

**REGULAR MINUTES**  
**WASHTENAW COUNTY VEBA BOARD OF TRUSTEES**  
**Wednesday, December 5, 2018 2:30 P.M.**  
220 N. Main St – Board of Commissioner's Meeting Room

**Call to Order**

Corey Mason called the meeting to order at 2:43 p.m.

**Roll Call**

Monica Boote called the roll

**MEMBERS PRESENT:** Diane Heidt, Corey Mason, David Sexton (Alternate), Conan Smith

**MEMBERS ABSENT:** Tina Gavalier (excused), Gary Lowe (excused)

**OTHERS PRESENT:** Monica Boote, Sarah Erskine, Human Resources; Jane Thurston, AWARE Liaison; Timothy Brice, Amy Cole, Graystone Consulting, Catherine McClary, Treasurer

**Public Participation from the Floor**

None

**Approval of Minutes of:**

A. October 3, 2018 – Regular Meeting

C Smith, seconded by D. Sexton, motion to approve the Regular Meeting Minutes. All in favor, motion carried.

**Communications**

- A. Finance, Monthly Contribution/Distribution Report as of October 2018
- B. J.P. Morgan, 11.19.2018 Eye on the Market
- C. VanOverbeke, Michaud, & Timmony, 08.28.2018 Legislative Update

**Communications on file**

- A. Clarkston, 2Q18 Statement
- B. Corbin, Monthly Reporting September 2018
- C. Hatteras, Monthly Statement September 2018
- D. J.P. Morgan, Monthly Reporting September 2018 – October 2018
- E. J.P. Morgan, 4Q18 Guide to the Market
- F. McMorgan, 2Q18 Quarterly Reporting
- G. Morgan Stanley, Monthly Reporting September 2018 – October 2018
- H. Morgan Stanley, Trade Confirmations November 2018
- I. Morgan Stanly, 4Q18 In Brief

C. Smith, seconded by D. Heidt, motion to receive and file the Communications and Communications on File as presented. All in favor, motion carried.

**Unfinished Business**

None

**New Business**

- A. Resolution of Appreciation  
1. Trustee Conan Smith

A RESOLUTION OF APPRECIATION TO CONAN SMITH FOR HIS SIX YEARS OF SERVICE TO THE  
WASHTENAW COUNTY  
VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

WASHTENAW COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

December 5, 2018

WHEREAS, Conan Smith began his tenure as a Washtenaw County Voluntary Employees' Beneficiary Association Trustee in January 2013; and

WHEREAS, during Trustee Smith's six years of service, he has been committed to achieving broader understanding of investment policy and asset allocation guidelines; and

WHEREAS, during his tenure Trustee Smith was committed to and participated in prudent investment manager screening and selection; and

WHEREAS, Trustee Smith was committed to reducing investment and administrative costs in order to ensure members and beneficiaries interests and benefits were protected; and

WHEREAS, Trustee Smith acknowledged and accepted his role as a fiduciary to protect the assets of the Washtenaw County Voluntary Employees' Beneficiary Association; and

WHEREAS, Trustee Smith is recognized for his ability to carry out his fiduciary responsibilities with dedication and sincerity and has provided distinguished service to the Board and the members and beneficiaries of the Washtenaw County Voluntary Employees' Beneficiary Association; and

WHEREAS, Trustee Smith is a true example of a dedicated public servant such that the members and beneficiaries of the Voluntary Employees' Beneficiary Association, the County employees and citizenry owe a debt of gratitude to Conan Smith for his sacrifice and service to the Trust.

NOW THEREFORE BE IT RESOLVED that the Board of Trustees, on behalf of itself and all concerned extends its appreciation to Conan Smith for his six years of service to the Washtenaw County Voluntary Employees' Beneficiary Association and wishes his continued success in his future endeavors.

WASHTENAW COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION  
BOARD OF TRUSTEES

*Diane Heidt*

*Tina Gavalier*

*Corey Mason*

*Gary Lowe*

C. Smith, seconded by D. Heidt, motion to accept Resolution of Appreciation for Trustee Conan Smith. All in favor, motion carried.

**Administrator's Report- Monica Boote**

**A. Retiree Health Expenses**

Month: October 2018

	General	Sheriff	Medical Fund Adjustment	Total
Blue Cross/Blue Shield-ERS retirees	781,171.12	171,586.72		<b>952,757.84</b>
Medicare Reimbursement-ERS retirees	1,258.10	220.30		<b>1,478.40</b>
Medicare Reimbursement-MERS retirees	-	209.80		<b>209.80</b>
Blue Cross/Blue Shield-MPPP retirees	36,123.52	-		<b>36,123.52</b>
Blue Cross/Blue Shield-MERS retirees	-	73,375.90		<b>73,375.90</b>
Retiree Medical Adjustment				-
	<b>\$818,552.74</b>	<b>\$245,392.72</b>	<b>\$ -</b>	<b>\$1,063,945.46</b>

	Number of Retirees General	Number of Retirees Sheriff	Number of Retirees Total
Blue Cross/Blue Shield-ERS retirees	692	152	844
Medicare Reimbursement-ERS retirees	11	2	13
Medicare Reimbursement-MERS retirees	-	2	2
Blue Cross/Blue Shield-MPPP retirees	32	-	32
Blue Cross/Blue Shield-MERS retirees	-	65	65
Retiree Medical Adjustment	692	152	844
	<b>735</b>	<b>221</b>	<b>956</b>

