

FINAL

CITY OF FARMINGTON RETIREE HEALTH CARE FUND December 5, 2017

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Tuesday, December 5, 2017 at Farmington City Hall, 23600 Liberty Street, Farmington, Michigan. Notice of the meeting was posted in compliance with Public Act 267-1976.

The meeting was called to order at 9:00 a.m. by Chairman Schneemann.

PRESENT: Murphy, Schneemann, Weber.

ABSENT: None.

OTHERS PRESENT: Amy Cole, Vice President, MSSB Graystone; William Messner, Executive Director-Investments, MSSB Graystone, Sue Halberstadt, Recording Secretary.

MINUTES OF PREVIOUS MEETINGS

MOTION by Murphy, seconded by Weber, to approve the regular meeting minutes of August 22, 2017 and special meeting minutes of November 10, 2017. MOTION CARRIED UNANIMOUSLY.

TREASURER'S REPORT

Financial Report: quarter ending September 30, 2017.

MOTION by Murphy, seconded by Weber, to accept the Treasurer's Report for quarter ending September 30, 2017 as presented. MOTION CARRIED UNANIMOUSLY.

ADMINISTRATOR'S REPORT

Summary Report – quarter ending September 30, 2017

Quarterly Report – quarter ending September 30, 2017

Fund Manager's Report: Morgan Stanley Smith Barney (MSSB), Graystone Consulting - Quarter Ending September 30, 2017

Bill Messner and Amy Cole of MSSB, Graystone Consulting, provided a report on investments through quarter ending September 30, 2017. Messner indicated they will be conducting an asset allocation study based on the goals and objectives of the Statement of Investment Policy. He stated they want to put together a portfolio that will give a high probability of making the actuarial assumption. He advised this information would be provided at the next meeting. He stated they will be reviewing each Fund Manager as part of the study, noting 80% will likely be retained.

Discussion ensued regarding markets, investment climate and factors to consider going forward. Messner stated overall the portfolio is in good shape with good returns at around 14.4% for the calendar year.

MOTION by Weber, seconded by Murphy, to approve the Administrator's Report as presented.
MOTION CARRIED UNANIMOUSLY.

REVIEW OF ACTUARY REPORTS

City of Farmington Retiree Health Care Plan Actuarial Valuation Report – June 30, 2016

City of Farmington Retiree Health Care Plan GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans – June 30, 2017

Weber advised two different actuarial reports were received as a result of recent pronouncements from GASB. He stated the first report, Actuarial Valuation, done as of June 30, 2016, is used for funding purposes. The second report, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, done as of June 30, 2017, is used strictly for financial reporting. He stated GASB is not concerned with how plans are funded, but requires financial reporting that is based on standard measurements.

Weber went on to review key elements of each report. He noted that the long term expected rate of return on OPEB plan investments was reduced from 8% to 7% using a mathematical formula based on a combination of expected future rates of return for each asset class.

MOTION by Murphy, seconded by Weber, to accept the City of Farmington Retiree Health Care Plan Actuarial Valuation Report – June 30, 2016; and the City of Farmington Retiree Health Care Plan GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans – June 30, 2017.

ANNUAL REVIEW OF INVESTMENT POLICY

Messner discussed the current Statement of Investment Policy and reviewed some of the changes they will recommend at a future meeting. He noted on Page 7, under Specific Investment Goals, they will provide a more firm definition of what the Relative Policy Index will be. He stated under Absolute Performance, percentage will be reduced from 8% to 7%.

Messner noted on Page 12, Guidelines for Fixed Income Investments and Cash Equivalents, they believe the guidelines are too restrictive and redundant. They will recommend a much more streamlined fixed income guideline.

Messner also noted their recommendation will include changes to Exhibit A, Asset Allocation Guidelines, to expand investment in asset classes currently not targeted.

OTHER BUSINESS

Board Meeting Schedule for 2018

- i. February 13, 2018
- ii. May 22, 2018
- iii. August 21, 2018
- iv. November 20, 2018

MOTION by Murphy, seconded by Weber, to approve the 2018 Board Meeting Schedule as presented.
MOTION CARRIED UNANIMOUSLY.

MISCELLANEOUS

Public Comment

No public comment was heard.

Trustee Comment

No trustee comment was heard.

ADJOURNMENT

MOTION by Weber, seconded by Murphy, to adjourn the meeting. MOTION CARRIED UNANIMOUSLY.

Meeting adjourned at 10:30 a.m.

Christopher M. Weber, Secretary

APPROVED: February 13, 2018