

**RETIREE HEALTH CARE BENEFITS PLAN AND TRUST  
BOARD OF TRUSTEES REGULAR MEETING  
Tuesday, February 13, 2018  
Room #112 – Parks & Recreation Building  
26000 Evergreen Road, Southfield, MI**

**MEETING MINUTES**

**BOARD MEMBERS PRESENT:** John Fisher, Chair; Audrey Harvey (*telephonically*); Shirley Lightsey; Irv Lowenberg; Julius Maisano; L. Susan Mannisto; Ronald Miller; Donna Sanders; Shawn Wells; Frederick Zorn

**BOARD MEMBERS ABSENT:** Duane Garth

**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. Jeffrey Tebeau, ASA, MAAA; Gabriel Roeder Smith Alicia Watkins, Senior Manager, CPA, Plante Moran Penelope Scharmberg, Administrative Assistant HR/LR; RHC Secretary Austen Michaels, Deputy Director of Fiscal Services

*Chair Fisher called the meeting to order at 4:30 p.m.*

**AGENDA**

*Review and approval of the Agenda.*

**MOTION #RHC-18-001**

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

**ELECTION OF NEW BOARD SECRETARY**

With the resignation of Ms. Houge, a new board secretary was needed. Mr. Fisher nominated Mr. Maisano, seconded by Ms. Mannisto. Hearing no other, a motion was raised.

**MOTION #RHC-18-002**

Motion by Fisher, supported by Mannisto to elect Julius Maisano to Secretary of the Retiree Health Care Benefits Plan and Trust Board.  
Motion carried.

**MINUTES**

1. *Review and approve Retiree Health Care Benefits Plan and Trust Board Meeting Minutes of September 12, 2017.*

**MOTION #RHC-18-003**

Motion by Mannisto, supported by Wells to approve the Retiree Health Care Benefits Plan and Trust Board Meeting Minutes of September 12, 2017.  
Motion carried.

2. *Review and approve Retiree Health Care Benefits Plan and Trust Board Meeting Minutes of October 17, 2017.*

While reviewing the minutes, it was noted that a 5-2 vote does not constitute a vote in favor, six were needed. The minutes will be amended to reflect Motion #RHC-17-60 failed.

**MOTION #RHC-18-004**

Motion by Mannisto, supported by Wells to approve the Retiree Health Care Benefits Plan and Trust Board Meeting Minutes of October 17, 2017, with the amendment noted above.  
Motion carried.

### **ACTUARIAL VALUATION PRESENTATION**

Jeff Tebeau, the Plan's Actuary at Gabriel Roeder (GRS) presented the June 30, 2017 Actuarial Valuation report, with additional comments from Alisha Watkins of Plante Moran, the City's auditor. GRS prepared both the funding valuation report for the board, and GASB-required reports (74 & 75) of the plan that the city's auditors use. There are some differences in methodology and nomenclature. Jeff and Alisha discussed the plan's 5.5% discount rate, which was intended to be a blended rate that factored in the plan's funding limitations (contributions less than the computed contribution rate). The auditors determined that a rate of return of 7.3% on the assets held in trust was appropriate to use for the GASB report. The Valuation report showed unfunded liabilities of \$115 million for the Fire & Police portion and \$106 million for the SERS portion. Mr. Zorn commented that the unfunded liability was reported to the state of Michigan on forms required by PA 202 of 2017, and will likely result in further scrutiny by Treasury. Ms. Watkins commented that the GASB calculations of the unfunded liability will show on the city's balance sheet, which is something reviewed by the bond rating agencies. Mr. Tebeau pointed out the information on Pages A-2 and A-3, which quantify the projected "pay as you go" contributions for the next two fiscal years (expressed as both a flat dollar amount and a percent of payroll). Mr. Tebeau also indicated that this report utilized updated assumptions based on experience studies in the pension valuations. There was also a load for the "excise tax" or "Cadillac tax", even though this future applicability is unknown. For the funding valuation report, the F&P portion of the plan was 30.52% funded; the SERS portion was 14.11% funded. For the GASB report, the results were 26% and 12.1%, respectively.

#### **MOTION #RHC-18-005**

Motion by Mannisto, supported by Lightsey, to receive and file the June 30, 2017 Actuarial Valuation report, to acknowledge the presentation by the board's actuary, and to direct that a copy of the report be forwarded to the Plan Sponsor.

Motion carried.

### **INVESTMENT CONSULTANT REPORT**

#### ***Investment Manager Interview***

**EnTrustPermal:**

***EnTrust Special Opportunities Fund III***

Headquarters: New York, NY

***Warren E. Tolman – Senior Vice President - Boston***

***Bryan E. Schneider, CFA – Managing Partner - Boston***

Public Clients/Funds:	16%
Closes:	6/30/2018
Fees:	14bps on invested capital only/
Commitment Period:	3 years from final closing
Investment Period:	5 years from final closing
Term:	2-5 years
Projected Return:	11-15%

EnTrust began its Special Opportunities Funds in 2007 and currently manage \$6.1B in capital. Select public and private securities are targeted in the global market. They employ bottom-up, top-down, qualitative and quantitative analysis and internal research in their investments with long/short equity, value, and event driven strategy. EnTrust Special Opportunities Funds have realized consistently high returns in its prior four investments. Fund III is currently 85% funded. The final close will be in June 2018. The presenter responded to questions from the board.

