

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
February 17, 2011**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:37 a.m.

ROLL CALL

Members Present: Clark (*dep. @ 9:44*), Fraser, Hastie, Monroe, Nerdrum, Sylvester
Members Absent: Crawford, Flack
Staff Present: Kluczynski, Refalo, Walker
Others: Michael VanOverbeke, Legal Counsel
Jeff Rentschler, City Retiree

AUDIENCE COMMENTS

Mr. Rentschler stated that he is present to represent the retirees, and expressed his appreciation to the Board of Trustees for getting the retiree benefit increase language in the Ordinance forwarded and presented to City Council for approval.

A. APPROVAL OF REVISED AGENDA

Revisions to the agenda include the following items:

- Legal Report – Human Resources Request for Investigation (*added directly after consent agenda*)
- D-4 Temporary-Permanent Employee Buyback Forms – Revisions made to each form
- E-1 Request for Board Retreat Topics & Proposed Retreat Agenda – Agenda added to packet

It was **moved** by Nerdrum and **seconded** by Clark to approve the agenda as revised.

Approved as revised

B. APPROVAL OF MINUTES

B-1 January 20, 2011 Regular Board Meeting Minutes

It was **moved** by Monroe and **seconded** by Nerdrum to approve the January 20, 2011 Board Meeting minutes as presented.

Approved

C. CONSENT AGENDA

It was **moved** by Nerdrum and **seconded** by Clark to approve the following consent agenda:

C-1 Reciprocal Retirement Act – Service Credit

WHEREAS, the Board of Trustees is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees acknowledges that, effective July 14, 1969, the City of Ann Arbor adopted the Reciprocal Retirement Act, Public Act 88 of 1961, as amended, to provide for the preservation and continuity of retirement system service credit for public employees who transfer their employment between units of government, and

WHEREAS, the Board acknowledges that a member may use service credit with another governmental unit to meet the eligibility service requirements of the Retirement System, upon satisfaction of the conditions set forth in the Reciprocal Retirement Act, and

WHEREAS, the Board is in receipt of requests to have service credit acquired in other governmental unit retirement systems recognized for purposes of receiving benefits from the Retirement System, therefore be it

RESOLVED, that the Board of Trustees hereby certifies that the following member(s) of the Retirement System have submitted the requisite documentation for the recognition of reciprocal retirement credit:

Name	Classification	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Christopher Foerg	Police	1 year, 9 months	Pittsfield Charter Township
Paul Kampa	General	12 years, 2 months	Village of Clinton
Erica (Louzon) Jefferies	General	10 years, 9 months	City of Allen Park

RESOLVED, that the Board of Trustees notes that pursuant to the Reciprocal Retirement Act, said reciprocal retirement credit may only be used for purposes of meeting the retirement eligibility requirements of the Retirement System and that retirement benefits will be based upon actual service rendered to the City and shall be made payable consistent with the City Charter, applicable collective bargaining agreements, Retirement System policies/procedures, and applicable laws (specifically, MCL Public Act 88 of 1961, as amended), and further

RESOLVED, that a copy of this resolution shall be provided to the appropriate City and Union representatives and interested parties.

C-2 Resolution to Accept City of Ann Arbor Reciprocal Credit

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees is required to act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and

WHEREAS, the Reciprocal Retirement Act (“Reciprocal Act”)[Public Act 88 of 1961, as amended (MCL 38.1101 et seq.)] was adopted by the City of Ann Arbor to provide for the preservation and continuity of Retirement System service credit for public employees who transfer their employment between units of government and

WHEREAS, the Reciprocal Act allows a member to use service credit acquired with a preceding reciprocal unit for purposes of meeting the Retirement System’s normal retirement eligibility requirements upon satisfaction of certain conditions, and

WHEREAS, individuals who were previously employed by the City of Ann Arbor and were members of the Retirement System and subsequently terminated employment and withdraw all accumulated contributions and later were re-employed by the city and elected not to buy back previous service credits and,

