

Present: Chairperson O’Connell; Vice-Chair Shock; Members: Fisher, Koss, Mercer

Absent: None

Also Present: Village Manager, Wilson  
Finance Director, Wiszowaty  
Public Safety Director, Woodard  
Asset Strategies, George Vitta and Katherine Ghannam  
Council member, LaFerriere

Chairperson O’Connell called the meeting to order at 9:30 p.m. in the Public Safety Department conference room at 18600 W. Thirteen Mile Road.

**REVIEW AND APPROVE MINUTES OF A REGULAR RETIREE HEALTH CARE FUND MEETING HELD NOVEMBER 22, 2011**

Motion by Koss, second by Shock, that the minutes of a Regular Retiree Health Care Fund meeting held on November, 22, 2011 be approved as submitted.

Motion passed (5 – 0).

**REVIEW/CONSIDER STATEMENT OF INVESTMENT POLICIES, PROCEDURES AND OBJECTIVES FOR THE RETIREE HEALTH CARE PLAN**

Vitta stated that the Investment Policies, Procedures and Objectives document distributed to the Board is unique to the Retiree Health Care Plan. This is an update to the previous draft of August 2010. The format is similar to the Pension Fund Investment Policy. The first section identifies the role and responsibilities of the Trustees, Investment Consultant, Custodian and Investment Managers. It acknowledges Public Act 314 of 1965, which empowers the Board to invest in compliance with the statute.

In the new modular format, manager information is located at the end of the document. The Asset Allocation policy is not as specific as it is for the Pension Fund for the reason that the investment opportunities are more limited with a \$2 million fund. Vitta commented on the asset allocation range for the different types of investments.

The Retiree Health Care Plan is currently using the Vanguard Star Fund. The expectation over time as assets grow is to move outside of the Vanguard Star Fund and diversify into specialized portfolio managers. Vitta affirmed that Asset Strategies looks at other opportunities and better performers than the Vanguard Star Fund on an ongoing basis.

Motion by Koss, second by Mercer, that the Retirement Board forward the Statement of Investment Policies, Procedures and Objectives for the Public Safety Retiree Health Care Plan to Village Attorney Ryan or someone he recommends to review the document and report back to the Retirement Board.

Motion passed (5 – 0).

Koss informed Vitta that the Village was authorized at the 2010 election to levy 12.9184 mills including the following components specifically dedicated to the operation of the Village: 9.9 mills for public safety operations; 2.1 mills for general administration purposes; 0.9184 mills for library purposes. The 9.9 mills allocated for public safety operations will fund the Village's annual required contribution to fund both the current year health care requirements and an amortized portion of any unfunded OPEB liability for the next 10 years. With the passage of the millage proposal, the Village is funding 100% of its annual required contribution.

Finance Director Wiszowaty brought up the topic of allocating Retiree Health Care Contingency contributions to the Retiree Health Care Fund on a quarterly basis for investment in the Vanguard STAR Fund. The contingency money is the portion over and above the actual premiums. The money would be transferred from the General Fund and the Public Safety Fund into the Retiree Health Care fund. The budgeted amount for fiscal year 2011/12 is \$570,242.

In order to give Asset Strategies the authority to invest these funds in the Vanguard STAR Fund, the Retirement Board must take action to authorize the transfer of Retiree Health Care Contingency money into the Retiree Health Care Fund on a quarterly basis.

Motion by Mercer, second by Koss, that Retiree Health Care Contingency Fund money be transferred to the Retiree Health Care Fund on a quarterly basis. The first six months (50%) of the Retiree Health Care Contingency Fund from the 2011/12 budget in the amount of \$285,121.00 will be transferred to the Retiree Health Care Fund on March 1, 2012. The Retiree Health Care Fund will receive the next 25% of the budgeted amount on April 30, 2012 and the remaining 25% for the current fiscal year on June 30, 2012. Beginning July 1, 2012, the Retiree Health Care Fund will receive quarterly transfers from the Retiree Health Care Contingency Fund based on the fiscal calendar and budget.

Motion passed (5 – 0).

#### **2011 FOURTH QUARTER PERFORMANCE REPORT BY ASSET STRATEGIES**

Ghannam presented the Beverly Hills Retiree Health Care performance summary for the fourth quarter of 2011. The quarter return for the Vanguard STAR Fund was 6.68%; the benchmark was up 6.52 percent. The year return was 0.77%. For the trailing 1.75 years, the fund earned 4.68% versus the benchmark at 4.95 percent. The fund valuation at the end of January is \$1,818,758.94.

- 1) No additional purchases of the Vanguard STAR fund were made during the quarter.
- 2) Outperformance by the STAR Fund is attributed to strong results from the fund's international equity holdings relative to their benchmark (Vanguard Intn'l Value Fund outperformed by 1.33% and the Vanguard Intn'l Growth Fund outperformed by 2.27%). Strong results from the Vanguard Long-term Investment-Grade Fund (+2.19%) further strengthened STAR Fund results.
- 3) Asset Strategy recommends employer quarterly contributions over and above "pay-as-you-go" be invested in the Vanguard STAR Fund each quarter.

Ghannam and Vitta addressed comments and questions from members including an inquiry as to why the STAR Fund is used as a benchmark. The Board requested that Vitta include Morningstar as an additional benchmark. Board members were aware of the need to diversify this fund as the fund increases.

In response to an inquiry from Wilson, Vitta indicated that the Vanguard STAR Fund has daily liquidity. Wilson informed the Board of a change in the PSO contract that may also occur in the Command contract whereby the contribution from employees went from 1% to 2%. There is also a policy change in that employees who leave before being vested for retiree health care would get their contribution back upon separation. It was clarified that the employee would be entitled to the dollar amount contributed without earnings.

### **PUBLIC COMMENTS**

Wilson informed those present that Public Safety Director Karl Woodard is retiring from the Village as of March 30. O'Connell thanked Karl Woodard for his service and all he has done for the community. He will be missed.

Mercer distributed a handout to Vitta and Board members entitled XYZ Investment Advisor. He suggested that Asset Strategies might want to incorporate some of the features included on the sheet into the format of their investment performance reports.

Motion by Mercer, second by Koss, to adjourn the meeting at 10:19 p.m.

Motion passed (5 – 0).