



MONROE COUNTY RETIREE HEALTH CARE TRUST

Summary Annual Report to Members
October 7, 2019

Dear Retiree Health Care Plan Member/Beneficiary:

The County of Monroe has established the Monroe County Retiree Health Care Plan (the "Plan") pursuant to authority under MCL 46.12a(1)(a). The plan provides for certain described post employment benefits to be provided to qualified County retirees and/or dependents. The County has incurred liabilities with the provision of these benefits under the Plan, and the County has established a Trust Fund to provide a source of money to assist in meeting liabilities under the Plan. A tax exempt Trust has been created to provide a method to fund and pre-fund the retiree health care benefits. All assets in the Trust are restricted for the exclusive use to pay retiree health care benefits, obligations, liabilities and expenses.

The Trust's assets are managed, invested and reinvested by a board of trustees appointed by the Monroe County Board of Commissioners. An investment policy that complies with Public Act 314 is used to guide the management of the trust fund's assets. The investment policy is constructed to provide a 6% expected rate of return. The primary function of the Retiree Health Care Board of Trustees is to act as investment fiduciary of the trust fund in accordance with and limited to the terms of the Trust Agreement. These terms include acting with the same care, skill, prudence and diligence that a prudent person would use. No decisions or actions relating to retiree health care benefits or eligibility are decided by the board of trustees. Administration of post employment benefits of retirees and dependents is through the County.

This report has been prepared to assist employees, retirees, beneficiaries and others in understanding the financial position of the Trust, the investment performance over time and an accounting of the expenses required to administer the post employment benefits on an annual basis. All investment and financial data is as of December 31, 2018 and the financial data is from audited financial statements.

If you have any questions regarding this report, please contact Michael Bosanac, Administrator/Chief Financial Officer. He can be reached by telephone at (734) 240-7267 or email at michael_bosanac@monroemi.org.

Respectfully Submitted,

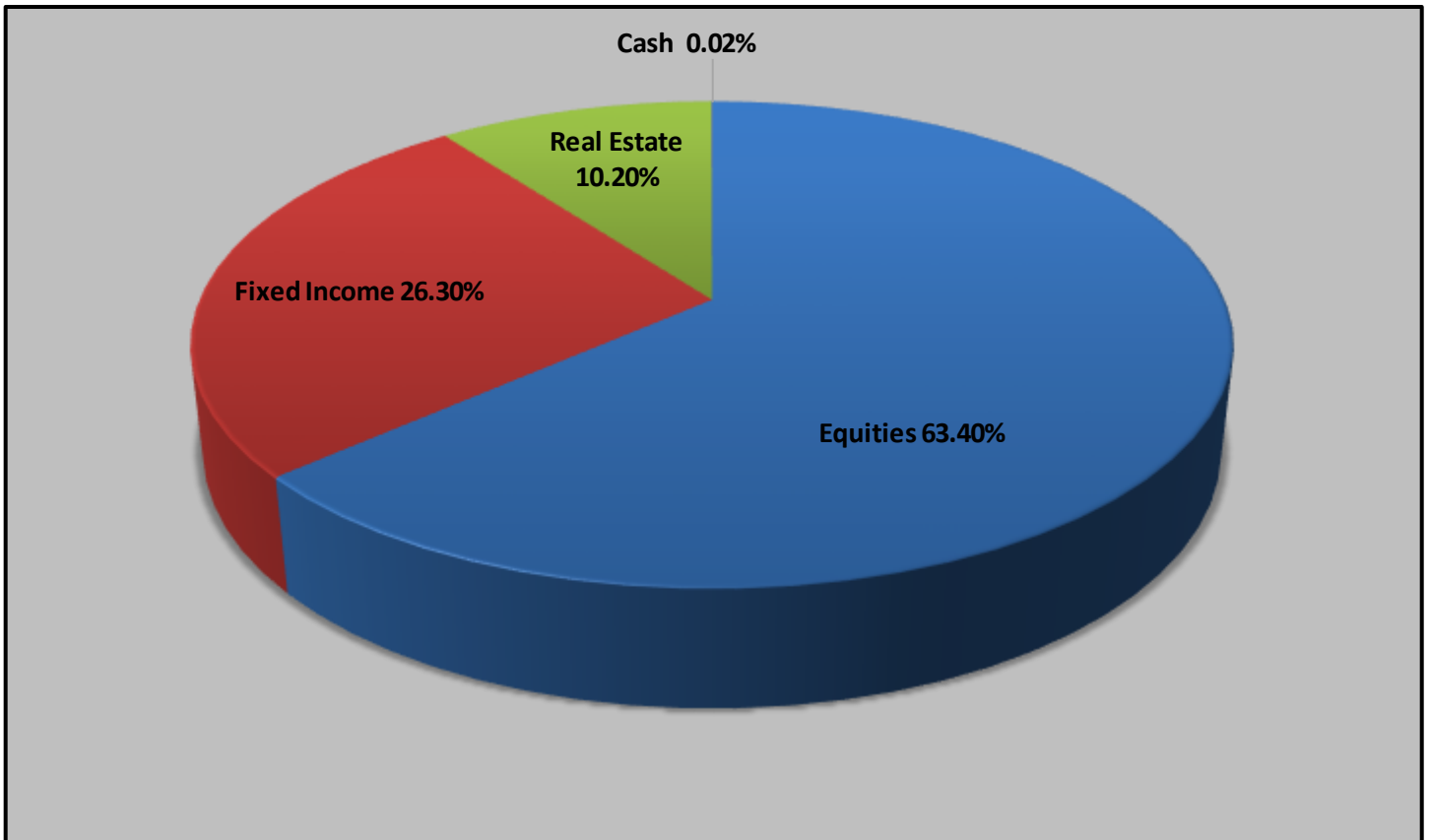
Monroe County Retiree Health Care Board of Trustees

