is that the DFA EM All Cap Value portfolio is likely to carry more single country absolute risk than has been the case historically. However, single country benchmark-relative risk (i.e., tracking error) is likely to decline significantly. The portfolio's underweight to China has grown to become between 70-80% of the portfolio's total tracking error.

### **MID CAP ACTIVE STRATEGY**

The Mid Cap indices held in the VEBA have consistently underperformed their benchmarks, with performance ranking in the bottom half percentile among peers in all trailing time periods. Meketa recommends exploring the option of adding active Mid Cap manager to the VEBA portfolio. The Committee agreed to discuss this further at the next IPC meeting.

### **ENTRUST SPECIAL OPPORTUNITIES OVERVIEW**

This item was postponed due to time constraints.

### **REVIEW DRAFT OF INVESTMENT CONSULTANT RFP**

This item was postponed due to time constraints.

### **ADJOURNMENT**

It was **moved** by Crawford and **seconded** by Monroe to adjourn the meeting at 4:14 p.m.  
**Meeting adjourned at 4:14 p.m.**

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

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

9/30/2019 Asset Value (Preliminary)	\$188,517,640
10/31/2019 Asset Value (Audited by Northern)	\$190,582,393
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$24,649,209
Percent Gain <Loss>	15.08%
<b>October 17, 2019 Asset Value</b>	<b>\$192,758,179</b>

**F-3 Legal Report – None**

**G. TRUSTEE COMMENTS / SUGGESTIONS - None**

**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	Yeo & Yeo	\$2,500.00	Professional Services through 9/30/19
2	IRM	\$1,404.35	Investment Management Fees Q3 2019
3	GRS	\$7,200.00	GASB 74/75 Valuation Jan - Sept 2019
4	GRS	\$19,800.00	VEBA Valuation Jan - Sept 2019
5	Rhumblin	\$838.00	Investment Management Fees Q3 2019
6	Loomis Sayles	\$5,981.54	Investment Management Fees Q3 2019
	<b>Total</b>	<b>\$37,723.89</b>	

**J. ADJOURNMENT**

It was **moved** by Schreier and **seconded** by Lynch to adjourn the meeting at 9:47 a.m.  
**Meeting adjourned at 9:47 a.m.**

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