

FINAL

CITY OF FARMINGTON RETIREE HEALTH CARE FUND

May 22, 2018

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Tuesday, May 22, 2018 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 9:04 a.m. by Chairman Schneemann.

PRESENT: Murphy, Schneemann, Weber.

ABSENT: None.

OTHERS PRESENT: MSSB Graystone Consulting: William Messner, Executive Director-Institutional Consultant, Amy Cole, Financial Advisor, and Erik Burger, Financial Advisor; and Sue Halberstadt, Recording Secretary.

APPROVAL OF AGENDA

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

MINUTES OF PREVIOUS MEETINGS

MOTION by Murphy, seconded by Weber, to approve the regular meeting minutes of February 13, 2018. MOTION CARRIED UNANIMOUSLY.

TREASURER'S REPORT

Financial Report: quarter ending March 31, 2018.

MOTION by Weber, seconded by Murphy, to accept the Treasurer's Report for quarter ending March 31, 2018 as presented. MOTION CARRIED UNANIMOUSLY.

ADMINISTRATOR'S REPORT

Summary Report – quarter ending March 31, 2018

Quarterly Report – quarter ending March 31, 2018

Weber reviewed the Administrator's reports for quarter ending March 31, 2018. He discussed anticipated annual premiums and trends based on the current retirees and the number of active employee participants in the plan.

Fund Manager's Report: Morgan Stanley Smith Barney (MSSB), Graystone Consulting - Quarter Ending March 31, 2018

William Messner, Amy Cole and Erik Burger of MSSB, Graystone Consulting, provided a report on investments through quarter ending March 31, 2018.

Discussion ensued regarding market volatility, investment climate and factors to consider going forward.

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

DISCUSSION

Potential Hedge Fund, Real Estate, Real Asset Managers

Messner advised the RHC portfolio does not qualify for investment in private real estate due to a minimum investment requirement of \$25 million, however, commercial real estate is an option. He discussed the basis on which they recommend Blackstone Real Estate Income Trust (BREIT) for commercial real estate investment. Some of the benefits of BREIT include: no selling commissions, no management fee (annual advisor fee only), big name real estate manager, option to get out, diversified portfolio concentrated in high growth markets, and favorable returns with lower volatility.

The Board concurred to set a special meeting in early June to discuss this option.

INVESTMENT REBALANCE

MOTION by Murphy, seconded by Weber, to approve the recommended rebalance of the portfolio as presented. [SEE ASSET ALLOCATION DISTRIBUTION] MOTION CARRIED UNANIMOUSLY.

OTHER BUSINESS

Review of Tables Showing the Number of Actives Eligible for RHC and Retirees Receiving Benefits

Weber reviewed tables providing data on active and inactive members in the Retiree Healthcare Defined Benefit Plan.

Update on Changes to RHC Board

Weber advised the City Attorney is currently researching whether or not the composition of the RHC Board should be the same as the Retirement Board. He advised that Board has not been active since MERS took over administration of the pension plan. However, there has been discussion that the Board should meet annually to review MERS' performance.

Responding to Schneemann, Weber stated the Retiree Healthcare ordinance may need to be changed in order to allow additional members on the Board. He will consult with the City Attorney regarding changing the ordinance.

Weber provided historical information on how the RHC board was formed.

Schneemann requested adding expansion of the Board on the June special meeting agenda. Murphy suggested inviting City Attorney to the meeting.

MISCELLANEOUS

Public Comment

No public comment was heard.

Trustee Comments

No trustee comment was heard.

ADJOURNMENT

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

Meeting adjourned at 10:15 a.m.