How is money in the Retiree Health Care benefit program invested?

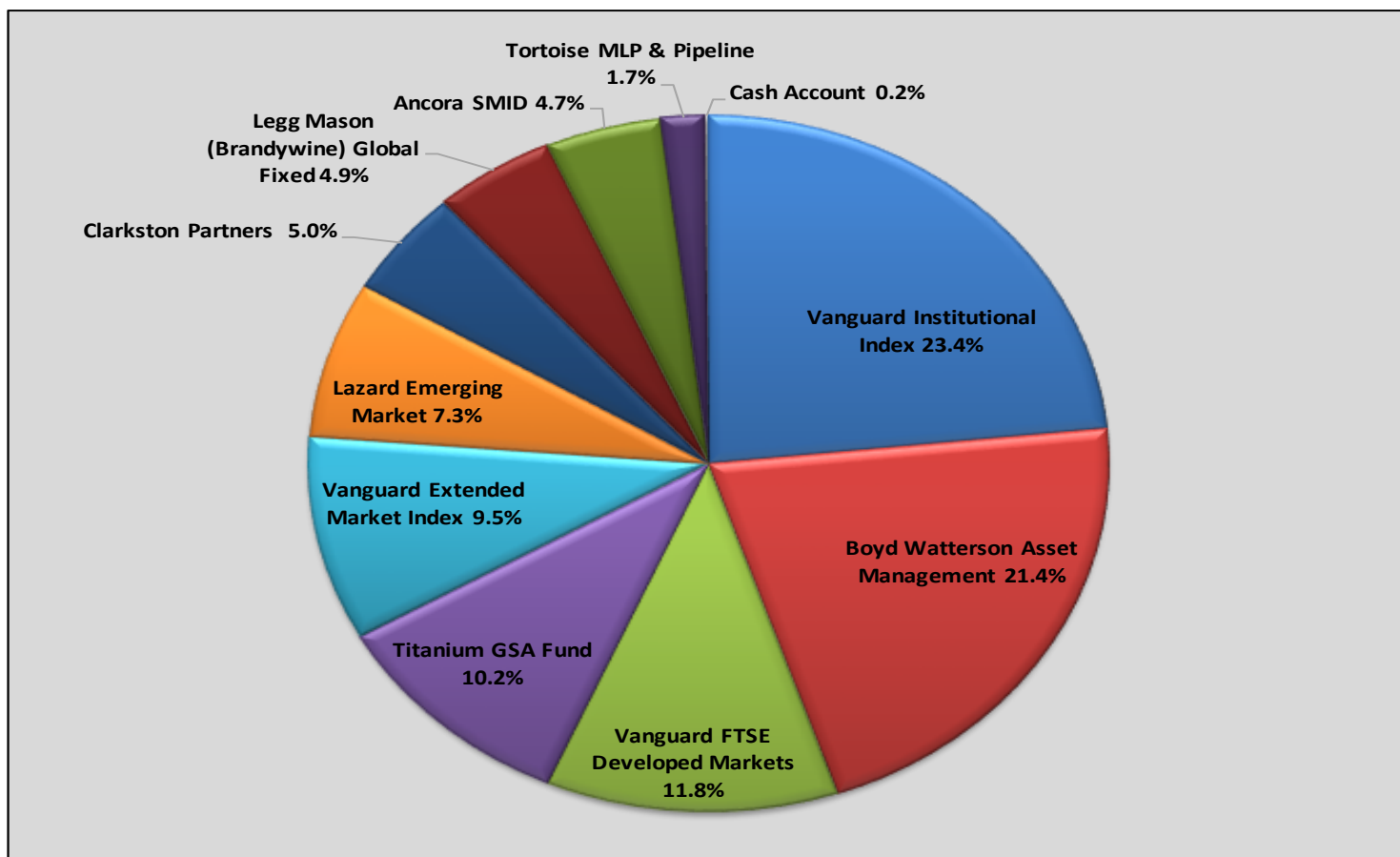
The Retiree Health Care Board of Trustees in consultation with its investment advisor established the strategic asset allocation targets below on a market value basis. The investment policy is approved by the Monroe County Board of Commissioners and complies with Public Act 314. Money is invested in the Trust under this allocation:

