

FINAL

CITY OF FARMINGTON RETIREE HEALTH CARE FUND March 8, 2022

A regular meeting of the Farmington Retiree Health Care Fund Board of Trustees was held on Tuesday, March 8, 2022 at Farmington City Hall, 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 9:04 am by Chair Bowman.

PRESENT: Bowman, Murphy, Weber

ABSENT: None

OTHERS PRESENT: Amy Cole of MSSB Graystone Consulting Financial Advisors, 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 Weber, seconded by Murphy, to approve the regular meeting minutes of November 16, 2021.

MOTION CARRIED UNANIMOUSLY.

TREASURER'S REPORT

Financial Report: quarter ending December 31, 2021.

MOTION by Murphy, seconded by Weber, to accept the Treasurer's Report for quarter ending December 31, 2021 as presented.

MOTION CARRIED UNANIMOUSLY.

ADMINISTRATOR'S REPORT

Summary Report – quarter ending December 31, 2021

Detail Report – quarter ending December 31, 2021

Weber reviewed the Administrator's reports for quarter ending December 31, 2021. 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 December 31, 2021

Amy Cole of MSSB, Graystone Consulting provided an overview on investments through quarter ending December 31, 2021.

Cole summarized Farmington's position as of December 31, 2021 and noted changes that have occurred since then. Farmington ended 2021 just shy of 15%, with a 4% fourth quarter. Looking back at good growth years, the fund was fairly valued at end of 2021. Looking forward, there are challenges to consider. Positioning has changed, Farmington is overweight in equity and it might be time to contemplate next steps. She indicated that this portfolio needs to change to accommodate for economic impact of current events. She reviewed current funds and their dividend for the coming months. Global infrastructure is very important in this portfolio in a challenging environment.

Cole recommended a rebalance out of fixed income and a reevaluation of risks. Farmington has very little exposure to Russia in its portfolio. Farmington should have a safe position to defend from equity exposure in coming months. She suggested looking at insulating the portfolio at the next meeting. She is looking at a low return environment this year and will be looking at tweaks to make. The March report is expected to be a little rough, with a quick look indicating the portfolio is down 7% at this time.

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

INVESTMENT REBALANCE

Cole showed a suggested rebalance, balancing out value exposure to have access to cash flow now. She suggested adding a floating rate, trimming downside pressure from interest rates off of the bond portfolio. Quarterly liquidity needs to be looked at in future meetings.

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

PRESENTATION

Weber presented a ten-year graph of what Farmington's Health Care Premiums have been.

MOTION by Murphy, seconded by Weber, to accept and file report.
MOTION CARRIED UNANIMOUSLY.

ANNUAL REVIEW OF INVESTMENT POLICY

Cole showed an amended investment policy statement with recommendations to have real assets include real estate with a target of 5% and increasing the real asset maximum from 5% to 10%, leaving everything else the same. Weber inquired about whether the changes would meet state requirements, and Cole responded in the affirmative. An asset allocation study will be made to review that target, which will be more important than the last couple that have been done.

In response to a question by Weber, Cole agreed that Real Assets were actually set at over 10% and said that the Board could consider a wider band on the maximum. She recommended that, until the asset allocation study, a change of Real Assets in Opportunistic to 10% should be made now and discuss at the next meeting about where private real estate should fall. (See updated table below.)

ASSET ALLOCATION GUIDELINES

| <u>Asset Class</u> | <u>Minimum</u> | <u>Maximum</u> | <u>Target</u> |
|--|----------------|----------------|---------------|
| Domestic Equities | 10% | 70% | 35% |
| International Equities | 0% | 30% | 25% |
| <i>*Emerging Markets Target of 5%; Developed Markets 20%</i> | | | |
| Fixed Income | 10% | 100% | 20% |
| Real Assets | 0% | 10% | 5% |
| <i>*Real Assets include, but are not limited, to REITs, Private Real Estate, Commodities & MLPs</i> | | | |
| Absolute Return Assets | 0% | 5% | 5% |
| Equity Hedge Assets | 0% | 5% | 5% |
| Opportunistic Assets | 0% | 10% | 3% |
| <i>*Opportunistic Assets include, but are not limited to, Private Equity, Private Real Estate & Private Credit</i> | | | |
| Cash/Cash Equivalents | 0% | 10% | 2% |

MOTION by Murphy, seconded by Weber, to amend the Investment Policy Allocation Guidelines as shown in the attached table.
MOTION CARRIED UNANIMOUSLY.

OTHER BUSINESS

Other business was tabled for next meeting.

MISCELLANEOUS

Public Comment

No public comment was heard.

Trustee Comments

No Trustee comment was heard.

ADJOURNMENT

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

Meeting adjourned at 9:57 am.

Christopher M. Weber, Secretary

APPROVED: 5/24/2022