

500 West Big Beaver
Troy, MI 48084
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MINUTES

Retiree Healthcare Benefits Plan & Trust Board Meeting

August 9th, 2023 at 1:00 PM

Council Boardroom

500 West Big Beaver Troy, Michigan 48084

(248) 524-3412

Roll Call

A meeting of the Retiree Health Care Benefits Plan and Trust Board of Trustees was held on **August 9th, 2023** in the City Council Boardroom.

The meeting was called to order at 1:44 PM. by Chairman Maleszyk.

Trustees Present: Kurt Bovensiep
Theresa Brooks
Peter Dungjen
John Foster
Robert C. Maleszyk
Mark F. Miller
Mark Owczarzak

Trustees Absent:

Also Present: Thomas Michaud – VanOverbeke, Michaud & Timmony P.C.
Jeffrey Tebeau – Gabriel, Roeder, Smith & Co (GRS)
Rebecca Sorensen – UBS Financial Management
Mike Oleszkowicz - UBS Financial Management
Dee Ann Irby – Controller
Cynthia Pavella – Administrative Assistant

Public Comment

- None

Minutes from the May 10th, 2023 Meeting

Resolution # RHC- 2023-08-01

Moved by: Bovensiep
Supported by: Dungjen

RESOLVED, that the Minutes of the May 10th, 2023 meeting be **APPROVED**.

Yeas: - 6 – (Bovensiep, Brooks, Dungjen, Foster, Maleszyk, Miller)

Absent: - 0–

Motion Passes

Regular Business

o Review of 12/31/2022 Actuarial Report – Jeff Tebeau Gabriel Roeder Smith (GRS)

- Tebeau, Chief Actuary from GRS, presented a draft of the results of the December 31, 2022 Actuarial Valuation of Other Postemployment Benefits (OPEB). GASB requires plan sponsors to perform actuarial valuations at least biennially. The last valuation was December 31, 2020.
- The purposes of the valuation are to measure the Plan's funding progress and to determine the employer contribution rate for the fiscal years beginning July 1, 2024 and July 1, 2025.
- The Actuarial Determined Employer Contribution (ADEC) uses the interest rate assumption of 6.50%. The ADEC for fiscal year beginning July 1, 2024 was determined to be \$1,499,923 or 14.05% of projected payroll provided that the City intends to fully fund the OPEB.
- The ADEC for fiscal year beginning July 1, 2025 was determined to be \$1,432,565 or 14.56% of projected payroll. The estimated ADEC for July 1, 2026 fiscal year is \$1,353,071 or 15.45% of projected payroll.
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- The ADEC decreased since the prior valuation due to the following: per capita health care cost experience was favorable overall for both the self-insured and the fully-insured plans and recognized investment returns were approximately 8.6% on average over the last two years. Partially offsetting these factors was an increase due to: resetting the health care trend cost rates based on the trend assumption used for the December 31, 2020 valuation, the first-year trend for this valuation would have been 6.75% for pre-65 costs and 5.75% for post-65 costs, and was scheduled to reach the ultimate trend sooner. Therefore, resetting the trend increased the liabilities and the ADEC. Another contributing factor for the increase was updating coverage election assumptions to reflect recent experience.
- The computed ADEC reflects amortization of the Unfunded Actuarial Accrued Liability (UAAL) as a level dollar over 19 years for the fiscal year beginning July 1, 2024. A shorter amortization period would result in a higher ADEC.
- The expected retiree health care claims and premium amounts paid are estimated to be \$7,417,4586 for fiscal year beginning July 1, 2024 and \$7,836,047 for fiscal year beginning July 1, 2025. The amounts reflect the employer portion of the retiree only premium rates and the implicit subsidy for retirees and covered spouses.

- The total present value of future benefits expected to be paid to current members as of December 31, 2022 is \$133,601,317. The Actuarial Accrued Liability, which is the portion of the \$133,601,317 attributable to service accrued by plan members as of December 31, 2022, is \$128,845,465. Controller Irby explained how the City encourages Medicare Advantage plan enrollment. The premium savings is reflected in the Valuation/Plan Liabilities.
- The assets currently set aside for funding purposes as of December 31, 2022 is \$113,217,429. The OPEB liabilities are currently 87.9% funded; increased from 78.3% in 2020.
- Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 6.50% of the Actuarial Value of Assets) it is expected that:
 - The employer normal cost will be sufficient to finance benefits accruing each year;
 - The Unfunded Actuarial Accrued Liabilities (UAAL) will be fully amortized by June 30, 2043;
 - The funded status of the plan will increase gradually towards a 100% funded ratio.
 - Tebeau said in 2024, it could be 100% if trend applies to liabilities, experience, and contributions.
- There are 379 retirees (131 Public Safety and 248 General) enrolled in the City's self-funded or fully insured medical plans.
- Vice-Chairman Bovensiepe asked if the City's budget is consistent with this valuation? Chairman Maleszyk stated it is \$2.7 million.
- Tebeau will remove the DRAFT off the document. Controller Irby said it will be sent to Board members who can forward to inquiring retirees as needed.