Equity:		<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
	Large Cap Stocks	12%	18%	24%
	Mid Cap Stocks	7%	10%	13%
	Small cap Stocks	7%	10%	13%
	<i>Total Domestic Equity</i>	<i>25%</i>	<i>38%</i>	<i>51%</i>
	International Stocks	13%	20%	27%
	Infrastructure (MLPs)	<u>0%</u>	<u>2%</u>	<u>3%</u>
	<u>Total Equity</u>	50%	60%	70%
Fixed Income:				
	Domestic / U.S. Core	14%	21%	28%
	High Yield	0%	0%	5%
	Global	<u>0%</u>	<u>5%</u>	<u>7%</u>
	<u>Total Fixed Income</u>	14%	26%	40%
Real Estate:				
	Indirect	0%	9%	10%
Alternative Investments:				
	Direct Lending	0%	5%	6%
Cash:				
	Cash/Cash Equivalent	<u>0%</u>	<u>0%</u>	<u>5%</u>
	<u>Total Trust</u>		100%	

How were the assets actually allocated and invested in the trust at year-end 12/31/18?



Who are the money managers and how much of the total asset value was invested with each money manager at year end 2018?



<u>Manager</u>	<u>Asset Class</u>	<u>Value</u>	<u>Portfolio Percentage</u>
Vanguard Institutional Index	Domestic Equity	\$ 12,767,805	23.4%
Boyd Watterson Asset Management	Fixed Income	\$ 11,678,044	21.4%
Vanguard FTSE Developed Markets	International Equity - Developed Markets	\$ 6,472,021	11.8%
Titanium GSA	Real Estate	\$ 5,571,342	10.2%
Vanguard Extended Market Index	Domestic Equity	\$ 5,197,688	9.5%
Lazard Emerging Market	International Equity - Emerging Markets	\$ 3,977,757	7.3%
Clarkston Partners	Domestic Equity	\$ 2,730,858	5.0%
LM Brandywine Global FI	Global FI	\$ 2,659,902	4.9%
Ancora Small/Mid	Domestic Equity	\$ 2,551,017	4.7%
Tortoise MLP	Domestic Equity	\$ 943,354	1.7%
Cash Account	Cash	\$ 83,773	0.2%
Total Trust		\$ 54,633,561	100.0%

Who contributes funding for the Retiree Health Care benefit program and how much?

