

## **DRAFT**

### CITY OF FARMINGTON RETIREE HEALTH CARE FUND August 18, 2020

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Tuesday, August 18, 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 2020-129 signed by Governor Whitmer on June 18, 2020.

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

**PRESENT:** Bowman, Murphy, Weber

**OTHERS PRESENT:** Erik Burger and Amy Cole of MSSB Graystone Consulting Financial Advisors and Recording Secretary Mary Mullison.

#### **MINUTES OF PREVIOUS MEETINGS**

MOTION by Murphy, seconded by Weber, to approve the regular meeting minutes of May 19, 2020.  
MOTION CARRIED UNANIMOUSLY.

#### **TREASURER'S REPORT**

Financial Report: quarter ending June 30, 2020.

MOTION by Murphy, seconded by Weber, to accept the Treasurer's Report for quarter ending June 30, 2020 as presented.  
MOTION CARRIED UNANIMOUSLY.

#### **ADMINISTRATOR'S REPORT**

**Summary Report – quarter ending June 30, 2020**

**Detail Report – quarter ending June 30, 2020**

Weber reviewed the Administrator's reports for quarter ending June 30, 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 June 30, 2020**

Erik Burger and Amy Cole of MSSB, Graystone Consulting provided a report on investments through quarter ending June 30, 2020.

Cole started the conversation by discussing the global market effect on investments. She examined market recovery, the global financial crisis, and mentioned that the Fed can be extremely helpful to smooth out markets. She noted that there could be a positive bounce off the bottom and pointed out challenges in timing with reopening economy. Cole spoke about growth companies, transitions to a different way to do business, and pendulum swings of the markets. She said that the market seemed to be in a V-shaped recovery and that the second half of the year should present a stay-the-course moment. Global growth will continue to progress.

Weber asked about the Blackstone Real Estate Trust. Cole agreed more employees will be working from home and that large office spaces will change, which will adjust high rent payment percentages. She expects managers to transition away from obsolete real estate into other things like data centers or distribution centers. Infrastructure will be big and data needs and real estate under towers will be another big thing. The shift already existed, but the pandemic had just accelerated the move. Burger said Blackstone doesn't own office space but does own mostly grocery, multifamily, and industrial. He noted that it seemed that the hospitality portion was the only side declining.

Burger walked the Board through the documents submitted for Farmington's portfolio through the end of June. He pointed out that Farmington's portfolio has had gained back meaningful ground since then, and gave breakdowns by manager with rebalance suggestions for recovery. He went through asset allocations at the end of the period and discussed manager performance and choices made.

Discussion ensued regarding conservative value approaches, domestic and international spaces, emerging markets, and differentials in portfolios. Cole said that pendulum swings are to be expected right now, and that they would be keeping an eye on rate of recovery in different funds.

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

## **OTHER BUSINESS**

### **Redistribution of Investments**

Burger recommended rebalancing bonds and investments in light of an opportunity set for recovery. He suggested a trim from Edgewood to cash to bring it back down to where we started the year. Weber asked about shifting funds into international bonds. Cole answered that emerging markets might be the direction to move and that they need to keep an eye on rising tensions.

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

### **Review of Monte Carlo analysis to Council**

Burger walked through Monte Carlo scenarios through the next ten years. Weber asked why last year's MCA showed 1 million more in 2029 than this year's does, and Burger explained it's the length of analysis. Cole suggested that they can walk it through with Weber and send email to the Board about this question.

### **Actuarial Valuation and Financial Reporting**

Weber stated that this should be done this year, and that he will start working through it. He asked Bowman when she would prefer that it go to Council, and she replied that she prefers to wait until the complete report is necessary and available.

## **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 10:03 am.

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Christopher M. Weber, Secretary

APPROVED: