



Rochester Hills Minutes

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Board of Trustees to the Retiree Health Care Trust

Don Cline, Jr., Kurt Dawson, Keith Sawdon, Mark Tisdell, Kenneth Wissbrun

Tuesday, May 15, 2012

5:00 PM

1000 Rochester Hills Drive

CALL TO ORDER

Chairperson Wissbrun called the meeting of the Board of Trustees to the Retiree Health Care Trust to order at 4:55 p.m., Michigan Time.

ROLL CALL

Present 5 - Kurt Dawson, Don Cline, Keith Sawdon, Kenneth Wissbrun and Mark Tisdell

Others Present:

*Mark Woolhiser, Michigan Benefit Consulting (MBC), Principal
Pam Lee, City Accountant (Entered 5:01 p.m.)*

PUBLIC COMMENT

None.

APPROVAL OF MINUTES

2012-0159 Approval of Meeting Minutes - Board of Trustees to the Retiree Health Care Trust - June 1, 2011

Attachments: [060111 Retiree HC Trust Draft Minutes.pdf](#)
[0159 Resolution.pdf](#)

A motion was made by Sawdon, seconded by Cline, that the Minutes of the June 1, 2011 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 Tisdell

Resolved, that the Minutes of the June 1, 2011 meeting of the Board of Trustees to the Retiree Health Care Trust be approved as presented.

NEW BUSINESS

2012-0160 Election of Chairperson

Attachments: [0160 Resolution.pdf](#)

Don Cline nominated *Kenneth Wissbrun* as Chairperson.

A motion was made by Cline, seconded by Sawdon, that Kenneth Wissbrun be Appointed as Chairperson. The motion carried by the following vote:

Aye 5 - Dawson, Cline, Sawdon, Wissbrun and Tisdel

Resolved, that Kenneth Wissbrun is Chairperson of the Board of Trustees to the Retiree Health Care Trust for 2012.

2012-0161 Election of Vice Chairperson

Attachments: [0161 Resolution.pdf](#)

Kenneth Wissbrun nominated *Don Cline* as Vice Chairperson.

A motion was made by Wissbrun, seconded by Dawson, that Don Cline Jr. be Appointed as Vice Chairperson. The motion carried by the following vote:

Aye 5 - Dawson, Cline, Sawdon, Wissbrun and Tisdel

Resolved, that Don Cline, Jr. is Vice Chairperson of the Board of Trustees to the Retiree Health Care Trust for 2012.

2012-0162 Election of Treasurer

Attachments: [0162 Resolution.pdf](#)

Keith Sawdon nominated *Kurt Dawson* as Treasurer.

A motion was made by Sawdon, seconded by Wissbrun, that Kurt Dawson be Appointed as Treasurer. The motion carried by the following vote:

Aye 5 - Dawson, Cline, Sawdon, Wissbrun and Tisdel

Resolved, that Kurt Dawson is Treasurer of the Board of Trustees to the Retiree Health Care Trust for 2012.

2012-0163 Resolution Appointing Diversified Retirement Corporation as record keeper and State Street Trust as custodian

Attachments: [0163 Agenda Summary.pdf](#)
[0163 Draft Resolution Appointing DIA.pdf](#)
[0163 Resolution.pdf](#)

Keith Sawdon explained that at the June 1, 2011 meeting, the Board concurred with the move of all City participation-type funds from ICMA to Diversified. The move was completed on April 1, 2012. He mentioned that with this move, the City will be able to realize lower management fees and find more products available for the plan's participants. The Board is requested to adopt the resolution appointing Diversified Retirement Corporation as record keeper and State Street Trust as custodian to complete the transition requirements.

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

Aye 5 - Dawson, Cline, Sawdon, Wissbrun and Tisdel

2012-0164 Investment Performance Review

Attachments: [Q1 2012 RHCT Fiduciary Investment Review.pdf](#)

Mark Woolhiser, MBC, recapped the scoring system used to gauge investment performance.

(Enter Pam Lee, 5:01 p.m.)

He noted that the three funds in the portfolio at March 31st have been mapped to Diversified. He explained that the ten-point scoring system utilized to rate the funds include weights of 30 percent related to style factors and style drift, and 30 percent related to risk and return. He noted that two points are related to peer group mapping, considering how the fund has performed in the peer group as well as how it has performed relative to risk minus return. Two points are related to the manager tenure of the fund, including how long the portfolio manager and team have been in place along with consideration of the expense ratio.

He pointed out that the Vantagepoint Low Duration Bond Fund would be put on a Watch List as it has scored a five out of ten; and he commented that short term interest rates are currently very volatile. He mentioned that funds which are on a watch list for a consecutive four out of seven quarters are subject to termination. He noted that this fund has been mapped to Diversified.

He mentioned that the Vantagepoint Mdl Port Traditional Growth Fund (now mapped to Delaware) had approximately 51 percent equity; 36 percent Domestic, 15 percent International and the remaining in Bonds. He noted that this has always been a well-diversified fund. He mentioned that the Vantagepoint Mdl Port Long-Term Growth asset allocation fund consists of 65 percent equity (20 percent of which is in International); and 35 percent Bond and stated that this is a very good diversification for participants around 50 years of age. He pointed out that the Long-Term growth fund received a 10 out of 10 score.

Mr. Sawdon explained the mapping to the various Delaware funds, and explained that he examines the portfolio and rebalances the funds to satisfy the Investment Policy Statement goal of 60 percent equities and 40 percent bonds. He explained that Public Act 314 limits the maximum percentage of equities to 65 percent and by maintaining a goal of 60 percent, the funds have a little room for market growth without exceeding that 65 percent limit.

