CITY OF NOVI CITY COUNCIL
JULY 22, 2024

SUBJECT: Approve recommendation from the Finance and Administration Committee to amend the Investment Policy for the Retiree Healthcare Fund to change the investment allocation guidelines

SUBMITTING DEPARTMENT: Finance

BACKGROUND INFORMATION:

The Treasury Department periodically reviews both the general city and the retiree healthcare investment policies. Overall, the Retiree Healthcare Fund has realized outstanding returns since it was created in 2003, and as of the June 30, 2023, actuary report (received July 2024), is now 132.6% funded. Treasury has been working with the primary investment manager who assists with the oversight of these investments to shift to a more conservative investment mix with the goal of reducing overall volatility and risk. After reviewing the existing investment policy, it was determined that an amendment of the existing policy would be necessary to accomplish this goal.

A formal presentation was made to the Finance and Administration Committee on July 10th, 2024 where the overall investment strategy was discussed in detail along with an overall review of the history of the investment policy and the legal and accounting rules governing how the funds can be invested. Overall, the committee agreed with the proposed changes and made the following two recommendations:

1. Approval of the proposed amendments to the investment allocation mix as recommended by the Treasurer and the investment manager at UBS.

2. Recommended hiring a qualified investment manager in the near future to perform a review of the current investment strategy, review of holdings and investment mix, and make recommendations as to possible improvement to ensure the long-term success of the fund.

No other adjustments are recommended to the current investment policy. A one-page summary of the proposed changes and a red-lined copy of the proposed changes to the current investment policy is included with this item.

RECOMMENDED ACTION: Approve recommendation from the Finance and Administration Committee to amend the Investment Policy for the Retiree Healthcare Fund to change the investment allocation guidelines