<u>Contributions</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Employer	\$ 6,025,812	\$ 6,230,662	\$ 7,012,487	\$ 6,721,737	\$ 6,308,394	\$ 6,498,074
Employee	457,635	469,073	474,348	426,920	404,303	392,779
Retirees	181,250	203,497	193,302	192,924	201,880	175,095
Other Reimbursements	450	44,971	47,788	99,405	83,857	110,733
Total Contributions	\$ 6,665,147	\$ 6,948,203	\$ 7,727,925	\$ 7,440,986	\$ 6,998,434	\$ 7,176,681
In 2018, the Actuarially Determined Contribution for all Employee groups was:						<u>\$ 9,476,760</u>

What expenses have been incurred over time to administer benefits and pay investment management costs/fees?

<u>Expenses</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Benefits Payments	\$4,858,864	\$5,494,191	\$4,830,941	\$5,022,587	\$4,504,207	\$5,340,952
Refund of Contributions	83,171	74,713	106,300	140,257	103,067	113,677
Administrative expense	35,678	27,770	33,317	19,497	30,869	23,850
Investment Management Fees	255,897	293,185	326,553	248,443	253,148	65,604
Total Expenses	\$5,233,610	\$5,889,859	\$5,297,111	\$5,430,784	\$4,891,291	\$5,544,083

What additional information is available concerning investment management fees?

<u>Current Manager Roster</u>	<u>Internal Expense Ratio</u>	<u>2018 Fees Paid</u>
Vanguard Institutional Index	0.04%	\$ 4,469
Boyd Watterson - Int Fixed	0.23%	\$ 26,860
Vanguard Developed Markets	0.07%	\$ 4,530
Boyd Watterson GSA	1.25%	\$ 69,642
Vanguard Extended Market Index	0.06%	\$ 3,119
Lazard Emerging Market	0.75%	\$ 29,833
Clarkston Small/Mid	1.00%	\$ 27,309
LM Brandywine Global FI	0.58%	\$ 15,427
Ancora Small/Mid	1.02%	\$ 26,020
Tortoise MLP	0.96%	\$ 9,056
Total		\$ 216,265

What were the beginning and ending total value of assets in the Retiree Health Care Benefit Trust & Fund in 2018?

<u>Net Assets</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Beginning of Year	\$32,175,735	\$38,346,096	\$41,314,729	\$43,833,965	\$48,491,075	\$57,398,966
End of Year	\$38,246,096	\$41,314,729	\$43,833,965	\$48,491,075	\$57,398,966	\$55,610,810

Other Reported Information:

