

CENTER LINE OTHER POST EMPLOYEES BENEFIT TRUST (OPEB)
REGULAR MEETING
August 13, 2019
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4a. ✓
OPEB
11/12/19

The regular meeting of the Center Line Other Post Employees Benefit Trust Committee was called to order at 1:04 p.m. on August 13, 2019 by Mayor Robert Binson.

Members Present: Robert Binson, and Deputy Treasurer Gregory Suma.

Also Present: Tim Brice of the Brice Group

MOTION by G. Suma, supported by R. Binson to excuse Dennis Champine.

AYES: 2 NAYS: NONE MOTION CARRIED

Approval of Agenda

MOTION by G. Suma, supported by R. Binson to approve the agenda as presented.

AYES: 2 NAYS: NONE MOTION CARRIED

Public Comment

None

Approval of minutes

MOTION by, G. Suma supported by R. Binson to approve the minutes from the May 14, 2019 meeting.

AYES: 2 NAYS: NONE MOTION CARRIED

For your information

- a. Correspondence from VanOverbeke, Michaud & Timmony, P.C. Dated: June 19, 2019
Re: Michigan Supreme Court case – Kendzierski, ET AL. v. Macomb County relating to changes to Retiree Healthcare.

MOTION by G Suma, R. Binson supported to receive and file.

AYES: 2 NAYS: NONE MOTION CARRIED

- b. GRS Newscan July 2019 Re: American Academy of Actuaries issue brief – Drivers of 2020 Health Insurance Premium changes dated: June 2019.

MOTION by G Suma, R. Binson supported to receive and file.

AYES: 2 NAYS: NONE MOTION CARRIED

- c. Henry J. Kaiser Family Foundation July 2019 Issue Brief Re: Explaining Texas v. U.S.: A guide to the 5th Circuit Appeal in the case challenging the Affordable Care Act.

MOTION by G Suma, R. Binson supported to receive and file.

AYES: 2 NAYS: NONE MOTION CARRIED

- d. Willis Towers Watson – Perspectives Re: retiree health care solution for today's economy. Information about the individual Medicare marketplace and a case study on the City of Memphis, Tennessee

MOTION by G Suma, R. Binson supported to receive and file.

AYES: 2 NAYS: NONE MOTION CARRIED

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Presentations

Tim Brice from the Graystone Group of Morgan Stanley discussed the money manager performances through June 30, 2019, and the Asset Allocation. He had further discussion on:

- I. On the Markets – The Consolidation Continues dated: August 2019
- II Morgan Stanley – Inputs for Global Investment Committee's (GIC) strategic asset Allocations.

Mr Brice started the discussion – there has been a lot of volatility in the markets. The FED raised the rates in December but not in January, then the FED cut the rates a few weeks ago and Trade and Tariff has been front and center. These are all issues that led to the volatility. The FED may lower rates two or three more times if there are any signs of a looming recession. Morgan Stanley's CIO believes there may be a ten percent correction the market but long-term signs look positive for the markets.

Mr. Brice went over the S & P 500 Breakdowns – Consumer discretionary and technology stocks have really bounced back since their corrections in the fourth quarter of 2018. Healthcare was up 8.10% for the first six months of 2019 while discretionary was up 21.80% and technology was up 27.10%. Politicians have outlined their plans for change in healthcare if elected and that may be the reason healthcare has been laggard.

Morgan Stanley's Global Investment Committees Tactical advice and pointed out their stance are an underweight on REITS because they are expensive and vulnerable to credit risks.

Mr. Brice said through June 30, 2019 the portfolio is up 15.66% year to date and the policy index was up 13.90% for the same time period. Overall the money managers are doing very good against their benchmarks. The portfolio through August 12, 2019 is up 14.80% and the benchmark is up 12.40%. Trustee Suma pointed out the chart Mr. Brice's office has added to the quarterly booklet as he refers to it as a "quilt" which show asset classes and their returns over a long-term horizon.

Mr. Brice discussed the fixed income managers of Boyd and Western. Western's and Boyd's year to date returns were 8.03% and 7.68% respectively, and the benchmark is 6.11%. Trustee Suma asked where did Western pick up 8.00% and Mr. Brice said the lower interest rate environment added value to bonds.

On the equity managers, Lazard is up 22.04% year to date while their benchmark is up 18.71%. Aristotle is up 18.67% and their benchmark is up 16.24%. JP Morgan is up 15.96% while their benchmark is up 16.24%. Mr. Brice said the main reason for their underperformance is because their portfolio is a traditional value manager while Aristotle is a relative value manager. Clearbridge is up 22.33% and their benchmark is up 21.49%, Polen Capital is up 24.37% and their benchmark is up 21.49%. These are our two

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Domestic growth managers.

Mr. Brice covered the small and mid-cap managers. Earnest tends to be a more aggressive manager. They were up 21.15% year to date and their index is up 21.35%. Great Lakes is up 14.27% and their benchmark is up 19.25%.

The international equity managers were discussed next. Causeway is a value international manager who is up 10.77% year to date and their "value" benchmark is up 9.58%. Clearbridge is up 22.29% and their "growth" international benchmark is up 18.47%. The emerging market manager Harding Loevner is up 15.92% and their benchmark is up 12.33%. The MLP manager Cushing is up 15.84% while its benchmark sits at 16.96%. Oil prices have declined which plays a role with Cushing's performance. Trustee Suma said he believes the United States is now a net exporter of oil and asked Mr. Brice if he knows how much of domestic oil production is consumed by Americans, and he said he believes it is at 70%. Tortoise MLP is up 20.13% year to date and their benchmark is up 22.41%. Mr. Brice sees a day when Master Limited partnerships goes away from a partnership type of entity to a "C" style entity. Mr. Brice touched on asset target model percentages under tab three. Manager analysis was mentioned under tab four from the presentation booklet.

Mr. Brice presented information on adding a 2.50% and a 5.00% allocation to REITS and other alternative investments like real estate and private real estate.

A motion by G. Suma, supported by R. Binson to have Mr. Brice's office do a manager search for a Real-estate Investment Trust and have it presented at the November 12, 2019 OPEB Meeting.

AYES: 2 NAYS: NONE MOTION CARRIED

Old Business

None

New Business

None

Approval of Vouchers

Morgan Stanley/Graystone Consulting 2nd Qtr. 2019 Investment Management Fees
~ \$11,936.70

MOTION G. Suma, supported by R. Binson to pay the invoice.

AYES: 2 NAYS: 0 MOTION CARRIED

Comments

None

Adjournment

MOTION by G Suma, supported by R. Binson to adjourn the meeting at 1.52 pm

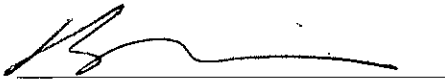
AYES: 2 NAYS: NONE MOTION CARRIED

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Adjourned 1:52 pm



Chairman

11/12/19

Date



Secretary

11/12/19

Date