

FINAL

CITY OF FARMINGTON RETIREE HEALTH CARE FUND February 18, 2020

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Tuesday, February 18, 2020 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 9:02 a.m. by Murphy.

PRESENT: Bowman, Murphy, Weber

OTHERS PRESENT: Erik Burger and Amy Cole of MSSB Graystone Consulting Financial Advisors and Recording Secretary Mary Mullison.

APPROVAL OF AGENDA

Agenda was approved as presented.

MOTION by Weber, seconded by Murphy, to approve agenda as amended.
MOTION CARRIED UNANIMOUSLY.

MINUTES OF PREVIOUS MEETINGS

MOTION by Weber, seconded by Murphy, to approve the regular meeting minutes of November 19, 2019.
MOTION CARRIED UNANIMOUSLY.

TREASURER'S REPORT

Financial Report: quarter ending December 31, 2019.

MOTION by Murphy, seconded by Weber, to accept the Treasurer's Report for quarter ending December 31, 2019 as presented.
MOTION CARRIED UNANIMOUSLY.

ADMINISTRATOR'S REPORT

Summary Report – quarter ending December 31, 2019

Detail Report – quarter ending December 31, 2019

Weber reviewed the Administrator's reports for quarter ending December 31, 2019. He stated an overview of the fund's current position and discussed anticipated annual earnings and premiums.

Fund Manager's Report: Morgan Stanley Smith Barney (MSSB), Graystone Consulting - Quarter Ending December 31, 2019

Erik Burger and Amy Cole of MSSB, Graystone Consulting provided a report on investments through quarter ending December 31, 2019.

Discussion ensued regarding markets and performance over the quarter. Cole noted that the last few years was risk on and risk off with worries about recession and what's happening globally. She described the Federal response to both and why liquidity was helpful to the system. She explained why market movement had informed changes in the quarter and the fiscal year, stating that the Coronavirus has impacted the market and made it volatile. From a positioning standpoint, Morgan Stanley thinks 20% exposure to the outside is enough. They favor a higher quality portfolio to keep profits steady. A 7% return is their goal and they think Farmington has a good chance at that. Election year concerns were discussed and analyzed, as well as risk awareness and adjustments needed.

Burger went through fiscal year earnings, asset allocations, balance of stocks to bonds, and return in a low bond market. He reviewed manager performance and a break out of market values for each fund. Cole explained their intent with equity returns and risk adjustment in choosing managers. Burger continued with manager performance and safety versus risk. Burger stated that real estate has been a nice diversifier in the portfolio.

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

INVESTMENT REBALANCE

Burger reviewed suggested rebalancing both funds to hit the City's policy target. Weber indicated that he will project costs with retirees to anticipate movement from pre-Medicare to Medicare costs. The asset allocation study informs rebalance plans in the most risk-aware way, staying within what Council agreed to as a policy target.

MOTION by Weber, seconded by Murphy, to rebalance portfolio as presented.
MOTION CARRIED UNANIMOUSLY.

PRESENTATION

Retiree Health Care Costs

Weber reviewed Retiree Health Care costs over the last ten years.

MOTION by Murphy, seconded by Weber, to accept and file Retiree Health Care costs report as presented.
MOTION CARRIED UNANIMOUSLY.

ANNUAL REVIEW OF INVESTMENT POLICY

Burger described what funds Greystone recommends to broaden the investment options available.

MOTION by Weber, seconded by Murphy, to accept proposed change presented.
MOTION CARRIED UNANIMOUSLY.

OTHER BUSINESS

Asset Allocation Review & Monte Carlo Simulation (15-Year)

Burger reviewed expected return over the next fifteen years, with certain assumptions. No changes were recommended at this time, though Greystone will look again in May with new numbers. The

Monte Carlo Analysis from November indicated a 90% probability of reaching 2035 with more than \$0 in the fund which is a very favorable outcome.

Cole explained the Monte Carlo Simulation and what it achieves for projecting forward by running current numbers through market scenarios over the next fifteen years. The plan is in a really good position and this is higher than earlier projections for Farmington.

MISCELLANEOUS

Public Comment

No public comment was heard.

Trustee Comments

No Trustee comment was heard.

ADJOURNMENT

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

Meeting adjourned at 10:08 a.m.

Christopher M. Weber, Secretary

APPROVED: May 19, 2020