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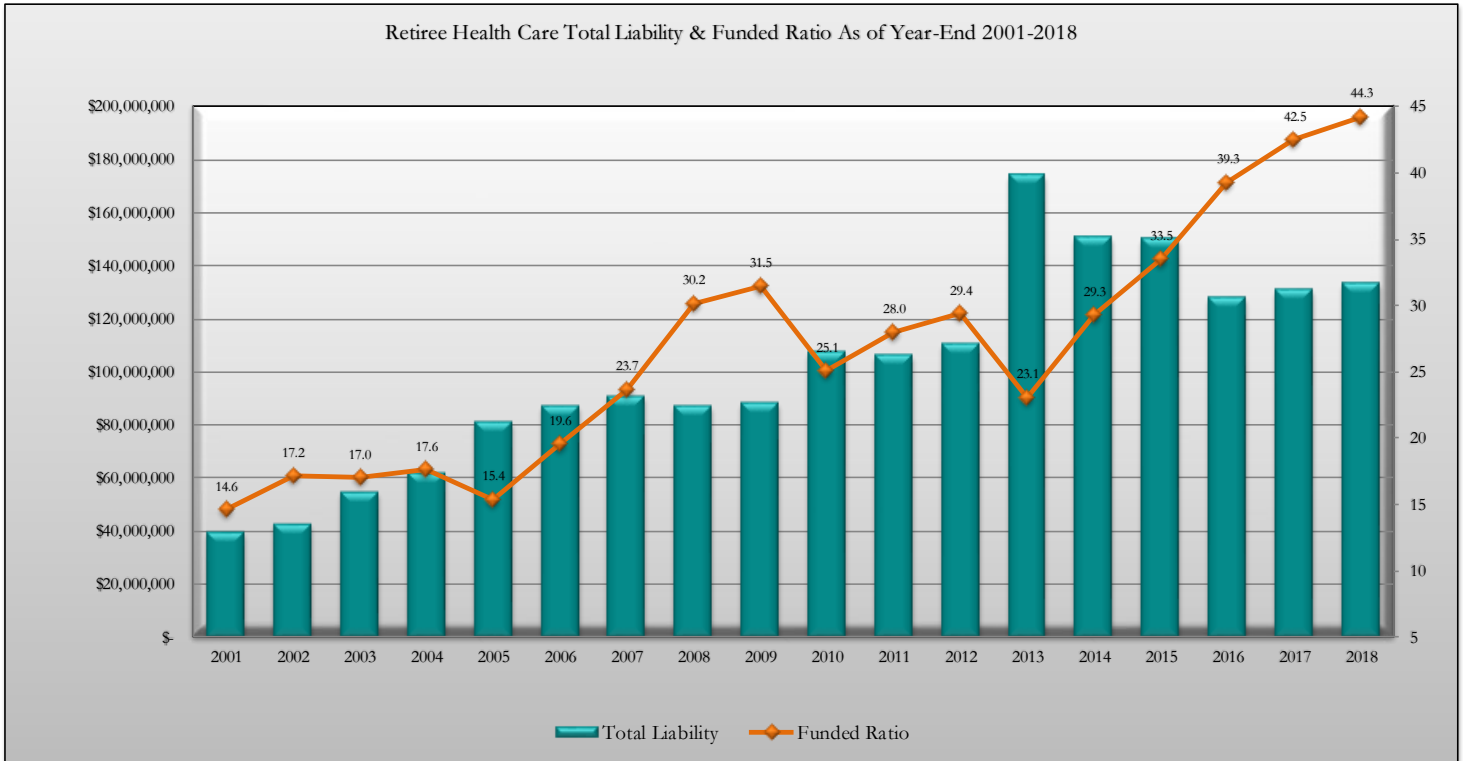
Assumed rate of health care inflation for 2018:	2.10%
Number of active participants:	261
Number of retired participants:	456
Amortization Method:	Level Dollar Payments to a fixed amortization date of 12/31/2030
Remaining Amortization Period:	12 years

What has been the investment performance over time?

	<u>2018 Returns</u>	<u>3 Year Returns</u>	<u>5 Year Returns</u>	<u>7 Year Returns</u>	<u>10 Year Returns</u>	<u>Since Inception January 1998</u>
Net of Fees	-4.84%	4.62%	3.52%	5.86%	6.02%	3.97%
Investment Earnings	-\$3,420,369	\$5,614,944	\$6,999,789	\$ 14,030,242	\$ 18,194,434	\$ 17,664,305

What are the liabilities or projected costs of the benefit?
How does that compare with the assets available?

Year	Total Liability	Funded Ratio
2001	\$39,290,885	14.6
2002	\$42,227,371	17.2
2003	\$54,710,077	17.0
2004	\$61,595,947	17.6
2005	\$80,736,245	15.4
2006	\$87,109,351	19.6
2007	\$90,534,928	23.7
2008	\$87,155,864	30.2
2009	\$88,099,692	31.5
2010	\$107,199,762	25.1
2011	\$106,191,863	28.0
2012	\$110,599,120	29.4
2013	\$144,505,029	23.1
2014	\$126,349,159	29.3
2015	\$126,527,633	33.5
2016	\$127,617,401	39.3
2017	\$130,875,639	42.5
2018	\$133,120,326	44.3



Monroe County Retiree Health Care Board Trustees: Professional Advisors:

Bob Neely, Chairperson

AndCo., Investment Consultant

Kay Sisung, Vice-Chairperson

Milliman, Actuary

Michael Bosanac

Rehmann Robson, CPA

David Rever

Gary Wilmoth