WHEREAS, such individuals would like to be entitled to use previous service with the City in meeting the service requirements of the Retirement System and the previous service will not be used in calculating any benefits, therefore be it

RESOLVED, that the Board of Trustees hereby certifies that the following member(s) of the Retirement System have submitted the requisite documentation for the recognition of reciprocal retirement credit:

Name	Classification	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Andrew P. Pomo	General	7 Years, 7 Months	City of Ann Arbor

RESOLVED, that the Board of Trustees notes that pursuant to the Reciprocal Retirement Act, said reciprocal retirement credit may only be used for purposes of meeting the retirement eligibility requirements of the Retirement System and that retirement benefits will be based upon actual service rendered to the City and shall be made payable consistent with the City Charter, applicable collective bargaining agreements, Retirement System policies/procedures, and applicable laws (specifically, MCL Public Act 88 of 1961, as amended), and further

RESOLVED, that a copy of this resolution shall be provided to the appropriate City and Union representatives and interested parties.

Consent agenda approved

LEGAL REPORT – Human Resources Request for Investigation

Mr. VanOverbeke stated that at the January Board meeting, the Board had received an email from the Human Resources Director indicating that they had received information about an alleged violation of the Board’s request for confidentiality surrounding the appointment of the Executive Director, and that a City employee’s name was disclosed who had applied for that position. At last month’s meeting, the City indicated that they were conducting an investigation that could potentially lead to discipline and potentially discharge of the affected Trustee. The Board’s general consensus was that it was the Board’s responsibility since this involved retention of the Board’s Executive Director, and if there was some kind of breach of confidentiality provisions or the procedures that the Board had put in place regarding the executive director search.

Mr. VanOverbeke stated that he has sent notification in response to the HR Director’s email and has requested copies of whatever statements and information that the City had in its records, and advised that the Board’s preliminary opinion that any investigation as to an alleged violation of the confidentiality requirements established or approved by the Board is the Board’s responsibility and not the City’s and further, any action taken by an employee-elected Trustee of the Board was in their role as a Trustee to the Retirement System, not as an employee, and in that regard for HR to provide a copy of the Non-Disclosure Agreement that was presented to the Trustees for signature when the interviewing binders were distributed as well as a copy of the written statement alleging the violation of the Board’s hiring process and any additional information.

Mr. VanOverbeke stated that he did get a response back from the HR Director, who forwarded two employee statements in regards to the email that was sent and a copy of the Non-Disclosure Agreement, and noted that she had information from additional witnesses that she would like to discuss with him if he would place a call in to her. Mr. VanOverbeke stated that upon receipt of this information, he was not sure how to proceed because there wasn't much discussion at the last meeting as to how the Board wanted to proceed, and does not believe that the Board's direction was for him to conduct the investigation, so he has not yet returned the Director's phone call. Mr. VanOverbeke believes it is important for the Board to conduct the investigation, and the concern is that if there is an alleged violation by a Board Trustee, and an impartial investigation is desired, the Board may want to appoint one or two Trustees as a sub-committee on behalf of the Board who were not involved in the matter, in order to review the facts, conduct interviews, and then provide a full report to the Board of Trustees. In reviewing the information, Mr. VanOvebeke stated that there were no promises of confidentiality signed in writing or given to the individuals applying for the Executive Director position, and the Board had decided to conduct the process as much on a confidential basis as possible, and there is no liability to the Board so there is no exposure to the System because something may have been released.

The Board further discussed this issue, noting that the binders that were distributed did not include information on the employee applicant in question who was never selected as a candidate, so the confidentiality agreement did not involve that individual, but nevertheless, decided to create a subcommittee to conduct an investigation on behalf of the Board and will provide a report at an upcoming meeting. Trustees appointed to the subcommittee were Ms. Nerdrum, Mr. Hastie, and Mr. Monroe.

It was **moved** by Hastie and **seconded** by Fraser to appoint a subcommittee of the Board to further review the investigation, with the subcommittee consisting of Ms. Nerdrum, Mr. Hastie, and Mr. Monroe.