Christopher M. Weber, Secretary

APPROVED: August 21, 2018

Asset Allocation / Rebalance

City of Farmington Retiree Healthcare											March 31, 2018	
Asset Class	Investment Account	Bond Account	Combined Market Value	Portfolio %	Policy Target	Value at Policy Target	Investment Rebalance	Bond Rebalance	Value after Reallocation	% After Reallocation	% Over (Under)	\$ Over (Under)
Domestic Equities (10 - 70%)	\$1,358,586	\$2,825,791	\$4,184,376	42.4%	35%	\$3,454,024	\$0	\$0	\$4,184,376	42.4%	7.4%	\$730,352
Edgewood Large Cap Growth	\$392,540	\$628,990	\$1,221,530	12.4%			\$0	\$0	\$1,221,530	12.4%		
S&P Dividend	\$298,315	\$571,550	\$869,865	8.8%			\$0	\$0	\$869,865	8.8%		
Delaware Large Cap Value	\$393,051	\$856,562	\$1,249,613	12.7%			\$0	\$0	\$1,249,613	12.7%		
Ziegler Small Core	\$274,680	\$588,689	\$843,368	8.5%			\$0	\$0	\$843,368	8.5%		
International Equities (0 - 30%)	\$851,578	\$1,729,288	\$2,580,866	26.2%	25%	\$2,467,160	\$0	\$0	\$2,580,866	26.2%	1.2%	\$113,706
Cambiar International	\$338,340	\$684,231	\$1,022,571	10.4%			\$0	\$0	\$1,022,571	10.4%		
iShares EAFE	\$347,773	\$711,433	\$1,059,206	10.7%			\$0	\$0	\$1,059,206	10.7%		
Lazard Emerging Markets	\$165,465	\$333,624	\$499,089	5.1%			\$0	\$0	\$499,089	5.1%		
Fixed Income (10 - 100%)	\$881,062	\$1,769,282	\$2,750,344	27.9%	20%	\$1,973,728	(\$90,000)	(\$90,000)	\$2,570,344	26.0%	6.0%	\$596,616
Vanguard Bond	\$302,135	\$384,943	\$687,078	7.0%			(\$90,000)	(\$90,000)	\$507,078	5.1%		
JP Morgan Strategic Income	\$334,074	\$681,631	\$1,015,705	10.3%			\$0	\$0	\$1,015,705	10.3%		
Loomis Sayles Bond	\$344,853	\$702,708	\$1,047,561	10.6%			\$0	\$0	\$1,047,561	10.6%		
Real Assets (0 - 5%)	\$0	\$0	\$0	0.0%	5%	\$493,432	\$0	\$0	\$0	0.0%	-5.0%	(\$493,432)
Absolute Return Assets (0 - 5%)	\$0	\$0	\$0	0.0%	5%	\$493,432	\$0	\$0	\$0	0.0%	-5.0%	(\$493,432)
Equity Hedge Assets (0 - 5%)	\$0	\$0	\$0	0.0%	5%	\$493,432	\$0	\$0	\$0	0.0%	-5.0%	(\$493,432)
Opportunistic Assets (0 - 5%)	\$0	\$0	\$0	0.0%	3%	\$296,059	\$0	\$0	\$0	0.0%	-3.0%	(\$296,059)
Cash (0 - 10%)	\$145,814	\$207,241	\$353,055	3.6%	2%	\$197,373	\$0	\$180,000	\$533,055	5.4%	3.4%	\$335,682
Current Cash Balance	\$145,814	\$207,241	\$353,055	3.6%			\$0	\$180,000	\$533,055	5.4%		
Combined Accounts	\$3,337,040	\$6,531,602	\$9,868,641	100%	100%	\$5,625,125	(\$90,000)	\$90,000	\$9,868,641	100%		

Bond Proceeds cash needs per month: \$1,500 per month. The Investment Account is typically cash flow positive \$1,500 per month. The information and data contained in this report are from sources considered reliable, but their accuracy and completeness is not guaranteed. This report has been prepared for illustrative purposes only and is not intended to be used as a substitute for monthly transaction statements you receive on a regular basis from Morgan Stanley. Please compare the data on this document carefully with your monthly statements to verify its accuracy. The Company strongly encourages you to consult with your own accountants or other advisors with respect to any tax questions.

Source: Morgan Stanley Statements & InvestmentMetrics / PARIS