

**RETIREE HEALTH CARE BENEFITS PLAN AND TRUST
BOARD OF TRUSTEES REGULAR MEETING**

Wednesday, February 10, 2016
Room #112 – Parks & Recreation Building
26000 Evergreen Road, Southfield, MI

MEETING MINUTES

BOARD MEMBERS PRESENT: John Fisher, Chair; Audrey Harvey; Coretta Houge; Jeannie Jackson; Shirley Lightsey; Irv Lowenberg; Julius Maisano; L. Susan Mannisto; Frederick E. Zorn, Jr.

BOARD MEMBERS ABSENT: Duane Garth; James Pierce; Shawn Wells

OTHERS PRESENT: Lauri Siskind, Human Resources Director; RHC Administrator Jeffrey Tebeau, Zari Gano & James Pranschke; Gabriel Roeder Smith & Co Michael Holycross; Graystone Consulting- Morgan Stanley Michael VanOverbeke; VanOverbeke Michaud & Timmony P.C. Penelope Scharmberg, Administrative Assistant HR/LR; RHC Secretary Lyn Roberts, Director of Fiscal Services

Chair Fisher called the meeting to order at 6:00 p.m.

AGENDA

Review and approval of the Agenda.

Mr. Holycross requested a change in the agenda lineup to accommodate a conflict in his schedule.

MOTION #RHC-16-001

Motion by Houge, supported by Jackson to approve the Agenda for this evening's meeting with a move of the Investment Consultant Report before the Actuarial Presentation.

Motion carried.

MINUTES

Review and approve the Minutes of the Retiree Health Care Benefits Plan and Trust Board of Trustees Regular Meeting of December 9, 2015.

MOTION #RHC-16-002

Motion by Houge, supported by Mannisto to approve the Minutes of the Retiree Health Care Benefits Plan and Trust Board of Trustees Regular Meeting of December 9, 2015.

Motion carried.

ELECTION OF OFFICERS

1. *Election of Chair.*

Coretta Houge nominated John Fisher as Chair, supported by Jeannie Jackson. As there were no other nominations, the following motion was offered:

MOTION #RHC-16-003

Motion by Houge supported by Jackson to close nominations and cast a unanimous ballot for John Fisher as Chair.

Motion carried.

2. *Election of Vice-Chair.*

Coretta Houge nominated L. Susan Mannisto as Vice-Chair, supported by Jeannie Jackson. As there were no other nominations, the following motion was offered:

MOTION #RHC-16-004

Motion by Houge, supported by Jackson to close nominations and cast a unanimous ballot for L. Susan Mannisto as Vice-Chair.

Motion carried.

3. *Election of Secretary.*

L. Susan Mannisto nominated Coretta Houge as Secretary, supported by Jeannie Jackson. As there were no other nominations, the following motion was offered:

MOTION #RHC-16-005

Motion by Mannisto, supported by Jackson to close nominations and cast a unanimous ballot for Coretta Houge as Secretary.

Motion carried.

INVESTMENT CONSULTANT REPORT***Quarterly Performance Report***

Mr. Holycross reported on the 2015 fourth quarter performance report. The Total Fund posted a strong quarter, up +3.18% during Q4 which outperformed the policy index by 72 basis points; the fiscal year, however, was down 2.18%. Despite the quarter's strong performance from Domestic Equity, Emerging Markets, Global Fixed Income, and Real Estate allocations, the calendar year and fiscal year were negative. The U.S. stock market in general had a strong fourth quarter as all sectors generated positive returns. A majority of the S&P 500's performance (+1.38%) in 2015 came from the FANG stocks (Facebook, Amazon, Netflix, and Google) and without these stocks, the S&P's return would have been down approximately -4%.

Mr. Zorn and Mr. Lowenberg joined the meeting at this time.

Loomis portfolio was disappointing for the past calendar year and fiscal year-to-date. Entrust was hurt in both its long holdings and credit; Corbin had less exposure to global credit, so did better. Morgan Stanley was off to a good start; it is meant to have a 7%-9% cash flow; Townsend TREA II called \$800,000 in January which came from the Vanguard REIT.

Mr. Holycross informed the board of the merger of EnTrust with The Permal Group. Gregg Hymowitz' team will remain. Morgan Stanley is supportive of the move, which will provide enhanced access to managers.

Mr. Holycross had no recommendations at this time.

MOTION #RHC-16-006

Motion by Houge, supported by Lowenberg to receive and file the Retiree Health Care Quarterly Performance Report as of 12/31/15, presented by Michael Holycross, Graystone Consulting/Morgan Stanley.
Motion carried.