Approved

D. ACTION ITEMS

D-1 Election of Board Officers – Chairperson, Vice-Chairperson, & Secretary

Ms. Nerdrum requested that the Board postpone the election until next month when perhaps the entire Board is present. The Board agreed.

It was **moved** by Nerdrum and **seconded** by Clark to maintain the existing officers until an election is held at the March 17, 2011 regular Board meeting so that the full Board is present.

Approved

D-2 Recommendation to Purchase Benefit Calculation Software

Ms. Nerdrum reported that the Audit Committee has met with both Buck Consultants and LRS to review demonstrations of their benefit calculation software. The Committee, together with Retirement staff, has decided to recommend that the Board approve the purchase of Buck Consultants' software program as far as conducting the benefit calculations with the understanding that we would be maintaining our relationship with LRS and the Pension Gold member contributions software for as long as it takes for Buck to get up and running so there is no disruption with contribution balancing and member statements, which could take up to 6 to 9 months. Buck Consultants will later implement the contribution portion of the software.

It was **moved** by Nerdrum and **seconded** by Clark to approve the recommendation to purchase Buck Consultants calculation software subject to the review of the legal terms and conditions of an agreement.

Approved

D-3 Amendment to Record Retention Policy

Mr. VanOverbeke stated that at the January Board meeting, the Board approved a document imaging process, where certain documents will be scanned and retained digitally in the future, and the Board referred the technicalities to the APC for further review. The Committee discussed the various documents, specifically deceased retiree files, and recommends an amendment to one section of the current Record Retention Policy as follows:

Section 4. Certified Retention and Disposal Schedule shall reflect:

Member and Beneficiary information, such as applications and supporting documents, correspondence, court orders, etc. should be **permanently retained for a minimum period of six years after the death of the last to survive of either the member or beneficiary.**

Mr. VanOverbeke stated that the State's schedule reflects record retention for five years after the death of a retiree or beneficiary, but the statute of limitations on a contract cause of action is six years, so the Committee decided to use that number. The concern is regarding three boxes of deceased retiree files that were sent over from City Hall which go back over 15 years. Mr. VanOverbeke stated that all of the current files within the Retirement Office have been scanned and are now in electronic format, and will be kept for a longer amount of time going forward, but the hard copies of those who have been deceased over six years will be disposed of. Ms. Sylvester stated that she is uncomfortable with disposing of the older files without having them digitized.

It was **moved** by Nerdrum and **seconded** by Hastie to approve the amended Record Retention Policy as discussed.

Approved

D-4 Temporary-Permanent Employee Buyback Forms

Ms. Walker presented forms for employees to complete when purchasing their temporary time. There are two forms for the Board's consideration, one with a pre-tax option and one with a post-tax option. Mr. VanOverbeke stated that when the Ordinance restatement was done, there was a change that rather than grandfathering, that upon an employee's change from temporary to permanent employment, they will be notified of the option to purchase their temporary time, and will have 60 days to notify the Board of their decision. Mr. VanOverbeke suggested that to avoid any future instances of an employee alleging they were never made aware of the ability to purchase their temporary time, the APC could create a form for all new employees to complete and sign which would request information regarding: 1) if they are going from a temporary to permanent position within the City, 2) if they are eligible for reciprocal credit from working at another municipality or school system within Michigan, or 3) if they have military service that they are interested in purchasing; the form could be titled, "Application for Membership in the Retirement System".

The Board discussed the issue of employees purchasing their temporary time on a pre-tax basis through payroll deductions. Mr. VanOverbeke explained that it is possible for this to happen, but there are some strict nuances to this under the Internal Revenue Code; the agreement must be irrevocable (once an employee starts the deductions they cannot stop them), the amount/percentage cannot be changed, so the attached forms allow for these provisions. From an