Month: November 2018

	General	Sheriff	Medical Fund Adjustment	Total
Blue Cross/Blue Shield-ERS retirees	781,171.12	170,457.86		<b>951,628.98</b>
Medicare Reimbursement-ERS retirees	1,258.10	220.30		<b>1,478.40</b>
Medicare Reimbursement-MERS retirees	-	209.80		<b>209.80</b>
Blue Cross/Blue Shield-MPPP retirees	36,123.52	-		<b>36,123.52</b>
Blue Cross/Blue Shield-MERS retirees	-	74,504.76		<b>74,504.76</b>

Retiree Medical Adjustment				-
	<b>\$818,552.74</b>	<b>\$245,392.72</b>	<b>\$ -</b>	<b>\$1,063,945.46</b>

	Number of Retirees General	Number of Retirees Sheriff	Number of Retirees Total
Blue Cross/Blue Shield-ERS retirees	692	151	843
Medicare Reimbursement-ERS retirees	11	2	13
Medicare Reimbursement-MERS retirees	-	2	2
Blue Cross/Blue Shield-MPPP retirees	32	-	32
Blue Cross/Blue Shield-MERS retirees	-	66	66
Retiree Medical Adjustment			
	<b>735</b>	<b>221</b>	<b>956</b>

**B. Requesting approval for the following invoices:**

<u>Vendor</u>	<u>Description of Services</u>	<u>Amount Due</u>	<u>Invoice</u>
Clarkston	Management Fees	\$25,918	3Q18VEBA
Edgewood	Investment Counseling Fees 3Q18	\$37,332.85	2889038
Rehmann Robson	Audit Cost Distribution 2017	\$8,000	VEBA Audit 2017
Western Asset	Management Fees 3Q18	\$9,557.18	3Q18VEBA
Washtenaw County	1Q18 Administration Services	\$29,864.75	029
Washtenaw County	2Q18 Administration Services	\$29,864.75	030
Washtenaw County	3Q18 Administration Services	\$29,864.75	031
Washtenaw County	4Q18 Administration Services	\$29,864.75	032
Washtenaw County Risk Management	Insurance Premiums Reimbursement 10/2017 – 10/2018	\$5,588.19	VEBA INS 2018-2019

M. Boote requested authorization to process payment for the presented retiree health care expenses for October through November, as well as for payment of the represented invoices in the regular agenda.

D. Heidt, seconded by D. Sexton, to approve the expenditures as presented. All in favor, motion carried.

The Board then discussed the update regarding the Actuarial RFP process and when the new database is going into effect.

**Report of Investment Consultant**

**A. Market Commentary**

T. Brice discussed the recent volatility in the market. The Federal Chairman has stated that interest rate increases will soon slow down. The market has shown more volatility recently due to an inverted yield curve, where short rates were higher than long rates. If the Fed backs off in interest rate and the United States reaches a trade agreement with China, the market will improve and the dollar will increase in value. There may still be some volatility in the market at the beginning of 2019.

T. Brice stated that US Equity and high yield have underperformed and also stated to expect other areas such as International Emerging Market to perform better. With Equities, Morgan Stanley expects to see value outperform

growth. Healthcare did very well recently due to the government leaving the Affordable Care Act in place. The Market is still in a long bull market phase.

The Board then discussed if there is a recession coming does the Board have to think about the assets differently since VEBA is a closed plan. T. Brice discussed what Morgan Stanley is strategically watching to help prevent issues with the closed plan. M. Boote stated there are still funds coming into VEBA from departments who are hiring new employees since the departments are charged a differential liability amount. She also stated this should help if the US does go into a recession. The Board then discussed that the forfeited amount of money from the New RHS plan goes into the VEBA account as well. M. Boote will bring the total dollar amount that is being added from the new RHS plan to the next meeting.

#### **B. 3Q18 Performance Report**

A. Cole discussed the third quarter performance, stating that it is currently outdated. The third quarter was a catch up quarter for the market, increasing 2.5% and year to date up 4.32%. Since then October and November were rough months for the market, the portfolio is still up 75 basis points year to date. The growth managers were still out performing during the third quarter. International manager's performance was flat to almost negative. Hedge funds and Real Estate still moving along with positive gains.

The Board then discussed Cambiar, who currently had a negative performance. A. Cole stated that the poor performance is a recent change. They are currently not worried and believed that their performance should be turning around soon. Cambiar is a very good risk adjusting manager for a portfolio to have.

A. Cole then discussed the Rebalance, and would like to move \$1 million from Edgewood and \$1.5 million from Vanguard Russell 1000 Growth with \$1 million going in to Aristotle Large Value and \$1.5 million going in to Vanguard Russell 1000 Value. These are tactical moves to help support the portfolio.

The Board then discussed if the portfolio had enough cash value for the near future.

D. Heidt seconded by D. Sexton motion to move \$1 million dollars from Edgewood Large Growth into Aristotle Large Value and \$1.5 million dollars from Vanguard Russell 1000 Growth into Vanguard Russell 1000 Value. All in Favor, motion carried.

#### **Other Advisor's Comments**

None

#### **Report of the Chair**

None

#### **Adjournment**

D. Heidt seconded by D. Sexton to adjourn at 3:34pm. All in favor, motion carried.

#### **Upcoming Board Meetings –**

Wednesday, February 06, 2019, Regular Meeting  
BOC Conference Room,  
220 N. Main St, Ann Arbor, MI 2:30 p.m. – 4:00 p.m.