ACTUARIAL VALUATION

Mr. Tebeau, Mr. Pranschke and Ms.Gano presented the June 30, 2015 Actuarial Valuation report. The report is done on a bi-annual basis; the annual required contribution (ARC) is calculated in compliance with the accounting requirements of GASB Statement 43, which applies to the plan, and GASB Statement 45, which applies to the employer sponsoring the plan. At a 5.5% investment return assumption selected by the board, the ARC for the fiscal year beginning July 1, 2016 was determined to be \$9,683,176 for Fire & Police and \$8,343,051 for the SERS group (if partially pre-funded by the City). Fiscal year 2017 would be \$9,580,833 for Fire & Police and \$8,276,998 for the SERS group (with pre-funding). The "pay as you go" amount (estimated claims/premium costs, with no pre-funding) is estimated at \$5,115,618 for Fire & Police and \$3,922,442 for SERS beginning July 1, 2016. For July 1, 2017, estimated payments are \$5,731,547 for Fire & Police and \$4,301,601 for SERS. If no pre-funding occurs, a lower investment return rate may be more appropriate in the future.
The RHC plan is now closed to new members, so covered lives will decline. There is no smoothing any longer due to the new rules; the market value will be used. SERS liability went up significantly more than Fire & Police, due to more F&P retirees moving from Traditional to PPO as required last year by the ACA. The unfunded liability increased to \$99 million for F&P and \$88 million for SERS. There was a 5% load to the liability to account for the Cadillac Tax, which is expected in 2020. It was noted that drug costs are skyrocketing. The generic drug usage rate is as high as it will likely go. Mr. Zorn noted that the liability is a major concern for the economic health of the city; he asked if other municipalities are segregating the liability to the specific departments/grants/funding sources. Mr. Pranschke responded that these allocations would be too small to be credible. He further noted that the CPI for Healthcare is up about 5%, while the general CPI is up much less. Mr. Tebeau drew attention to Page A-9, comment H, regarding the upcoming GASB disclosure requirements. He also noted that both the SERS and F&P systems are performing their Experience Studies this spring; the expected changes in mortality rates will affect the RHC funding in that it will increase liabilities.

Gabriel Roeder would be making small formatting changes to the valuation report and bring the final version for approval to the next RHC meeting.

MOTION #RHC-16-007

Motion by Mannisto, supported by Houge to acknowledge receipt of the Draft Version of City of Southfield Retiree Health Care Benefits Plan and Trust Actuarial Valuation Report as of June 30, 2015.
Motion carried.

Ms. Harvey left the meeting at this point.

LEGAL REPORT

Mr. VanOverbeke mentioned that he had initial dialog with State of Michigan Director of Strategy, John Walsh, to ensure that the issue of underfunded retiree health plans will be on the agenda for discussion with the Governor.

FINANCIAL REPORT

The Board reviewed Financial Reports for the Retiree Healthcare Benefits Plan & Trust for the period ending November 30, 2015. The net assets as of the October date were \$58,916,560.

MOTION #RHC-16-008

Motion Mannisto, supported by Houge to receive and file the Retiree Healthcare Benefits Plan & Trust Financial Reports for the periods ending November 30, 2015.

Motion carried.

CONTRIBUTION REFUNDS

Authorization to Refund Accumulated Contributions to Denise Van Hee.

Ms. Van Hee terminated her employment with vested retirement eligibility on November 4, 2015, and requested a refund of her accumulated contributions from the Retiree Healthcare fund.

MOTION #RHC-16-009

Motion by Houge, supported by Jackson to approve a refund of accumulated Retiree Health Care contributions to Denise Van Hee, distributed on December 10, 2015.

Motion carried.

FINANCIAL ITEMS

1. *Acknowledge receipt of Management Fee invoices.*

MOTION #RHC-16-010

Motion by Houge, supported by Jackson to acknowledge receipt of the Management Fee invoices provided by Comerica Bank for the Health Mutual, Hamlin & WAM Accounts for period October 1, 2015 through December 31, 2015.

Motion carried.

2. *Review and approve quarterly management fee from Morgan Stanley/Graystone, for investment consulting services during the period January 1, 2016 – March 31, 2016 in the amount of \$3,750.00.*

MOTION #RHC-16-011

Motion by Houge, supported by Jackson to approve payment of the invoice from Morgan Stanley/Graystone, for quarterly investment consulting services for the period January 1, 2016 – March 31, 2016, in the amount of \$3,750.00.

Motion carried.

3. *Review and approve payment to Clarkston Capital Partners for investment management services for the period July 1, 2015 – September 30, 2015, in the amount of \$6,587.00.*

MOTION #RHC-16-012

Motion by Houge, supported by Jackson to approve payment to Clarkston Capital Partners for investment management services for the period July 1, 2015 – September 30, 2015, in the amount of \$6,587.00.

Motion carried.

4. *Review and approve quarterly management fee from Hamlin Capital Management, LLC for the period October 1, 2015 - December 31, 2015, in the amount of \$16,300.92.*

MOTION #RHC-16-013

Motion by Houge, supported by Jackson to approve payment of the invoice from Hamlin Capital Management, LLC for quarterly management fees for the period October 1, 2015 - December 31, 2015, in the amount of \$16,300.92.

Motion carried.

7. *Review and approve Mastercard Platinum Business Rewards Credit Card activity.*

MOTION #RHC-16-014

Motion by Houge, supported by Jackson to approve payment to Mastercard Platinum Business Rewards Credit Card for activity from December 5, 2015 – January 6, 2016.

Motion carried.

PUBLIC COMMENT

Pamela Gerald, P.O. Box 155, Southfield, Michigan 48037 asked for clarification as to the police costs going down from HMO to PPO. Ms. Siskind informed her that under ObamaCare, traditional plans had to be changed to a PPO. Ms. Gerald also inquired as to what a refund of accumulated contributions meant. Mr. Fisher explained that when an employee who was paying into the RHC plan terminates, they receive a refund of the money they paid into the plan.

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

MOTION #RHC-16-015

Motion by Houge, supported by Mannisto to adjourn the Retiree Healthcare Benefits Plan & Trust Board of Trustees of February 10, 2016, at 7:40 p.m.

Motion carried.

*Approved this 10th day of May 2016
John Fisher, Chair
Retiree Health Care Benefits Plan & Trust Board*