



# MONROE COUNTY RETIREE HEALTH CARE TRUST

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Summary Annual Report to Members  
September 10, 2018

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 and obligations.

The Trust’s assets are managed, invested and reinvested by a board of trustees appointed by the 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, 2017 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](mailto:michael_bosanac@monroemi.org).

Respectfully Submitted,

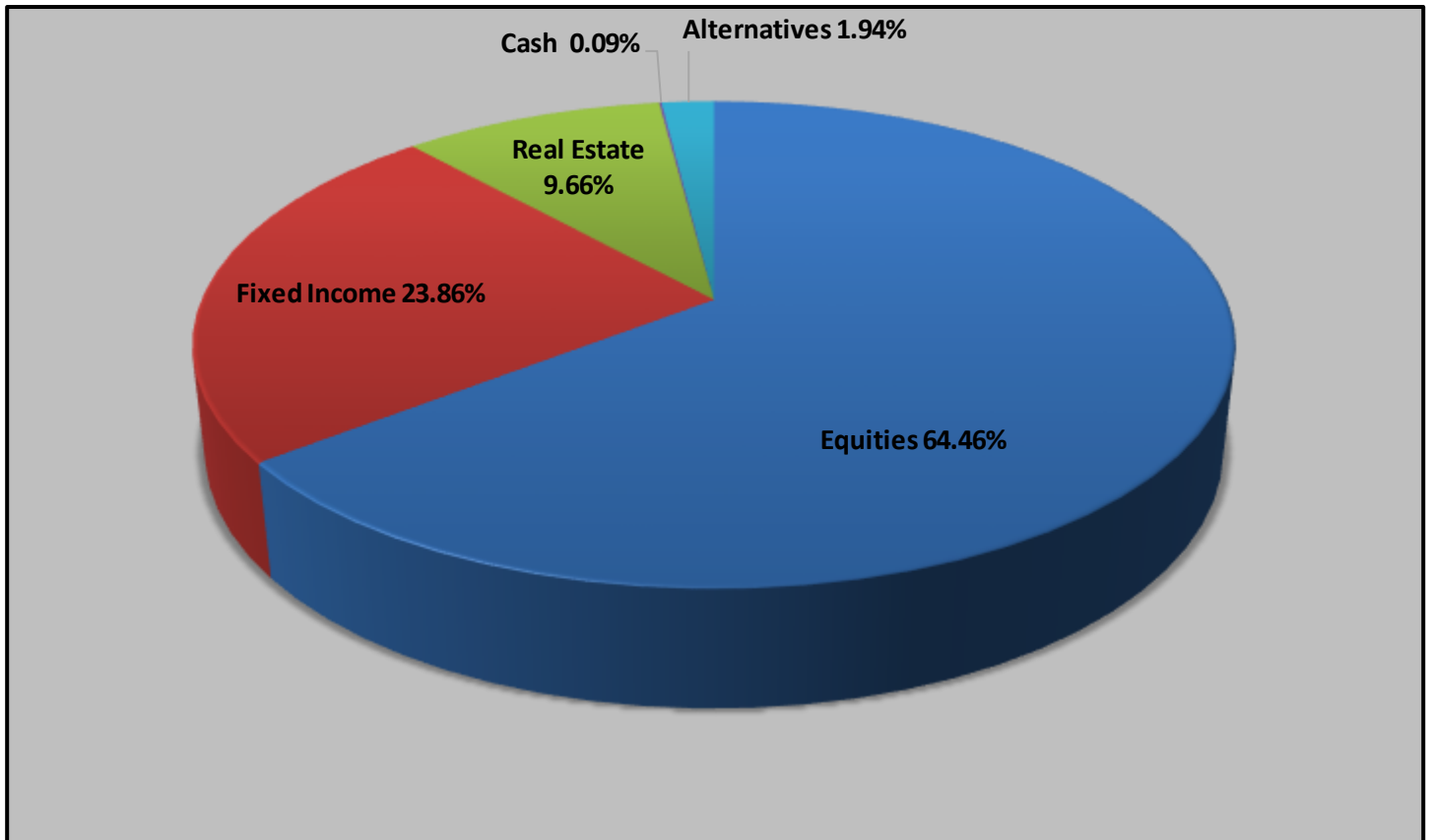
Monroe County Retiree Health Care Board of Trustees

