

CITY OF FARMINGTON RETIREE HEALTH CARE FUND
September 4, 2013

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Wednesday, September 4, 2013 at Farmington City Hall, Public Safety Conference Room, 23600 Liberty Street, Farmington, Michigan. Notice of the meeting was posted in compliance with Public Act 267-1976.

The meeting was called to order at 10:12 a.m. by Chairman Buck.

PRESENT: Buck, Pastue, Weber.

ABSENT: None.

OTHERS PRESENT: Recording Secretary Halberstadt, Brian Green, MSSB Graystone Consulting.

MINUTES OF PREVIOUS MEETINGS:

MOTION by Pastue, seconded by Weber, to approve the regular meeting minutes of May 21, 2013 as presented. MOTION CARRIED UNANIMOUSLY.

RESIGNATION OF ADMINISTRATOR

MOTION by Pastue, seconded by Weber, to accept the resignation of Patsy Cantrell as Administrator of the Retiree Health Care Trust. MOTION CARRIED UNANIMOUSLY.

APPOINTMENT OF NEW ADMINISTRATOR

MOTION by Pastue, seconded by Buck, to appoint Chris Weber as the Administrator of the Retiree Health Care Trust. MOTION CARRIED UNANIMOUSLY.

TREASURER'S REPORT

Financial report: fiscal year ending June 30, 2013.

MOTION by Pastue, seconded by Buck, to accept the Treasurer's Report for fiscal year ending June 30, 2013 as presented. MOTION CARRIED UNANIMOUSLY.

ADMINISTRATOR'S REPORT

Summary Report and Fund Manager's Report, Morgan Stanley Smith Barney, Graystone Consulting, fiscal year ending June 30, 2013.

MOTION by Pastue, seconded by Buck, to accept the Administrator's Report for fiscal year ending June 30, 2013 as presented. MOTION CARRIED UNANIMOUSLY.

Brian Green of Morgan Stanley Smith Barney (MSSB) Graystone Consulting provided a report on investments through fiscal year ending June 30, 2013.

Green discussed the actions taken by the Federal Reserve in response to the recession that included issuing debt and using the proceeds to go into the market and purchase fixed income securities. It was the government's way of injecting a mass amount of liquidity into the markets. It was also their way of keeping interest rates as low as possible by lowering the federal rate on the short end of the yield curve and having such a great amount of purchasing on the longer end of the yield curve pushing prices up and interest rates down. There has been a tremendous tail wind over the last couple years from artificial liquidity and artificial money in the marketplace pushing interest rates down as low as possible.

Green stated the concern has always been on what happens if that stream of money is slowed or turned off. He noted in May the Federal Reserve expressed a desire to start looking at exit opportunities. He stated the market finally started to react to this possibility. He discussed the loss in fixed income in the second quarter as a result of the rate increase in the Treasury bond market. He noted there hasn't been a loss in the fixed income market since the late 1990's. He explained bad news from a fixed income standpoint is actually good news from an economic standpoint and is good news from an equity market standpoint because it means the market is strong enough to continue.

In a discussion of the fund performance over the last year, Green advised the main reason for underperformance was in part due to the Cramer Rosenthal portfolio underperforming, but more significantly, the Calamos portfolio *significantly* underperformed. He noted, however, they have seen a positive trend in the Calamos portfolio in the third quarter. He stated they remain comfortable in staying with this portfolio. He pointed that in a 3-5 year time period their underperformance was far outweighed by over-performance.

Green stated they are comfortable where things are from both an economic and equity market standpoint. He stated from an overall asset allocation standpoint the portfolio has a slight overweight to stock versus bonds. He pointed out the reasons they are comfortable with this allocation. He noted the Vanguard bond fund is interest rate sensitive so they are looking at opportunities to protect the portfolio as interest rates rise.

Green stated that given the volatility of the Loomis portfolio there will be managers added that have a completely different approach and technique. He confirmed a change will be recommended at the next meeting. In terms of the market, he did not believe much would change in the next three months.

Weber asked about exposure to financial companies. Green responded the portfolio is pretty close to market weight. He discussed the financials currently held in the portfolio.

Responding to a question from Buck, Green stated from a local standpoint their favorite financial is Fifth Third Bank. They have done a tremendous job of shedding troubled assets, massive amount of cash on balance sheet, aggressive marketing and are willing to lend.

Responding to an additional question from Buck, he confirmed they are not recommending any changes to the Calamos All Cap Growth Fund.

Buck questioned Green on whether he was concerned that the portfolio is off 5% from its policy target. Green responded they are still comfortable with the allocations and are still well within compliance of the investment policy.

MOTION by Pastue, seconded by Weber, to receive and file the MSSB Graystone Consulting report for fiscal year ending June 30, 2013. MOTION CARRIED UNANIMOUSLY.

APPLICATION FOR RETIREE HEALTH CARE BENEFITS

MOTION by Buck, seconded by Weber, to approve retiree healthcare benefits for Paul Smith as presented effective October 22, 2013. MOTION CARRIED UNANIMOUSLY.

MISCELLANEOUS:

PUBLIC COMMENTS
None.

TRUSTEE COMMENTS

Pastue advised the city is proceeding with the sale of OPEB Bonds in early to mid-November.

ADJOURNMENT:

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

Meeting adjourned at 11:00 a.m.

Christopher M. Weber, Administrator

Susan Halberstadt, Recording Secretary

APPROVED: December 12, 2013