administrative standpoint, the only time it could be problematic is when an employee very late in their career electing to purchase service credit through payroll deductions on a pre-tax basis, whereby they will not have completed the purchase by the time they terminate employment, and it is suspected that this instance would be very rare, and there may be one individual maybe every two or three years. A calculation will have to be performed to figure out how much of a lump sum will be needed in order to pay off their balance. This option will work out well for new hires early in their career who will have paid off the balance long before retirement. Mr. VanOverbeke stated that there is no question that the Board has the ability to offer the pre-tax election, and advised that very strict guidelines be put in place and that the employee understands that the only way the deductions will stop is by paying off the balance or terminating employment with the City. It was decided that language on the form should be clarified indicating that the balance must be paid before the last date of employment or they will forfeit the service, and all of the payment options should be outlined to show more specificity on what monies can be used to pay off the balance in a lump sum form.

Ms. Nerdrum suggested that before the Board approves the pre-tax form, that it be revised to include the new language and options as discussed. The Board decided to approve the post-tax form, which would be the form applying to the few employees who are waiting to purchase their temporary time, and the pre-tax form will be brought back before the Board for approval at the March Board meeting.

It was **moved** by Nerdrum and **seconded** by Hastie to approve the revised post-tax form as discussed, and revisions to the pre-tax form will be further explored and brought back for approval at the March Board meeting.

Approved

D-5 Proposed Contract with Meketa Investment Group

Mr. VanOverbeke stated that the contracts have been reviewed by his office and are ready for approval. Mr. Hastie suggested a minor language change on page 2 of the contract, and the Board agreed to approve the contracts subject to the revision.

It was **moved** by Hastie and **seconded** by Fraser to approve the proposed contract with Meketa Investment Group as written with the minor language change as discussed.

Approved

E. DISCUSSION ITEMS

E-1 Request for Board Retreat Topics & Proposed Retreat Agenda

The Board reviewed and agreed to the proposed agenda for the Retreat being held on March 4, 2011.

- | | |
|--------------------|--|
| 8:30 – 9:00 a.m. | Continental Breakfast |
| 9:00 – 10:15 a.m. | Economic/Market Overview & Investment Philosophy Overview
<i>Meketa Investment Group</i> |
| 10:15 – 10:30 a.m. | BREAK |
| 10:30 – 12:00 p.m. | Challenge of Pension Funds Today & Ann Arbor Asset Allocation and Strategy, Potential New Asset Classes - Meketa Investment Group |
| 12:00 – 1:00 p.m. | LUNCH |

- 1:00 – 2:00 p.m. **Northern Trust Services Discussion** - *Nancy Giraldi, Relationship Mgr*
- 2:00 – 2:45 p.m. **Issues in Public Plan Funding** - *Larry Langer, Buck Consultants*
- 2:45 – 3:00 p.m. ***BREAK***
- 3:00 – 3:45 p.m. **What Constitutes Actuarial Health? & How to Read Your Valuation Report** – *Larry Langer, Buck Consultants*

E-2 Trustee Laptops / Internet Access

Ms. Walker stated that she is still looking for some direction from the Board regarding internet access for Trustees and whether it should be provided by the Retirement System. Ms. Nerdrum stated that since Mr. Crawford was very passionate about this issue at the last meeting, and since he is absent, that this discussion be postponed until the March meeting. Ms. Nerdrum stated that she personally would support providing the internet access for Trustees. The Board decided to postpone this discussion until the March meeting and Mr. Fraser agreed that the City will pay for an additional month of internet access on Ms. Sylvester's current laptop.

F. REPORTS

F-1 Executive Report

TEMPORARY-TO-PERMANENT BUYBACK OF SERVICE

The cost of temporary-to-permanent buyback of service for a group of employees has been calculated. Per the Administrative Policy Committee, this service can be paid for by lump sum, rollover from the employee's 457 account, or payroll deduction. Forms have been developed to communicate the amounts and options to employees. Pending final legal and Board approval, these forms can be sent to the affected employees.