Mr. Woolhiser noted that the Delaware funds scored nines and tens over the last three consecutive years.

Mr. Sawdon explained that the fund represents the Supplemental Retiree Health Care Trust and has only 100 individuals eligible for participation. The remainder of the City's employees participate in a Retiree Health Savings Account, also at Diversified, and referred to as the RHS Plan. He noted that the Supplemental Trust has a long-term life, and the last payout could potentially be made in 35 years. He commented that in 20 years, the percentages of equity to bond would move toward 50/50; and in 25 years, would move toward 40/60.

He noted that an actuarial report is required every two years, and an internal rate of return of five percent is desired. If the funds do not achieve a five percent return, the City may have more financial obligation in the future; and if returns exceed five percent, the City could potentially receive funds back at the end of the Trust.

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

Aye 5 - Dawson, Cline, Sawdon, Wissbrun and Tisdell

Resolved, that the Board of Trustees to the Retiree Health Care Trust accept the Investment Performance Review as presented.

2012-0165 Review and approval of 2013 Proposed Budget for Retiree Health Care Trust

Attachments: [2013 = 700 - Trust + Agency Funds.pdf](#)
[736 = Retiree Healthcare Trust Fund Revenues \(2013-15\).pdf](#)
[736 = Retiree Healthcare Trust Fund Expenditures \(2013-15\).pdf](#)
[0165 Resolution.pdf](#)

Keith Sawdon explained that the Administration prepares three-year budgets; including a Budget for 2013 which Council will adopt, along with projected budgets for 2014 and 2015. He explained that the proposed Supplemental Trust Fund budget looks for interest returns at approximately five percent. He commented that equities do experience up and down years, and pointed out that a loss realized in 2011 was offset by the gain in 2010. He mentioned that transfers are made from the General Fund, Fire Fund and Water and Sewer Fund. He noted that at the last actuarial report, the Implicit Rate Subsidy was \$1.7 million. The City is on a 30-year payment schedule to determine the annual required contribution to fund that subsidy.

He explained the Implicit Rate Subsidy, noting that the City allows retirees to buy into its health care plan when they retire. The increased use by older individuals drives up premium costs for all, and in-effect provides the retirees with a subsidy. He mentioned that the subsidy is estimated at approximately \$310 dollars a month, calculated by the actuarial report. The City must recognize that difference and reimburse the government for that subsidy. The various City funds contribute to recognize the subsidy; and subsequently the Trust recognizes those that are currently using the Plan. The City accounts for the subsidy on an annually-required basis over 30 years. He noted that \$1.9 million obligation for the Supplemental was paid in all at once so it could begin to invest in the equity market.

He reviewed the proposed budget numbers and noted that one-eighth of an employee is charged to the Trust. He mentioned that there would be no actuarial fees for 2013 as no report will be undertaken that year. Audit costs are proposed at \$1,000.00. He pointed out that it is proposed for 2013 to add \$165,000 back to the Trust after all transaction of earnings, contributions and payouts are complete.

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

Aye 5 - Dawson, Cline, Sawdon, Wissbrun and Tisdell

Resolved, that the Board of Trustees to the Retiree Health Care Benefit Trust hereby approve the proposed 2013, projected 2014 and projected 2015 Budgets for Supplemental Retiree Healthcare Trust Fund as presented in the amount of Two Hundred and Eighty Eight Thousand Three Hundred and 00/100 (\$288,360.00) Dollars.

ANY OTHER BUSINESS

Keith Sawdon stated that an actuarial report is required every other year as the City's participant group numbers 100 or more. He noted that the actuarial report is in process and a first draft is expected some time in early- to mid-July, with a final report expected by September. Once the final is received, it will be transmitted to all Board members for review. In the event that the report finds that a modification of the subsidy amount is required, an amendment can be made to the 2013 Budget, or the modification can be incorporated into the 2014 Budget process. He noted that Governmental Accounting Board Standards (GASB) dictate the frequency of an actuarial report, based on the group's size. A larger group may be required to provide an actuarial report every year; and a much smaller group every five years. He noted that the Implicit Rate Subsidy will probably keep the requirement at every two years for quite some time. He explained that the purpose of providing the report is to recognize the required subsidy, and provide information on these obligations that do not appear elsewhere.

Mr. Wissbrun questioned whether the Board should schedule another meeting for September.

Mr. Sawdon responded that any questions on the report can be addressed one-on-one with the actuary. He noted that this is the second report compiled by the actuary. He explained that it is advantageous to stay with the same actuary over time as the data accumulated could be lost and need to be re-compiled with a new actuary. He noted that the assumptions on health care costs could differ as well. He stated that should the Board feel a need, a meeting could be scheduled.

Mr. Wissbrun stated that if nothing unusual is seen in the report, there most likely would not be a need for another meeting.

Mr. Sawdon noted that a careful review of the draft report will be undertaken to ensure that the assumptions made for health care costs will be properly accounted for.

NEXT MEETING DATE

To be determined.

ADJOURNMENT

There being no further business to discuss, Chairperson Wissbrun adjourned the meeting at 5:27 p.m.

Minutes prepared by Mary Jo Whitbey

Minutes were approved as presented at the August 19, 2014 Meeting of the Board of Trustees to the Retiree Health Care Trust.

Kenneth Wissbrun, Chairperson