

RETIREE HEALTH CARE BENEFITS PLAN AND TRUST
BOARD OF TRUSTEES SPECIAL MEETING
Tuesday, October 17, 2017
Room #222/223 – Parks & Recreation Building
26000 Evergreen Road, Southfield, MI

MEETING MINUTES

BOARD MEMBERS PRESENT: John Fisher, Chair; Duane Garth; Audrey Harvey; Shirley Lightsey; Irv Lowenberg; Julius Maisano; John Michrina; L. Susan Mannisto; James Pierce; Shawn Wells

OTHERS PRESENT: Lauri Siskind, Human Resources Director; RHC Administrator William Messner & Erik Burger; Graystone Consulting- Morgan Stanley Michael J. VanOverbeke; VanOverbeke Michaud & Timmony P.C. Penelope Scharmberg, Administrative Assistant HR/LR; RHC Secretary Christine Catalanotte, Manager of HR Operations

Chair Fisher called the meeting to order at 1:08 p.m.

AGENDA

Review and approval of the Agenda.

MOTION #RHC-17-56

Motion by Mannisto, supported by Lightsey to approve the Agenda for this today's meeting.

Motion carried.

INVESTMENT CONSULTANT REPORT

Investment Manager Interviews

Mr. Messner outlined today's interviews for the board; three real estate managers and two SMID managers. All managers were complimentary and were chosen on their volatility rating. Mr. Messner reviewed the parameters of Asset Allocation Proposal #1, which allocated 25% to Fixed Income; 45% to Global Equity; 20% to Alternatives; and 10% to Real Estate, providing projected returns of 7.8% with 9.3 volatility. He advised that Alidade Capital was going through the process of Morgan Stanley due diligence currently, and was not yet on their platform. Landmark is not on the Morgan Stanley platform and Metropolitan is on the Morgan Stanley platform.

Alidade Capital:

Alidade Capital Fund IV, LP

Geoffrey R. Langdon – Co-Founder – Managing Partner

Steven J. Faliski - Co-Founder – Managing Partner

Matthew J. Richter – VP of Investor Relations

Headquarters:	Bloomfield Hills, MI
Staff:	13 including 3 co-founders
Public Clients/Funds:	23/\$278M
Target Capital:	\$150M
Closes:	1 st April 2017, 2 nd August 2017, 3 rd December 2017 & 4 th April 2018
Fees:	\$1.5% on committed capital
Commitment Period:	2 years from final closing
Investment Period:	4 years from final closing
Term:	7 years; 3 one-year optional extensions
Distribution:	80% LP/20% GP
Projected Return:	15%

Founded in 2010, Alidade Capital, LLC presenter indicated they are a real estate private equity firm and registered investment advisor currently managing four funds with a value-add risk strategy. They target select secondary markets, primarily in mid-west & southeast U.S., with niche transaction sizes of \$5-35MM. They focus on capital preservation. Alidade has realized double digit net fund IRRs in its prior three investments. Fund IV is currently at \$96.6MM in committed capital from 60 investors. The final close will be in April 2018. The presenter responded to questions from the board.

Landmark Partners: *Jason A. Neal, Vice President*
Landmark Real Estate Fund VIII

Headquarters:	Sinsbury, Connecticut
Offices:	Boston, New York & London
Staff:	110
Public Clients/Funds:	/\$15B
Target Capital:	\$2B
Closes:	December 2017
Fees:	1% of committed capital for 1-4 years; thereafter, 1% of reported value
Commitment Period:	3-5 years
Investment Period:	4 years from final closing
Term:	10 years
Distribution:	100% contributed capital/60% catch up to GP/12% carried interest
Projected Return:	8% preferred

Formed in 1989, Landmark Partners presenter indicated are value opportunistic, quantitative investors experienced in the secondary markets for private equity and real estate investments in high quality cities. They seek inefficiencies in the real estate market where sellers are well-seasoned and stable, highly diversified and able to be acquired at a discount to market value. The presenter responded to questions from the board.

Metropolitan Real Estate/The Carlyle Group *Jeff Marvaldi, Principal, Investor Relations*
Metropolitan Real Estate Partners Secondaries Fund II
Metropolitan Real Estate Partners Co-Investments Fund II

Headquarters:	Washington, D.C.
Other Offices:	31 in 19 countries
Staff:	1,550+
Public Clients/Funds:	/\$44B
Target Capital:	\$1B
Fees:	1% during commitment period; 1% thereafter based on invested capital.
Investment Period:	4 years
Term:	10 years from final closing with 1-year extension available
Projected Return:	19%si

Metropolitan presenters indicated they have been value added, local market sharpshooters and a leader in real estate multi manager space since 2002. They invest in secondary real estate private equity funds and direct property co-investments with an extensive network of global relationships. They have not lost any money since 2002 and gained 19% IRR. The presenters responded to questions from the board.

