



# Rochester Hills

## Minutes - Draft

### Board of Trustees to the Retiree Health Care Trust

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*Don Cline, Jr., Kurt Dawson, Greg Hooper, Keith Sawdon, Kenneth Wissbrun*

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Wednesday, June 1, 2011

5:00 PM

1000 Rochester Hills Drive

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## CALL TO ORDER

*Chairperson Wissbrun called the meeting of the Board of Trustees to the Retiree Health Care Trust to order at 5:03 p.m., Michigan Time.*

## ROLL CALL

**Present** 5 - Greg Hooper, Kurt Dawson, Don Cline, Keith Sawdon and Kenneth Wissbrun

## Others Present:

*Mark Woolhiser, MBC Investment Consulting, Inc.*

## APPROVAL OF MINUTES

2011-0217 Approval of Meeting Minutes - November 1, 2010

**Attachments:** [110110 Draft Minutes Retiree HCTrust.pdf](#)  
[0217 Resolution.pdf](#)

**A motion was made by Hooper, seconded by Cline, that the Minutes to the November 1, 2010 Meeting of the Board of Trustees to the Retiree Health Care Trust be Approved as Presented. The motion carried by the following vote:**

**Aye** 5 - Dawson, Cline, Sawdon, Wissbrun and Hooper

**Resolved**, that the Minutes of the Board of Trustees to the Retiree Health Care Trust meeting of November 1, 2010 are approved as presented.

## NEW BUSINESS

2011-0218 Election of Chairperson

**Attachments:** [0218 Resolution.pdf](#)

**Greg Hooper nominated Kenneth Wissbrun as Chairperson.**

**A motion was made by Hooper, seconded by Cline, that this matter be Approved. The motion carried by the following vote:**

**Aye** 5 - Dawson, Cline, Sawdon, Wissbrun and Hooper

**Resolved**, that Kenneth Wissbrun is Chairperson of the Board of Trustees to the Retiree Health Care Trust for 2011.

**2011-0220** Election of Vice Chairperson

**Attachments:** [0220 Resolution.pdf](#)

**Kenneth Wissbrun** nominated **Don Cline Jr.** as Vice-Chairperson.

**A motion was made by Wissbrun, seconded by Hooper, that this matter be Approved. The motion carried by the following vote:**

**Aye** 5 - Dawson, Cline, Sawdon, Wissbrun and Hooper

**Resolved**, that Don Cline Jr. is Vice-Chairperson of the Board of Trustees to the Retiree Health Care Trust for 2011.

**2011-0221** Election of Treasurer

**Attachments:** [0221 Resolution.pdf](#)

**Keith Sawdon** nominated **Kurt Dawson** as Treasurer.

**A motion was made by Sawdon, seconded by Wissbrun, that this matter be Approved. The motion carried by the following vote:**

**Aye** 5 - Dawson, Cline, Sawdon, Wissbrun and Hooper

**Resolved**, that Kurt Dawson is Treasurer of the Board of Trustees to the Retiree Health Care Trust for 2011.

**2011-0222** Proposed Amendment to Investment Policy Statement

**Attachments:** [Proposed 6-2011 Investment Policy stmt.pdf](#)

**Mr. Sawdon** reported that Mark Woolhiser, MBC Investment Consulting, Inc., adopted a new software package to monitor the City's Pension and Retiree Health Care Savings funds, which allows the development of custom benchmarks. He explained that the proposed changes to the Investment Policy Statement (IPS) are necessary to incorporate the new monitoring package. He also noted that Section 7, Part 7 will reference that a fund on a watch list for four consecutive quarters or four of the following seven quarters would trigger termination.

**Mr. Woolhiser** stated that in the past few years, fund offerings have now evolved to include many more risk-based and target-based funds; these funds now encompass almost fifty percent of all plans. The new monitoring tool allows for a new scorecard for these risk-based and target-based funds. He explained that the grading scale was quite tough on risk-based funds, and that these funds would not be considered for a watch list unless their score dropped to a five. Furthermore, he commented that it is his opinion that leaving the watch list reference as four quarters in Section 7, Part 7 is appropriate.

**Mr. Sawdon** concurred, stating that shortening the timeframe for termination

*down to three quarters for funds on a watch list could cause the termination of a fund that would have recovered.*

*After discussion, the Board accepted the revised Investment Policy Statement.*

**A motion was made by Hooper, seconded by Cline, that this matter be Approved. The motion carried by the following vote:**

**Aye** 5 - Dawson, Cline, Sawdon, Wissbrun and Hooper

**Resolved**, that the Amendment to the Investment Policy Statement be approved as presented, with the following change:

#### **Part VII - Investment Option Termination**

4. The option has been on the "Watch List" for four consecutive quarters, or four of the following seven quarters.

#### **2011-0223 Investment Performance Review**

**Attachments:** [RHCB fund comparison final\[1\].pdf](#)

*Mr. Woolhiser presented a review of the funds. He noted that the new scorecard tool rates funds on a ten-point scoring system, and incorporates Quantitative and Qualitative Strategies, and Passive Index Strategies. He noted that the Passive Index Strategies now provide a better tool to rate index funds. He reported that the funds are performing well and directed the Board's attention to the Scorecard contained on Page 10 of the Fiduciary Investment Review report.*