Mr. Schneider mentioned their next special run will be underwritten by Morgan Stanley/Graystone, with no soft dollars involved.

#### ***Performance Overview***

Mr. Messner reported on the RHC 2017 4<sup>th</sup> Quarter performance. The quarter ended at 3.48%, consistent with its benchmark, and 13.90%, down from the annual benchmark. With high PE ratios throughout the U.S. market, the individual manager performance found international funds exceeding domestic and global equities and opportunistic real estate faring well.

***Discussion: Metropolitan Real Estate***

Metropolitan will be a co-investment and secondaries Fund of Funds. They are an outstanding investment with an expectation of mid to upper teen IRR. The fund has a hard close date of 6/30/18. Mr. Messner recommended an investment of \$4.5MM.

***Next Steps***

Mr. Messner recommended committing \$2.5MM to the EnTrust Special Opportunities III fund and \$4.5MM to Metropolitan.

**MOTION #RHC-18-006**

Motion by Mannisto, supported by Lowenberg to commit \$2.5MM to fund EnTrust Special Opportunities III and \$4.5MM to fund Metropolitan. Funds will be transferred from the WAM 1500 account.

Motion carried.

***Portfolio Positioning***

The following rebalance was recommended:

\$7MM to fund Ancora Small/Midcap from WAM 1500  
\$1MM to fund Clarkston Capital from Hamlin Equity Income  
\$700,000 to fund EuroPacific Growth from Hamlin Equity Income  
\$900,000 to fund Vanguard Emerging Markets from Hamlin Equity Income  
\$3MM to fund Loomis Sayles Investment Grade Bond from WAM 1500

**MOTION #RHC-18-007**

Motion by Lowenberg, supported by Maisano to rebalance the RHC Trust Fund by conducting the following transactions:

\$7MM to fund Ancora Small/Midcap from WAM 1500  
\$1MM to fund Clarkston Capital from Hamlin Equity Income  
\$700,000 to fund EuroPacific Growth from Hamlin Equity Income  
\$900,000 to fund Vanguard Emerging Markets from Hamlin Equity Income  
\$3MM to fund Loomis Sayles Investment Grade Bond from WAM 1500  
Motion carried.

Additional rebalancing will be discussed at the next meeting.

**LEGAL REPORT**

Mr. VanOverbeke had nothing additional to report.

**FINANCIAL REPORTS**

The board members reviewed the RHC financial reports for the periods ending July 31, 2017, August 31, 2017, September 30, 2017, October 31, 2017, November 30, 2017 and December 31, 2017.

**MOTION #RHC-18-008**

Motion by Wells, supported by Maisano to approve the RHC financial reports for the period ending July 31, 2017, August 31, 2017, September 30, 2017, October 31, 2017, November 30, 2017 and December 31, 2017.

Motion carried.

**CONTRIBUTION REFUNDS**

*Review and approve refund of accrued contributions to Kelly McKeown.*

**MOTION #RHC-18-009**

Motion by Lowenberg, supported by Wells to approve the refund of accrued contributions to Kelly McKeown.

Motion carried.

**2018 ANNUAL MEETING CALENDAR**

The board reviewed the new calendar dates and agreed to the scheduling.

**MOTION #RHC-18-010**

Motion by Miller, supported by Mannisto to approve the 2018 Retiree Health Care Benefit Plan and Trust Annual Meeting Notice.

Motion carried.

**FINANCIAL ITEMS**

1. *Acknowledge receipt of Management Fee invoices*

**MOTION #RHC-18-011**

Motion by Mannisto, supported by Fisher to acknowledge receipt of the RHC Management Fee invoices from Comerica Bank for the periods 7/1/17 – 9/30/17 and 10/1/17 – 12/31/17.

Motion carried.

2. *Review and approve payment to Morgan Stanley/Graystone consulting for investment consulting services provided during the period 10/1/17 – 12/31/17, in the amount of \$3,750.00.*

**MOTION #RHC-18-012**

Motion by Mannisto, supported by Fisher to approve payment to Morgan Stanley/Graystone consulting for investment consulting services provided during the period 10/1/17 – 12/31/17, in the amount of \$3,750.00.

Motion carried.

3. *Review and approve payment to Clarkston Capital Partners for investment management services provided during the period 7/1/17 – 9/30/17, in the amount of \$11,759.00.*

**MOTION #RHC-18-013**

Motion by Mannisto, supported by Fisher to approve payment to Clarkston Capital Partners for investment management services provided during the period 7/1/17 – 9/30/17, in the amount of \$11,759.00.

Motion carried.

4. *Review and approve payment to Clarkston Capital Partners for investment management services provided during the period 10/1/17 – 12/31/17, in the amount of \$12,293.00.*

**MOTION #RHC-18-014**

Motion by Mannisto, supported by Fisher to approve payment to Clarkston Capital Partners for investment management services provided during the period 10/1/17 – 12/31/17, in the amount of \$12,293.00.