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

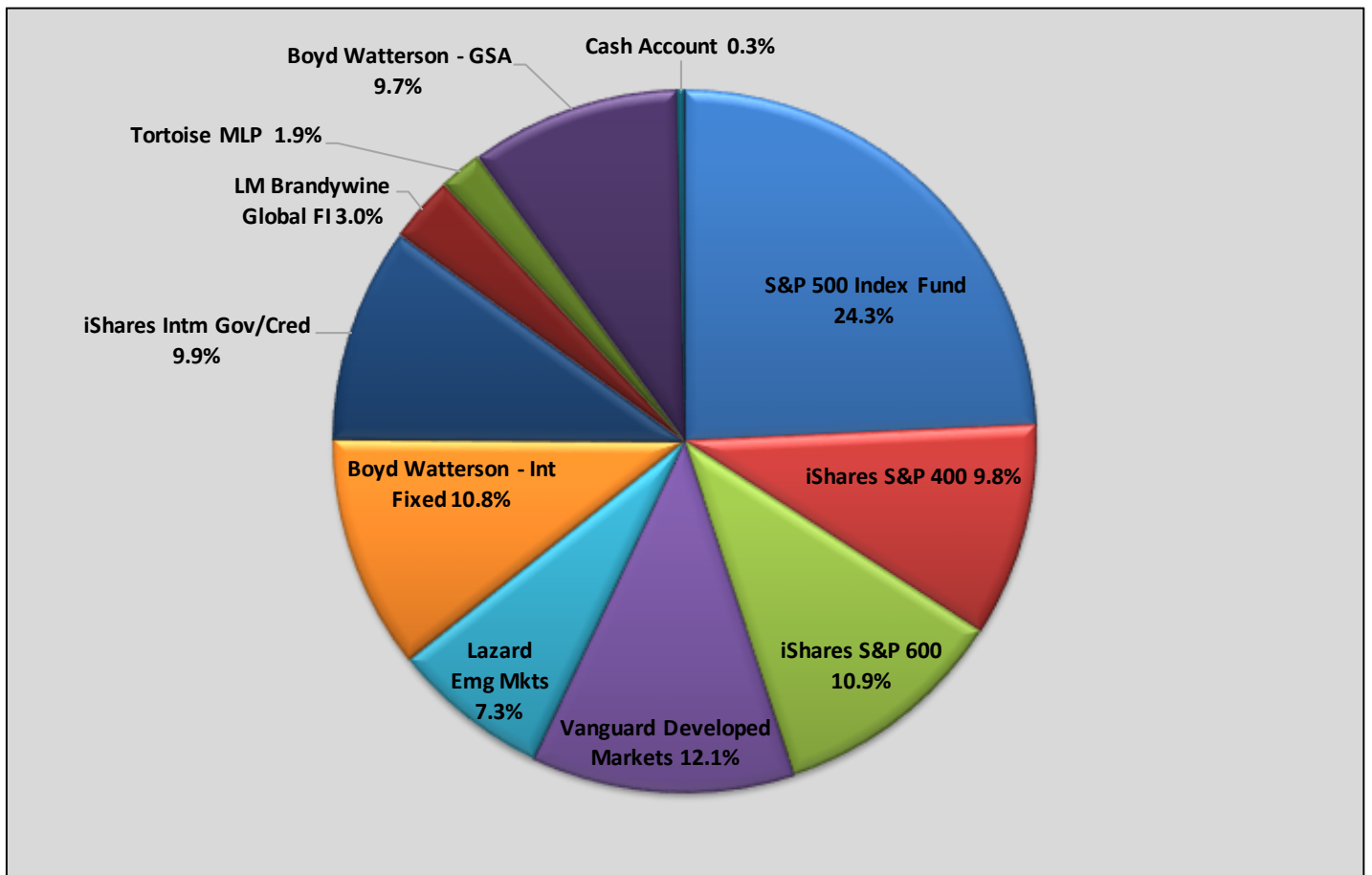
The Retiree Health Care Board of Trustees in consultation with its investment advisor established the below strategic asset allocation targets on a market value basis. The investment policy is approved by the Monroe County Board of Commissioners and complies with Public Act 314. Money is invested in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

<b>Equity:</b>		<b><u>Minimum</u></b>	<b><u>Target</u></b>	<b><u>Maximum</u></b>
	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>
	<b><u>Total Equity</u></b>	<b>50%</b>	<b>60%</b>	<b>70%</b>
<b>Fixed Income:</b>				
	Domestic / U.S. Core	14%	21%	28%
	High Yield	0%	2%	5%
	Global	<u>0%</u>	<u>5%</u>	<u>7%</u>
	<b><u>Total Fixed Income</u></b>	<b>14%</b>	<b>26%</b>	<b>40%</b>
<b>Real Estate:</b>				
	Indirect	0%	9%	10%
<b>Alternative Investments:</b>				
	Direct Lending	0%	5%	6%
<b>Cash:</b>				
	Cash/Cash Equivalent	0%	0%	5%
	<b><u>Total Trust</u></b>		<b>100%</b>	

**How were the assets actually allocated and invested in the trust at year-end 12/31/17?**



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



Manager	Asset Class	Value	Portfolio Percentage
S&P 500 Index Fund	Large Core Index	\$13,688,767	24.3%
iShares S&P 400	Mid Core Index	\$5,551,065	9.8%
iShares S&P 600	Small Core Index	\$6,130,360	10.9%
Vanguard Developed Markets	International Index	\$6,814,279	12.1%
Lazard Emg Mkts	Emerging Markets	\$4,105,249	7.3%
Boyd Watterson - Int Fixed	Intermediate Fixed	\$6,074,303	10.8%
iShares Intm Gov/Cred	Intermediate Fixed	\$5,587,552	9.9%
LM Brandywine Global FI	Global Fixed	\$1,706,825	3.0%
Tortoise MLP	MLP Infrastructure	\$1,097,818	1.9%
Boyd Watterson - GSA	Real Estate	\$5,461,545	9.7%
Cash Account	Cash	\$191,586	0.3%
<b>Total Trust</b>		<b>\$56,409,349</b>	<b>100.0%</b>

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

Contributions	2012	2013	2014	2015	2016	2017
Employer	\$ 6,400,652	\$ 6,025,812	\$ 6,230,662	\$ 7,012,487	\$ 6,721,737	\$ 6,308,394
Employee	410,664	457,635	469,073	474,348	426,920	404,303
Retirees	168,475	181,250	203,497	193,302	192,924	201,880
Other Reimbursements	312,922	450	44,971	47,788	99,405	83,857
<b>Total Contributions</b>	<b>\$ 7,292,713</b>	<b>\$ 6,665,147</b>	<b>\$ 6,948,203</b>	<b>\$ 7,727,925</b>	<b>\$ 7,440,986</b>	<b>\$ 6,998,434</b>
In 2017, the ARC for all Employee groups was:						<u>\$ 8,693,115</u>

**What expenses were incurred to administer benefits and pay investment management costs/fees?**

<u>Expenses</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Benefits Payments	\$4,829,258	\$4,858,864	\$5,494,191	\$4,830,941	\$5,022,587	\$4,504,207
Refund of Contributions	90,045	83,171	74,713	106,300	140,257	103,067
Administrative expense	31,527	35,678	27,770	33,317	19,497	30,869
Investment Management Fees	227,420	255,897	293,185	326,553	248,443	253,148
<b>Total Expenses</b>	<b>\$5,178,250</b>	<b>\$5,233,610</b>	<b>\$5,889,859</b>	<b>\$5,297,111</b>	<b>\$5,430,784</b>	<b>\$4,891,291</b>

**What additional information is available concerning investment management fees?**

<u>Legacy Roster</u>	<u>2017 Fees</u>	<u>Current Manager Roster</u>	<u>Internal Expense Ratio</u>
Boyd Watterson	\$ 26,182.35	iShares S&P 500 Index Fund	0.04%
Clearbridge Mid Cap	\$ 34,401.39	iShares S&P 400	0.07%
SGA Large Growth	\$ 25,030.29	iShares S&P 600	0.07%
Lazard Emerging Mkts	\$ 31,276.01	Vanguard Developed Markets	0.07%
TCW Large Value	\$ 24,269.69	Lazard Emg Mkts	0.75%
Atlanta Capital	\$ 20,800.55	Boyd Watterson - Int Fixed	0.23%
Renaissance Int'l	\$ 25,982.78	iShares Intm Gov/Credit Index Fund	0.20%
Schafer Cullen Int'l	\$ 15,681.57	LM Brandywine Global FI	0.69%
CBRE Clarion REIT	\$ 847.50	Tortoise MLP	0.99%
CG Advisor	\$ 41,886.40	Boyd Watterson - GSA	1.25%
<b>Total</b>	<b>\$ 246,358.53</b>		

**What is the total value of the assets in the Retiree Health Care Benefit Trust & Fund, available to pay retiree health care benefits?**

<u>Net Assets</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Beginning of Year	\$27,322,398	\$32,175,735	\$38,346,096	\$41,314,729	\$43,833,965	\$48,491,075
<b>End of Year</b>	<b>\$32,175,735</b>	<b>\$38,246,096</b>	<b>\$41,314,729</b>	<b>\$43,833,965</b>	<b>\$48,491,075</b>	<b>\$57,398,966</b>

The assumed rate of Health Care Inflation is 4%

**Other Reported Information:**

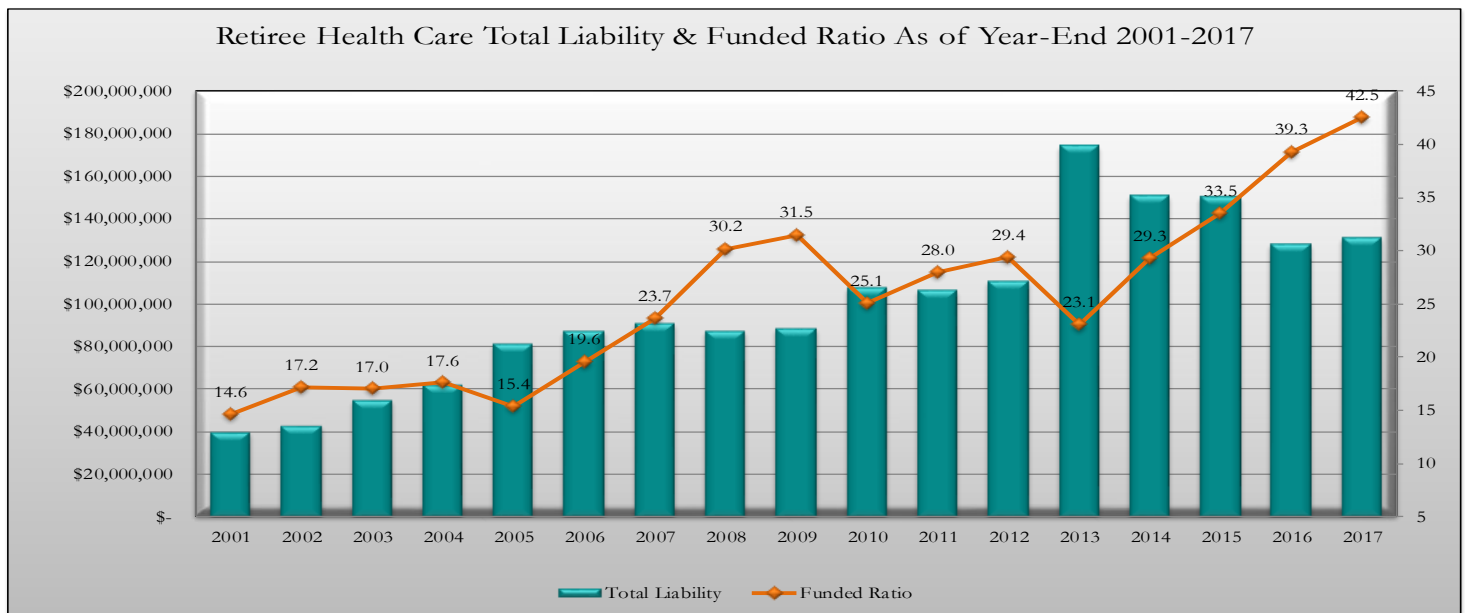
Assumed rate of health care inflation for 2018:	2.10%
Number of active participants:	246
Number of retired participants:	677
Amortization Method:	Level Dollar Payments to a fixed amortization date of 12/31/2030
Remaining Amortization Period:	13 years

**What has been the investment performance over time?**

	<u>2017 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>
<b>Net of Fees</b>	13.56%	6.19%	7.38%	6.30%	4.02%	4.43%
<b>Investment Earnings</b>	\$6,731,777	\$8,876,848	\$14,985,430	\$16,794,990	\$16,766,245	\$21,084,674

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

<u>Year</u>	<u>Investment Discount Rate</u>	<u>Total Liability</u>	<u>Funded Ratio</u>
2001	7.0%	\$ 39,290,885	14.6
2002	7.0%	\$ 42,227,371	17.2
2003	7.0%	\$ 54,710,077	17.0
2004	7.0%	\$ 61,595,947	17.6
2005	7.0%	\$ 80,736,245	15.4
2006	7.0%	\$ 87,109,351	19.6
2007	7.0%	\$ 90,534,928	23.7
2008	7.0%	\$ 87,155,864	30.2
2009	7.0%	\$ 88,099,692	31.5
2010	7.0%	\$ 107,199,762	25.1
2011	7.0%	\$ 106,191,863	28.0
2012	7.0%	\$ 110,599,120	29.4
2013	5.5%	\$ 174,263,141	23.1
2014	5.5%	\$ 150,395,839	29.3
2015	5.5%	\$ 150,130,267	33.5
2016	5.5%	\$ 127,617,401	39.3
2017	5.5%	\$ 130,875,639	42.5



**Who managed and invested the assets of the retiree health care trust in 2017?**

Monroe County Retiree Health Care Board Trustees: Professional Advisors:

Bob Neely, Chairman

AndCo., Investment Consultant (Effective 10/1/2017)

Kay Sisung, Vice- Chairperson

Morgan Stanley, Investment Consultant

Michael Bosanac

Milliman, Actuary

David Rever

Rehmann Robson, CPA

Gary Wilmoth