

FINAL

CITY OF FARMINGTON RETIREE HEALTH CARE FUND May 19, 2020

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Tuesday, May 19, 2020 via a virtual meeting on the Zoom platform. Notice of the meeting was posted in compliance with Public Act 267-1976 and electronically as authorized by Executive Order 2020-48 signed by Governor Whitmer on April 14, 2020.

The meeting was called to order at 9:05 am by Bowman.

PRESENT: Bowman, Murphy, Weber

OTHERS PRESENT: William Messner, 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 Murphy, seconded by Weber, to approve agenda as presented.
MOTION CARRIED UNANIMOUSLY.

MINUTES OF PREVIOUS MEETINGS

MOTION by Weber, seconded by Murphy, to approve the regular meeting minutes of February 18, 2020.
MOTION CARRIED UNANIMOUSLY.

TREASURER'S REPORT

Financial Report: quarter ending March 31, 2020.

MOTION by Murphy, seconded by Weber, to accept the Treasurer's Report for quarter ending March 31, 2020 as presented.
MOTION CARRIED UNANIMOUSLY.

ADMINISTRATOR'S REPORT

Summary Report – quarter ending March 31, 2020

Detail Report – quarter ending March 31, 2020

Weber reviewed the Administrator's reports for quarter ending March 31, 2020. He gave 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 March 31, 2020

William Messner, Erik Burger, and Amy Cole of MSSB, Graystone Consulting provided a report on investments through quarter ending March 31, 2020.

Cole noted targets going forward after the past few months, having survived the worst of what the market has seen so far with a fall and rebound, a low on March 23rd, and a swift response by Federal policy with relief and liquidity. This brought confidence to the market and the CARES Act also assisted as a bridge to income streams. She said that this looks more like a recession than a depression now because of this response. Politics and fiscal response should be watched, consumer confidence is down, and it's difficult to figure what right prices are. Cole suggested that with consumer driven sales and profitability, she predicts a sideways pattern for the next three to six months. Science and treatment news will make a difference, so there is an opportunity for upside surprises. She suggested several scenarios and discussed outcomes, noting that there might be a very big disconnect. She stated that they would continue to watch those pieces and that the ranges might be really wide. There has been a 20% drop in earnings expectations, which they will watch over the next few weeks. She summarized the fiscal response in other parts of the world.

Burger walked the Board through the documents submitted for Farmington's portfolio through the end of March. He pointed out that Farmington's portfolio had gained back meaningful ground since then, and gave breakdowns by manager with rebalance suggestions for recovery. There will be a difficulty to find the correct valuation but it is anticipated to be better in April and they will watch through May. Leases and ability of renters to pay will play a role.

Discussion ensued regarding bond liquidity, damage in the energy space, providing liquidity, and the ability to move in and out. Cole said that real estate changes such as the predictor of office work not returning to brick and mortar offices might be just an acceleration of a trend that we might have seen happen over several years. She noted that really good fund managers will transform with what is the reality of the future. Portfolios will shift to different markets depending on dynamic unfolding, and they are working to position this portfolio to meet the future.

Weber asked whether Graystone had any concerns about specific managers at this time, but was assured that there was no concern after review. Growth opportunities might change the risk return profile to benefit the plan. Discussion continued on what we do from here and alternative assets to minimize a downside.

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

INVESTMENT REBALANCE

Cole suggested rebalancing bonds and investments in light of an opportunity set for recovery. Weber asked about Loomis bounce back after this, and Cole replied that once the funds were back to the repair phase there would be a multiyear opportunity set. At a moment like this, you would want to be able to allow for dramatic recovery on asset side, though the bond side requires more.

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

MISCELLANEOUS

Public Comment

No public comment was heard.

Trustee Comments

Bowman thanked Graystone, and was pleased to hear a better response than she expected. If we survived the worst of what we have seen, it's good not to get a gloom and doom report.

ADJOURNMENT

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

Meeting adjourned at 9:53 am

Christopher M. Weber, Secretary

APPROVED: August 18, 2020