**Discussed.**

**The Board moved discussion of Legislative File 2011-0281, Investment Option Discussion, immediately following the Investment Performance Review.**

#### **2011-0281 Investment Option Discussion**

**Attachments:** [RHCB fund comparison final\[1\].pdf](#)

*Mr. Woolhiser stated that Mr. Sawdon and Mr. Dawson have put much work into the Pension Plan over the past year to simplify and consolidate it. He explained that the two Plan vendors will be consolidated into one, noting that Diversified Investment Advisors was selected. He mentioned that benefits to consolidation will include single-source accountability, turn-key solutions and having all plans and products on one statement.*

*He explained the mapping strategy that would be implemented from ICMA to Diversified and pointed out the satisfactory scoring for the target funds:*

- *The Vantagepointe Mdl Port Long-Term Growth Fund would map to the Vanguard 500 Index Investor Fund*
- *The Vantagepointe Low Duration Bond Fund would map to the Transamerica Partners Instl High Quality Bond Fund*

- *The Vantagepointe Mdl Port Traditional Growth Asset Allocation would map to the Delaware Foundation Moderate Allc R Fund*

*He further noted that there will be a substantial cost savings in the transition as well, and pointed out that the Vantagepointe Mdl Port Long-Term Growth Fund is at 96 basis points and the Vanguard Fund is at 9 basis points. He explained that this represents a \$10,000 savings in expenses.*

**Mr. Cline** questioned whether the mapped funds are comparable.

**Mr. Woolhiser** responded that they are.

**Mr. Sawdon** noted that a Roth is available as well at Diversified, should the participant desire.

*After discussion, the move from ICMA to Diversified Investment Advisors was accepted.*

**A motion was made by Cline, seconded by Hooper, that this matter be Approved. The motion carried by the following vote:**

**Aye** 5 - Dawson, Cline, Sawdon, Wissbrun and Hooper

**Resolved**, that the Board of Trustees to the Retiree Health Care Trust authorizes the selling of its investments and the closing of its account at ICMA, and the opening of an account at Diversified Investment Advisors, purchasing the investments as discussed during the Board's June 1, 2011 Meeting.

**2011-0224** 2012 Proposed Budget for the Board of Trustees to the Retiree Health Care Trust

**Attachments:** [736 = Retiree Supplemental - Budget Input 2012-14 .pdf](#)  
[736 = Ret HC Trust Fund \(2012-14\) Revenues.pdf](#)  
[736 = Ret HC Trust Fund \(2012-14\) Expenditures.pdf](#)

**Mr. Sawdon** presented the Proposed Budget for 2012, noting that the budget process is just beginning. He pointed out that the 2012 budget will begin to recognize the work that the Actuary did in determining what will need to be contributed to the Implicit Rate Subsidy and what will be returned back to the funds for Implicit Rate. He pointed out that interest income has been increased as well, noting that the purpose of forming the Trust was to take advantage of Public Act 314 and invest at least 60 percent of the Trust's assets into equities. He explained that 2010 was a good year, and while \$100,000 in gains was estimated, \$213,000 was realized. He noted that his recommendation is to increase the line item for interest in dividends from roughly \$100,000 to \$120,000 for 2012.

**Mr. Hooper** questioned whether any potential Union contract changes are reflected.

**Mr. Sawdon** responded that any changes will not affect the Supplemental. He noted that any changes necessary will be reflected on the next actuarial report when undertaken. He explained that the Actuary will be brought back to update numbers as of January 1, 2012, as required every two years by GSAB rules for

*cities with 200 employees or more. He commented that he would hope that much of the contract negotiations are complete by then.*

*Upon review and discussion, the Board approved the Proposed Budget.*

**A motion was made by Hooper, seconded by Cline, that this matter be Approved. The motion carried by the following vote:**

**Aye** 5 - Dawson, Cline, Sawdon, Wissbrun and Hooper

**Resolved**, that the 2012 Proposed Budget for the Board of Trustees to the Retiree Health Care Trust be approved as presented.

## **ANY OTHER BUSINESS**

*None.*

## **NEXT MEETING DATE**

*The Board questioned whether an additional meeting was required as the transition to Diversified progresses.*

**Mr. Sawdon** noted that performance reports can be transmitted to update Board members. He stated that the resolution approving the transfer will allow the Treasurer to sign on behalf of the Board. He commented that an additional meeting could be scheduled at a later date if necessary.

## **ADJOURNMENT**

*There being no further business to discuss, **Chairperson Wissbrun** adjourned the meeting at 5:40 p.m.*

*Minutes prepared by Mary Jo Whitbey.*

*Minutes were approved as presented/amended at the \_\_\_\_\_ [year]  
Meeting of the Board of Trustees to the Retiree Health Care Trust.*

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*Kenneth Wissbrun, Chairperson*