- **Retiree Healthcare Benefits Plan & Trust Review – Tom Michaud**

- Attorney Michaud stated that he is still working on RHC Plan review and will be prepared for discussion at a future meeting.

Investments

- **UBS Financial Services - Rebecca Sorensen**

- Sorensen presented the City of Troy Retiree Health Care Benefits Plan and Trust Performance report for 2nd quarter 2023.
- Sources of portfolio value performance Net Returns Net of Fees as of June 30th, 2023 was as follows: MTD 4.90%; QTD 4.96%; YTD 11.04% and 1-Yr 14.41%.

- The Asset Allocation for Total Portfolio of \$112,168,381.53 is comprised 0.90% Cash, 20.49% US Fixed Income, 1.86% Global Fixed Income, 0.56% International Fixed Income, 58.89% US Equity, 2.60% Global Equity, and 14.70% International Equity.
- Given the robust (and somewhat unexpected) equity returns experienced over the first half of 2023, UBS suggest rebalancing the equity allocation while also reducing equities by \$8,000,000 and moving \$4,000,000 of the proceeds to the Liquid Assets Government Fund, in anticipation of distributions needed over the next twelve months. The Government Fund is currently yielding 5.27%.
- Maleszyk stated his approval of this strategy, especially getting 5%.
- The specific recommendation of the remaining \$4,000,000 be invested in fixed incomes as follows:
 - \$1,000,000 Blackrock Strategic Income Fund
 - \$1,500,000 Loomis Fixed Income
 - \$1,500,000 FCI Fixed Income
- The reduction will bring equity exposure to 70% of the current portfolio. As future monies are withdrawn for healthcare expenses, the asset allocation will be reviewed for any needed changes along with recommendations to take the withdrawal from the \$4,000,000 set aside or from other portfolio assets.

- **International Equities**

- FTSE ETF, MFS and, Clearbridge from 2.47%, 3.13% and 3.04% to 3% each with total percentage from 8.65% to 9% and an estimated total dollar change of \$408,030 ((\$227,990) FTSE ETF; \$357,010 MFS, \$279,010 Clearbridge)
- Sm Wld from 3.39% and New Wld from 6.07% to 7% and estimated total dollar change of \$2,752,690 (\$588,010 Sm Wld and \$2,164,680 New Wld).

- **US Equities**

- S&P, MFS, and Loomis change from 15.0% to 16.0%, 20.13% to 16.0%, and 19.46% to 16.0% respectively with total percentage decrease from 54.60% to 48.0% and an estimated total decrease of \$9,705,160 (\$393,720 S&P, \$4,952,270 MFS, and \$4,358,720 Loomis)
- MidCap ETF, J Hancock, and MFS change from 5.82% to 8.0%, 5.12% to 8.0%, and 4.67% to 8.0% respectively with total percentage increase from 15.61% to 24.0% and an estimated total increase of \$5,540,920 which is \$1,297,640 MidCap ETF, \$1,918,640 J Hancock, and \$2,324,640 MFS.
- Russell 2000, MFS New Dis, and Columbia change from 4.28% to 4.0%, 3.71% to 4.0%, and 3.69% to 4.0% respectively with total percentage increase from 11.68% to

12.0% and an estimated total increase of \$675,040 which is \$569,680 Russell 2000, \$61,680 MFS New Dis, \$43,680 Columbia.

Resolution # RHC- 2023-08-02

Moved by: Foster

Seconded by: Bovensiep

RESOLVED, that the portfolio be rebalanced in the amount of \$8,000,000 which is comprised of International Equities (FTSE ETF, MFS, and Clearbridge) total of \$408,030, and (AF SM Wld and AF New Wld) of \$2,752,690 and US Equities (S&P, MFS, and Loomis) for \$9,705,160; (MidCap ETF, J Hancock and MFS) reduced \$5,540,920; and, (Russell 2000, MFS New Dis, and Columbia) total of \$675,040 whereby the \$8,000,000 net proceeds be deposited into Liquid Assets Government Fund be **APPROVED**.

Yeas: - 6 – (Bovensiep, Brooks, Dungjen, Foster, Maleszyk, Miller)

Absent: - 0–

Motion Passes


Other Business

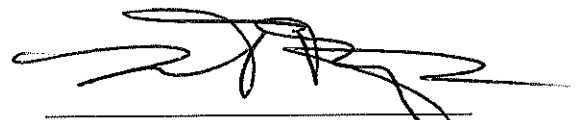
None

Adjourn

The meeting was adjourned at 2:15 PM.

The next meeting is Wednesday, November 8th, 2023 at 1:00 pm in the City Council Boardroom.


Robert C. Maleszyk, Chairman


Kurt Bovensiep, Vice Chair