SELECTION OF VENDOR FOR BENEFIT CALCULATIONS

References for Buck and Pension Gold benefit administration software have been checked and preliminary pricing was clarified. While Pension Gold currently calculates the contributory balances for employees, the Gabriel Roeder Smith system that handles the main CAAERS benefit calculation will not be supported by GRS in the future as they are no longer our actuary, and thus needs to be replaced. While the functional capabilities of both the Buck software and Pension Gold are similar, Buck appears more flexible, and the system has a more modern look and feel particularly on the web access portion. Research and demonstrations appear to indicate that more delivered functionality in terms of reports, without customization fees, is available with the Buck software.

COMMUNICATION WITH NEW INVESTMENT CONSULTANT

Severe weather required cancellation of the Feb 1st IPC meeting. The Meketa contract has been finalized by the Retirement System attorneys and is ready for signature. Meketa will be attending the Board Retreat on Friday, March 4, 2011. Topics of interest or discussion have been solicited from Board members.

TRUSTEE ACTION

Atleen Kaur's term with the Board expires effective 2-5-2011, and she has elected not to run again. The mayor has been notified of the Trustee vacancy.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31, 2011

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended January 31, 2011, to the Board of Trustees:

1/31/2011 Asset Value (Preliminary)	\$404,430,043
12/31/2010 Asset Value (Audited by Northern)	\$397,563,346
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$8,757,672
Percent Gain <Loss>	2.2%
February 16, 2011 Asset Value	\$412,709,872

Mr. Hastie suggested that in the future the IPC look at reviewing the financial report to perhaps make it more meaningful by adding benchmarks in order to see how the System compares to the market.

F-3 Investment Policy Committee Minutes – No Report

F-4 Administrative Policy Committee Report – February 8, 2011

Following are the Administrative Policy Committee minutes from the meeting convened at 3.12 p.m. on February 8, 2011:

Committee Members Present: Crawford, Sylvester
 Members Absent: Monroe
 Other Trustees Present: Clark
 Staff Present: Walker, Kluczynski, Refalo
 Others Present: Michael VanOverbeke, Legal Counsel
 David Diephuis, City Resident

TEMP-PERM, BUYBACKS, AND ELECTION FORM

Mr. VanOverbeke discussed the newer temporary-permanent language in the Ordinance, and the forms that will have to be created to facilitate an employee's request to purchase their temporary time with the City. The newer language is mainly directed at a small group of employees who have claimed that they were never notified of the ability to buy back their temporary service time. Mr. VanOverbeke stated that in order to correct that situation, a window would be created for those that missed the opportunity, but to really put in place a practice whereby we don't have that problem in the future, the Ordinance restatement provided that 1) you go from temporary to permanent, and 2) you are notified of the ability and are given a period of time in which to notify the System that you want to buy that time. In the past, employees could either purchase their time with a lump sum payment of post-tax money by check, or by payroll deduction on a post-tax basis. In the Ordinance restatement, it allows for the purchase of individuals to a rollover from a qualified 457 plan to purchase permissive service credit on a pre-tax basis.

Another change in the language is that some employees have gone to a pre-tax employee contribution, or their regular contributions to the Retirement System have increased to 6%. A question then arose as to whether employees can purchase their temp-perm service on a pre-tax payroll deduction basis, and to the extent that that group has been extended pre-tax employee contributions for their regular contributions, they can also pay for this service credit on a pre-tax

payroll deduction basis, however, there is language from the Internal Revenue Code that will need to be clarified in the election forms. Mr. VanOverbeke explained the “employer pickup” procedure where the contributions are taken out of the paycheck before being taxed, and this clarification will be added with the election form.

Mr. VanOverbeke added that in order to purchase the credit through payroll deduction, there must be an irrevocable agreement in a payroll authorization form that tells the employer to take the money out of their paycheck at a certain rate and the agreement cannot be revoked, and the balance cannot be paid in a lump sum from another source at any point in time. There are only two things that could stop the deductions: 1) completion of the purchase as scheduled, or 2) termination of employment. If an individual still owes a balance near their retirement date, it will be made clear that the calculation will be done up to their last payroll check and whatever the remaining balance is will have to be paid in a lump sum at or before the issuance of their last payroll check.

Mr. VanOverbeke stated that if an employee elects a pre-tax payroll deduction for purchase of service credit, which is irrevocable, he could only do it as a percentage of pay which must be equal to or greater than that which they have to make as an employee, or whatever their contribution is (minimum of double), which is consistent with the Ordinance. Another item to be included is, that in the event that there is a balance left on their last day of employment, prior to the last pay date, the balance must be paid in full, whether it is post tax or rolled over from their 457 plan. Also, the Internal Revenue Code states that once a deduction amount is determined, it cannot be changed, so a resolution to this is to set a stated percentage amount, then as a person’s compensation changes it will change and it will comply with the Ordinance language. If a dollar amount is set, it could run afoul of the Ordinance, but it is possible to set a dollar amount if one is calculated and determined not to run afoul of the Ordinance. This amount could be difficult to determine if the buyback period is long.

The Committee discussed the reformat of the election forms, and determined that staff will draft the forms and provide them to Mr. VanOverbeke for review before being placed on the upcoming February Board meeting agenda for approval.

REVIEW OF RECORD RETENTION POLICY

Mr. VanOverbeke submitted a packet of various guidelines regarding record retention, and stated that there are currently no set guidelines in the state for a retirement system, but there are state guidelines for the finance department of a city with regards to financial records related to a local retirement system. Mr. VanOverbeke stated that from his perspective, a retirement system should follow the same guidelines as those imposed upon a city if these records were in the hands of the city. The key to a record retention and disposal policy is to first identify what records there are and then look to the guidelines to decide how long something should be retained. The current policy does not identify each and every record in question by staff, so Mr. VanOverbeke recommends amending the current policy to identify certain records, such as deceased retiree files, and decide whether these files should be retained, and if so, if keeping them as a digital file is acceptable.

It was decided that the older actuary reports should be scanned since the current policy indicates that they be retained permanently. In regards to retiree files, Mr. VanOverbeke recommended that the Committee revisit the System’s current Record Retention Policy and redraft the policy in order to incorporate up-to-date formats such as digital imaging or emails, and perhaps adopt the State’s retention schedule. This would mean that staff would not have the deceased files in question scanned, and to only retain the deceased plus six years in accordance with the State’s guidelines. Mr. VanOverbeke stated that the statute of limitations is six years, so anyone wanting to make a claim on a retiree would not be able to legally do so after that amount of time. The Committee decided to make a recommendation to the Board to approve amending the member and beneficiary

portion of the current policy for now, and to place the policy on the tabled/pending items list for future review so that language regarding digital formats can be incorporated at a later date. Staff was asked to create a listing of all other files in question for the Committee to review when they revisit the policy.

It was **moved** by Sylvester and **seconded** by Clark to recommend an amendment to the current Record Retention Policy under #4, Member and Beneficiary Information, to indicate the "death + 6 years" file retention of the last to survive of either the member or beneficiary.

Motion passes, 2-1 (NS)

FAC REFINEMENTS / ORDINANCE LANGUAGE

This item was postponed until the March 8, 2011 APC meeting.

DISCUSSION: ACCELERATED VESTING FOR VCP-AFFECTED INDIVIDUALS

In regards to this matter, Mr. VanOverbeke stated that only the employees that terminated employment before they were otherwise vested will need to be reviewed, and this is a mute issue for everyone that continued employment. Mr. VanOverbeke added that those employees that left that were not vested, having worked in one or all of the years that we had a non-qualifying transfer occur, and they left before five years total. When this group is reviewed, it is most likely that they have withdrawn their accumulated contributions, so they would be divided into two groups: the first would be a younger group who took out their money and would end up with a negative amount at age 60, and then there is the smaller group who started employment at the City very late in their career, who were older and had less than five years of service, so in that instance, we don't have the compounding effect of twenty or thirty years of their money, and this is the group that we would have to be concerned with, which may actually be only two or three names. The younger group of terminated employees may need to be notified and asked to decide if they want to pay back their contributions in order to receive a small benefit at age sixty, but it is not likely that this will happen. The Committee can discuss if any notifications should be made after the numbers are available for review.

If/when notified, Staff will have to create a calculation of what the individual's benefit is, and then send them each a letter that indicates that at the time they left, and because of transfers that were done for retiree healthcare, they were otherwise vested. Accordingly, if they wish to repay their previously-withdrawn contributions plus interest that would have otherwise been credited, they may have a right to draw a benefit at age 60.

PRIORITIZE REMAINING TABLED/PENDING AGENDA ITEMS AND ANY NEW ISSUES

This item was postponed until the March 8, 2011 APC meeting.

REVIEW OF DISABILITY POLICY & PROCEDURES

This item was postponed until the March 8, 2011 APC meeting.

ADJOURNMENT

It was **moved** by Sylvester and **seconded** by Clark to adjourn the meeting at 4:13 p.m.

Meeting adjourned at 4:13 p.m.

F-5 Audit Committee Report – February 8, 2011

Following are the Audit Committee minutes from the meeting convened at 4:15 p.m. on February 8, 2011:

Committee Members Present: Crawford, Nerdrum, Sylvester
Members Absent: Monroe
Other Trustees Present: Clark
Staff Present: Walker, Kluczynski, Refalo
Others Present: David Diephuis, City Resident

BENEFIT CALCULATION SOFTWARE UPDATE

Ms. Walker stated that she has conducted reference checks for both companies, both of which were favorable. Ms. Walker stated that a second presentation was conducted with Buck Consultants, and staff was able to get a better look at the administrative side of the calculation software. Ms. Walker reviewed the comparison table with the Committee, stating that overall, Buck's software user interface looks more up to date and staff has agreed that their software may suit the System better, although the pricing of the two systems are comparable. Due to the timing it will take to get a new system up and running, Ms. Walker suggested that the Committee recommend the Board's approval to purchase Buck Consultants' benefit calculation software, but leave the Pension Gold software in place while implementing the other system in order to continue to use the Pension Gold program to maintain the contribution information and generate the employees' quarterly statements on schedule. Eventually, Buck Consultants would take over the contribution portion as well, and Ms. Sylvester asked if there is concern over one company handling both sides of the program as far as a check-and-balance aspect, and Ms. Walker stated that she is not concerned and that it is common for one company to handle both the actuarial and administrative programs. Ms. Nerdrum agreed, and stated that when everything is performed by the same company, there is much more internal communication.

Ms. Sylvester asked what the projected timeline would be to get the system up and running, and Ms. Walker stated that it most likely depends on the City's payroll resources because she has learned that they only have one programmer right now, and there is still a lot of relocation work taking place at the City. Ms. Walker stated that it could take six or more months to get the system implemented. After further discussion, the Committee agreed to recommend that the Board approve the purchase of Buck Consultants' benefit calculation software, and staff will continue to utilize the Pension Gold software to maintain employee contributions until Buck Consultants can implement that aspect into their system.

It was **moved** by Sylvester and **seconded** by Clark to move forward with purchasing Buck Consultants' benefit calculation software and in the meantime, continue with Pension Gold for the calculation of member contributions until which time that we receive a detailed project plan from Buck Consultants that allows us to appropriately transition their work.

Approved

ADJOURNMENT

It was **moved** by Sylvester and **seconded** by Clark to adjourn the meeting at 4:51 p.m.

Meeting adjourned at 4:51 p.m.

MEETING RECESSED

It was **moved** by Nerdrum and **seconded** by Fraser to recess the meeting at 10:26 a.m. in order to convene the VEBA Board meeting due to the impending loss of a quorum.

Meeting recessed at 10:26 a.m.

MEETING RECONVENED

It was **moved** by Fraser and **seconded** by Nerdrum to reconvene the meeting at 10:30 a.m.
Meeting reconvened at 10:30 a.m.

F-6 Legal Report: – Pension Ordinance Restatement – Follow Up

Mr. VanOverbeke provided a verbal follow-up report on the recent Chapter 18 Ordinance restatement, and stated that while the Post-Retirement Adjustment Program language became effective July 1, 2010, one of the provisions that was included indicated that the System needs to be funded over 100% before a distribution can occur, so there is no further action for the Board to take at this point because the funding level is currently below 100%.

