

DRAFT

CITY OF FARMINGTON RETIREE HEALTH CARE FUND
November 16, 2020

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Tuesday, November 17, 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 under the Open Meetings Act, MCL 15.261, et seq., as amended by HB 1108.

The meeting was called to order at 9:06 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.

APPROVAL OF AGENDA

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

MINUTES OF PREVIOUS MEETINGS

MOTION by Murphy, seconded by Weber, to approve the regular meeting minutes of August 18, 2020.
MOTION CARRIED UNANIMOUSLY.

TREASURER'S REPORT

Financial Report: quarter ending September 30, 2020.

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

ADMINISTRATOR'S REPORT

Summary Report – quarter ending September 30, 2020

Detail Report – quarter ending September 30, 2020

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

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

Cole began by discussing current growth and how investments were impacted by the shutdown. She is projecting that 2021 will be a much different prospect. In the short run, things have priced aggressively with the price target between now and next year raised. When we can get back to a new normal, more employment and a more open economy will promote a huge raise with lots of opportunity in markets. The sectors MSSB likes will play into Farmington's portfolio. Because the portfolio is so well-funded, we don't want to take a lot of risk. This portfolio will do better this year with the change recommended. She will discuss changing one of Farmington's managers today, but otherwise not much other change.

Burger went over the third quarter performance report and reminded the board that much has changed since this report. Fiscal YTD saw a 4% return. He discussed asset allocations, growth managers, typically stable companies, and recovery through fourth quarter. Lazard was down, and so MSSB will recommend change from them. Other managers are up.

Burger continued with an update of the portfolio through Nov 9, and then through yesterday, showing that it was up 11.8%. He mentioned that we are catching the tail of the recession and tail end of last year's numbers.

Cole talked about exposure in emerging markets, and a high expectation for growth for diversified managers. Lazard only fishes in one pond, but Farmington's portfolio needs to choose for both value and growth. She recommended Martin Currie as best fit for Farmington. Delaware was a fine choice as well if the risk level was not acceptable for Board. She reviewed the present account allocation, as modified by a change in manager.

Discussion ensued regarding value driven managers such as Lazard versus Martin Currie in the portfolio. Cole says not losing opportunity by making the move. Once the vaccine is delivered there will be better numbers from the market, and we will see a strong run continuing after the next month or two. Weber asked what Lazard held right now and asked if the sector was not doing well or whether Lazard didn't pick well. Cole explained that there was an underperformance noted between Lazard and their peers, and that making a switch to one of their peers will help Farmington's portfolio. The decision to make the change today is not pressing, as there would also be an option to give Lazard another quarter to improve.

After discussion, the Board decided to rebalance as recommended.

MOTION by Murphy, seconded by Weber, to do rebalancing as presented.
MOTION CARRIED UNANIMOUSLY.

MOTION by Murphy, seconded by Weber, to remove Lazard from portfolio and replace with Martin Currie.
MOTION CARRIED UNANIMOUSLY.

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

REVIEW OF ACTUARY REPORTS

City of Farmington Retiree Health Care Plan GASB Statement No. 74 and 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – June 30, 2020

Weber reviewed the report for 2020, which is based on analysis from 2018.

OTHER BUSINESS

Proposed Board Meeting Schedule for 2021

February 16, 2021
May 18, 2021
August 17, 2021
November 16, 2021

MOTION by Weber, seconded by Murphy, to approve 2021 meeting schedule as presented.
MOTION CARRIED UNANIMOUSLY.

MISCELLANEOUS

Public Comment

No public comment was heard.

Trustee Comments

Weber reminded Cole and Berger to take a look as required by the City's investment policy and come up with any changes by the next meeting. He also asked if it was time to do a Monte Carlo scenario, and Burger said they can do an update for next meeting. City administration will bring in a review of Health Care costs.

ADJOURNMENT

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

Meeting adjourned at 10:25 am.

Christopher M. Weber, Secretary

APPROVED: