Present: Chairperson O'Connell; Vice-Chair Shock; Member: Briggs

Absent: Fisher and Stearn

Also Present: Finance Director, Wiszowaty
Asset Strategies, George Vitta and Katherine Ghannam

Chairperson O'Connell called the meeting to order at 8:20 p.m. in the Public Safety Department conference room at 18600 W. Thirteen Mile Road.

2010 SECOND QUARTER PERFORMANCE REPORT BY ASSET STRATEGIES

Vitta reviewed the Beverly Hills Retiree Health Care performance summary for the period ending 6/30/2010. He recapped that the entire proceeds invested in the Munder Asset Allocation Fund was liquidated on March 15, 2010 and transferred to the Vanguard STAR Fund, a balanced fund consisting of U.S. and International stocks.

The second quarter number was down 6.88 for the quarter; the actual return for the STAR Fund Benchmark was down 6.5. Vitta related that the Retiree Health Care fund return was -7.07 for the second quarter. In comparison, the Munder Asset Allocation Fund return for the second quarter was down 6.6. Year to date, the combined quarter return is -4.27. In July, the Munder Asset Allocation Fund was up 5%; the Vanguard STAR Fund was up 5.31 percent.

2Q10 Quarterly Commentary:

1) An additional $300,000 of the Vanguard STAR Fund was purchased on 6/16/2010.

2) The Fund generated $13,425.77 of income on 6/28/2010, which was reinvested in additional shares.

3) The slight variance between the Plan's actual result for the quarter and the manager's stated return is attributed to the timing of the additional $300,000 investment, which was purchased at a price of $17.66 versus the quarter-end (6/30) price of $16.77 per share.

Wiszowaty added that the Village contributed approximately $200,000 to the Retiree Health Care Fund at the end of the fiscal year; the proceeds are in the general depository. He provided Vitta with an updated revenue and expense report through June 30, 2010 along with the Retiree Health Care report by individual. The new fund balance is $1.6 million. Wiszowaty noted that there was $80,000 allocated to the Retiree Health Care Fund for the next fiscal year over and above current costs.

Vitta proposed dollar cost averaging for investing large contributions to the fund going forward. The Board was in agreement to invest the additional $200,000 in the Vanguard STAR Fund over the next four months.

REVIEW AND CONSIDER FIRST DRAFT OF AN INVESTMENT POLICY STATEMENT

Vitta distributed copies of the Draft Statement of Investment Policies, Procedures and Objectives for the Village of Beverly Hills Retiree Health Care Plan prepared by Asset Strategies. He said that the language will be familiar because the Retiree Health Care Plan is subject to the same State statutes as the Pension Fund. Vitta outlined the Introductory Language, Investment Objectives, Asset Allocation Policy, Investment Guidelines, Performance Standards, and Investment Review Procedures.

Vitta remarked that this was a working draft. The Investment Policy Statement will be on the agenda for the next meeting for review and input from members.

Shock entered the meeting at 8:36 p.m.

O'Connell noted that this is a smaller fund than the Pension Fund. He recalled that it took quite a while to conduct a study and diversify the PSO Pension Fund portfolio. O'Connell asked how soon before the Board would be able to fully diversify and maximize the Retiree Health Care Fund without paying high fees.

Vitta replied that the Vanguard STAR Fund is a well diversified fund that is professionally managed and comes with a low fee schedule. He noted that there are other similar sized retiree health care funds. What Asset Strategies is doing is looking at the most cost effective way to implement an institutional portfolio strategy. Vitta referred to exchange traded funds (ETFs), which are typically benchmarked to a specific market index. The difference between an ETF and a market index fund is that it trades like a stock throughout the day; there is more liquidity. Market access is a consideration, and the cost of an ETF is low. Asset Strategies is researching on the behalf of the Village and others how to create a highly cost effective portfolio similar to the way many of the pension funds are diversified.

The Board has been provided with a breakout of the Vanguard Fund in terms of diversification, and Asset Strategies has created a policy index in order to establish what works well.

REVIEW/APPROVE MINUTES OF RETIREMENT BOARD MEETING ON RETIREE HEALTH CARE FUND – MAY 25, 2010

> Motion by Briggs, second by Shock, that the minutes of a Retirement Board meeting on the Retiree Health Care Fund held May 25, 2010 be approved as submitted.
>
> Motion passed (3 – 0).

ASSET ALLOCATION REPORT FOR RETIREE HEALTH CARE FUND

Asset Strategies has prepared an Asset Allocation study for the Beverly Hills Retiree Health Care Plan. Copies of the document were distributed to members present. Vitta explained that the asset allocation modeling process is designed to provide accurate and authoritative information on capital market performance as it relates to developing a strategic asset allocation policy. It is not a recommendation; it is a study of investment policies. The report sets forth a number of variables including return, risk for different types of investments, correlation coefficients, and

historical returns and risks. Vitta cautioned that no asset allocation model knows that the U.S. is in a slow growth mode with high stock volatility; policy decisions must be tempered with reality. This model looks at long term return, risk, and correlation numbers. Vitta stated that, when the Board completes its review of this study and considers alternative investment policies for the Retiree Health Care Fund, Asset Strategies will then be in a position to make a recommendation.

Vitta went through the study page by page discussing the significance of information presented in terms of developing an asset allocation model for a portfolio. He noted that the model allows for factoring 20 different asset classes simultaneously.

O'Connell commented that risk is dependent on the need for capital. He asked Wiszowaty what he views as the Village's long term need for capital and when he anticipates the Village needing the funds. Wiszowaty responded that the Village is trying to build up the fund. Based on the actuarial valuation, health care insurance should increase x percent per year and the Village should contribute x number of dollars per year. The health care fund should be fully funded within the 30 year amortization table with the contribution over and above current costs. The Village needs to contribute $600,000 on top of the $600,000 that the Village is paying for benefits. The actuarial valuation indicated that the Village's unfunded liability is about $14 million. Last year, actual cost to retirees was $517,000. The fund increased from $1.2 million to $1.6 million.

Vitta remarked that the investment policy discussion is a question of balance. The strategy going forward will be to identify mixes of investments that will keep us current or ahead of health care inflation and, at the same time, combine reasonable risk taking with existing dollars to earn a real rate of growth.

This study will assist in developing confidence in different asset mixes that are being considered. It uses probabilities to measure success or failure based on history. A key section of the model includes back testing, which is invoked when the Board has narrowed the selection to two or three mixes. Asset Strategies will provide a recommendation with justification and support.

PUBLIC COMMENTS
None

The meeting was adjourned at 9:26 p.m.