Regarding the insurable interest language, the APC will have to review the System’s current policies that were adopted, because the requirement that if a person elects an optional form of benefit that names a beneficiary (that person having an insurable interest in their life) – that language has been removed from the restatement, so we no longer have the need to define insurable interest, although there is the new “Other Qualified Adult” language which will need to be incorporated into the System’s policies.

The Period-Certain form of benefit was included and approved in the restatement and will require programming from Buck Consultants in their benefit calculation software.

As far as the HELPS Provision which allows for public safety employees that have payments paid directly from a retirement system for healthcare to exclude that from their income up to a certain limitation; there were some concerns of whether to expand that within the Retirement System to allow for that. This provision was not taken into consideration in the restatement, most likely due to all of the other changes going on and the need to expand the complexity of administering the System, so at this point it was not the appropriate time.

G. INFORMATION

G-1 Communications Memorandum

The Communications Memorandum was received and filed.

G-2 February Planning Calendar

The March Planning Calendar was received and filed.

G-3 Board Tracking Report

The Board Tracking Report was received and filed.

G-4 Record of Paid Invoices

The following invoices have been paid since the last Board meeting.

	PAYEE	AMOUNT	DESCRIPTION
1	Coverall North America, Inc.	140.00	Office Cleaning Services for February 2011

2	DTE Energy	228.50	Monthly Gas Fee dated January 13, 2011
3	DTE Energy	199.70	Monthly Electric Fee dated January 13, 2011
4	AT&T	147.60	Monthly Long-Distance Telephone Service
5	Gray & Company	9,110.83	Investment Consultant Retainer – December 2010
6	Staples Business Advantage	22.00	Miscellaneous office supplies
7	City of Ann Arbor Treasurer	37.00	Annual Alarm Fee
8	Allstar Alarm LLC	90.00	Quarterly Alarm Monitoring (February-April 2011)
9	Hasselbring-Clark Co.	170.00	Installation of digital surge protector for copier
10	Fifth Third Bank/Maple Office	710.00	Condo Association Dues – January & February 2011 (\$355.00/month)
11	Gabriel, Roeder, Smith & Co.	1,000.00	EDRO Calc – Longoria – dated 12/14/2010
12	Bradford & Marzec, Inc.	39,959.58	Investment Mgmt. Fees – 10/01/10 – 12/31/2010
13	Fisher Investments	54,637.86	Investment Mgmt. Fees – 10/01/10 – 12/31/2010
14	Jeremy Flack	228.70	Due diligence visit to Buck Consultants/Chicago 12/2010
15	U.S. Treasury	10,000.00	IRS App. Fee for 1/31/11 Private Ruling Letter Request
16	U.S. Treasury	375.00	IRS App. Fee for 1/31/11 Voluntary Correction Ruling Request
17	U.S. Treasury	1,000.00	IRS App Fee for 1/31/11 IRS Submission
18	Staples Business Advantage	41.25	Miscellaneous office supplies
19	AT&T	65.45	Monthly toll-free telephone service
20	Comcast	75.91	Monthly Cable Fee
21	Schwartz Investment Counsel	10,796.00	Investment Mgmt. Fees – 10/01/10 – 12/31/2010
TOTAL		129,035.38	

G-5 Retirement Report

The following employee(s) have completed their paperwork for retirement

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Carol Ridge	Age & Service	March 3, 2011	General	17 years, 3 months	Finance
Elton Miller	Age & Service	April 14, 2011	General	23 years, 3 months	Public Services

H. TRUSTEE COMMENTS - None

I. ADJOURNMENT

Ms. Sylvester departed the meeting at 10:35 a.m., therefore the meeting ended due to the loss of a quorum.

Meeting ended at 10:35 a.m.

**Nancy R. Walker, Executive Director
City of Ann Arbor Employees' Retirement System**

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