Motion carried.

5. *Review and approve payment to Hamlin Capital Management for investment management services provided during the period 7/1/17 – 9/30/17, in the amount of \$22,135.01.*

**MOTION #RHC-18-015**

Motion by Mannisto, supported by Fisher to approve payment to Hamlin Capital Management for investment management services provided during the period 7/1/17 – 9/30/17, in the amount of \$22,135.01.

Motion carried.

6. *Review and approve payment to Hamlin Capital Management for investment management services provided during the period 10/1/17 – 12/31/17, in the amount of \$23,492.34.*

**MOTION #RHC-18-016**

Motion by Mannisto, supported by Fisher to approve payment to Hamlin Capital Management for investment management services provided during the period 10/1/17 – 12/31/17, in the amount of \$23,492.34.

Motion carried.

7. *Review and approve payment to MAPERS for annual membership dues for the period 1/1/18 – 12/31/18, in the amount of \$100.00.*

**MOTION #RHC-18-017**

Motion by Mannisto, supported by Fisher to approve payment to MAPERS for annual membership dues for the period 1/1/18 – 12/31/18, in the amount of \$100.00.  
Motion carried.

8. *Review and approve payment to Gabriel Roeder Smith & Company for preparation of GASB Statement No. 74 Plan Reporting and Schedules as of June 30, 2017 & benefit changes and assumptions that occurred between the valuation date and measurement date, in the amount of \$13,000.00.*

**MOTION #RHC-18-018**

Motion by Mannisto, supported by Fisher to approve payment to Gabriel Roeder Smith & Company for preparation of GASB Statement No. 74 Plan Reporting and Schedules as of June 30, 2017 & benefit changes and assumptions that occurred between the valuation date and measurement date, in the amount of \$13,000.00.  
Motion carried.

9. *Review and approve payment to Gabriel Roeder Smith & Company for preparation of the Actuarial Valuation as of June 30, 2017 for the Retiree Health Care Benefits Plan and Trust, in the amount of \$28,000.00.*

**MOTION #RHC-18-019**

Motion by Mannisto, supported by Fisher to approve payment to Gabriel Roeder Smith & Company for preparation of the Actuarial Valuation as of June 30, 2017 for the Retiree Health Care Benefits Plan and Trust, in the amount of \$28,000.00.  
Motion carried.

10. *Review and approve payment to Comerica Bank Cardmember Service for activity during periods October 5, 2017 - November 3, 2017 and November 4, 2017 – December 5, 2017.*

**MOTION #RHC-18-020**

Motion by Mannisto, supported by Fisher to and approve payment to Comerica Bank Cardmember Service for activity during periods October 5, 2017 - November 3, 2017 and November 4, 2017 – December 5, 2017.  
Motion carried.

**NOTICE OF ELECTION**

The board reviewed the Notice of Election for an active SERS member to sit on the RHC board. The election is being held to fill a vacant unexpired term, and runs until December 31, 2018. Declaration forms will be due by March 9, 2018 and ballots will be counted on April 10, 2018.

**MOTION #RHC-18-021**

Motion by Fisher, supported by Mannisto to approve the Notice of Election for the RHC Board of Trustees.  
Motion carried.

**SIGNATURE AUTHORITY**

Comerica Bank requested an updated Signature Authority List for the RHC Trust. Mr. Fisher suggested Mr. Maisano, and a motion was raised.

**MOTION #RHC-18-022**

Motion by Fisher, supported by Wells to give Julius Maisano rights to authorize by signature, any instructions with respect to the assets of the RHC Trust.  
Motion carried.

**ENTRUST CONFERENCE/MAPERS 1 DAY SEMINAR**

**MOTION #RHC-18-023**

Motion by Wells, supported by Maisano to authorize any RHC Board member who wishes to attend the EnTrust Conference and/or MAPERS 1-Day Seminar to do so.  
Motion carried.

**PUBLIC COMMENTS**

No member of the public was present.

**OTHER ITEMS DEEMED NECESSARY**

*Continuation of Discussion of Fee Increase Proposed at the October 2017 Meeting by Graystone/Messner.*

Mr. Fisher mentioned that Graystone/Messner had indicated they were willing to adjust the current fee rate to 9bps at the last meeting. Mr. Messner agreed and would hold the 9bp rate for a three-year period. Mr. Fisher confirmed that this contract is “at will”.

**MOTION #RHC-18-024**

Motion by Mannisto, supported by Wells to accept an increase in fees from Graystone/Messner Investment Consulting to 9bps for a 3-year period, beginning January 1, 2018.  
Motion carried.

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

**MOTION #RHC-18-025**

Motion by Wells, supported by Fisher to adjourn the Retiree Healthcare Benefits Plan & Trust Board of Trustees of February 13, 2018, at 7:30p.m.  
Motion carried.

*Approved this 9<sup>th</sup> day of May 2018  
John Fisher, Chair  
Retiree Health Care Benefits Plan & Trust Board of Trustees*