Ancora Holdings, Inc. *David Sowerby, Managing Director – Portfolio Manager*
Ancora/Thelen Small-Mid Cap (SMID) Strategy

Headquarters:	Cleveland, Ohio
Other Offices:	Bloomfield Hills, MI
Staff:	60+
Public Clients/Funds:	/\$3.5B
Fees:	90 bps
Term:	Liquid T+3

Founded in 2003, and majority employee owned, Ancora has 50-75 holdings which are fully diversified across all sectors. They hold \$400 million in the SMID strategy. The strategy has been in place since 2011. The presenter reviewed the product, philosophy, personnel, and performance, and responded to questions from the board.

Ms. Harvey left the meeting at this time.

The London Company:

Robert Wainscott, Portfolio Specialist

Headquarters: Richmond, Virginia
Staff: 45
Public Clients/Funds: /\$29.6B
Fees: 100 bps
Return: 18.1%si

Founded in 1994, and majority employee owned. The fund has 100 names total, about 30 names in each strategy. They work to control risk and limit downside risk. The presenter gave information on the product, philosophy, personnel, and performance, and responded to questions from the board.

Mr. Michrina left the meeting at this time.

(Voting on the manager selection occurred later in the meeting)

FINANCIAL ITEMS

1. *Review and approve Expense Report of Julius Maisano for expenses incurred while attending MAPERS Fall Conference in Bellaire, Michigan, on September 16, 2017 – September 19, 2017.*

MOTION #RHC-17-57

Motion by Pierce, supported by Mannisto to approve Expense Report of Julius Maisano for expenses incurred while attending MAPERS Fall Conference in Bellaire, Michigan, on September 16, 2017 – September 19, 2017.

Motion carried.

2. *Review and approve payment to Clarkston Capital Partners for investment management services for the period July 1, 2017 – September 30, 2017, in the amount of \$11,759.00.*

MOTION #RHC-17-58

Motion by Pierce, supported by Mannisto to approve payment to Clarkston Capital Partners for investment management services for the period July 1, 2017 – September 30, 2017, in the amount of \$11,759.00.

Motion carried.

3. *Review and approve payment to Comerica Bank Cardmember Service for activity during periods September 7, 2017 – October 4, 2017.*

MOTION #RHC-17-59

Motion by Pierce, supported by Mannisto to approve payment to Comerica Bank Cardmember Service for activity during period September 7, 2017 – October 4, 2017.

Motion carried.

PUBLIC COMMENTS

No member of the public was present.

OTHER ITEMS DEEMED NECESSARY

1. *Review Resignation of Jeannie Jackson from ACS, SERS, and RHC Boards.*

Ms. Siskind mentioned that with the loss of Ms. Jackson and Ms. Houge (acknowledged at the previous meeting), the City Council Boards & Commissions Committee members were in the process of interviewing potential new members.

The board members thanked both Ms. Jackson and Ms. Houge for their years of service on the boards.

2. *Continuation of Discussion of fee increase proposed at the September 2017 meeting by Graystone/Messner.* Mr. Messner indicated that their fee of \$15,000 per year was too inexpensive for too long. This rate had been in place since the firm was selected in 2008, when there were 3 managers. The proposed rate of 10 bps starting October 1, 2017 was more in line with that proposed for new business. Mr. Fisher pointed out that we were not a new client, and this was a 400% increase in fees. Ms. Mannisto inquired as to the contract terms. Mr. VanOverbeke responded that the consultant contract can be terminated at any time upon notice, usually 30-60 days. Mr. Messner indicated that he was willing to start the fee increase on January 1, 2018, and change the fee to 9 bps. He stated that other existing clients were at 9 or 10 bps, and new business was proposed at 12 bps. Mr. Messner responded to other questions regarding the MS/Graystone platform and how managers are selected, their due diligence process, and the liquidity needs of the RHC portfolio. He will be bringing a discussion of Private Equity investments to the December meeting.

3. *Consideration of hiring investment managers.*

After discussion, the consultant recommended breakdown for funding would be \$7 million SMID. Further, he recommended \$4.5MM Real Estate which could leave \$2.5MM for Alidade later. The REIT may be used for capital calls.

MOTION #RHC-17-60

Motion by Mannisto, support by Lowenberg, to invest \$4.5MM with Metropolitan/Carlyle in the Secondaries and Co-Investment fund as presented.
Motion failed 5-2 (Wells, Pierce).

With respect to the SMID investment, Mr. Messner advised that the London fund was similar to the Clarkston fund already in place. He felt that the Ancora/Thelen product was a better fit for the board. He recommended moving away from passive investments.

MOTION #RHC-17-61

Motion by Lowenberg, support by Pierce, to invest \$7MM in the Ancora/Thelen SMID fund as presented.
Motion carried.

4. *Discussion of meeting frequency for 2018*

Ms. Mannisto suggested adding 2 meetings during the year, moving from 4 meetings to 6. A proposed meeting calendar will be developed.

With no further matters to discuss, a motion to adjourn was raised.

MOTION #RHC-17-62

Motion by Mannisto, supported by Lowenberg to adjourn the Retiree Healthcare Benefits Plan & Trust Board of Trustees of October 17, 2017, at 4:40p.m.
Motion carried.

*Approved this 13th day of February 2018
John Fisher, Chair
Retiree Health Care benefits Plan & Trust*