

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
May 19, 2016**

The meeting was called to order by Jeremy Flack, Chairperson, at 8:41 a.m.

**ROLL CALL**

Members Present: Clark, DiGiovanni, Flack, Hastie, Heusel, Lynch (8:43), Monroe  
Members Absent: Crawford, Nerdrum  
Staff Present: Kluczynski, Walker  
Others: Michael VanOverbeke, Legal Counsel (9:15)

**AUDIENCE COMMENTS - None**

**A. APPROVAL OF AGENDA**

It was **moved** by Monroe and **seconded** by Clark to approve the agenda as submitted.  
**Approved**

**B. APPROVAL OF MINUTES - April 21, 2016 Regular Board Meeting**

It was **moved** by Heusel and **seconded** by Monroe to approve the April 21, 2016 Regular Board Meeting minutes as submitted.  
**Approved**

**C. CONSENT AGENDA - None**

**D. ACTION ITEMS**

**D-1 Bi-Annual Disability Re-Examinations**

Ms. Walker submitted a letter indicating that:

Per the Board's Policies and Procedures, disability retirees who have not met voluntary retirement age may be recalled for a medical re-examination at least once each year during the first five years after their approved disability retirement, then at least once in every three-year period thereafter.

Per the policy amendment approved on July 21, 2011, the Re-Exam policy states:

*The Retirement Board shall review the files of all disability retirees twice a year to determine which retirees must undergo a medical re-examination by the Board's Medical Director. **The files shall be reviewed each May for disability retirements that commenced or had a re-examination in the prior year January through June time frame, and each November for disability retirements that commenced or had a re-examination in the prior year July through December timeframe.***

The following person would qualify for a medical re-examination per the Board's policy:

<b>DISABILITY RETIREE</b>	<b>DATE BOARD GRANTED DISABILITY</b>	<b>DATE OF LAST RE-EXAMINATION</b>	<b>EXECUTIVE DIRECTOR'S RECOMMENDATION FOR RE-EXAMINATION</b>
Ralonda Robinson	January 17, 2013	July 28, 2015	Yes

It was **moved** by Hastie and **seconded** by Heusel to request that Ms. Robinson be sent for an annual disability re-examination per the Board's policy.

**Approved**

**D-2 IPC Recommendation to Hire GEM Reality Capital, Inc.**

Mr. Hastie relayed recent concerns by the Board's investment consultant regarding GEM Reality Capital, and after discussion, the Board subsequently decided to not act upon the recommendation to hire GEM Reality Capital, Inc. at this time.

It was **moved** by DiGiovanni and **seconded** by Clark to take no action to hire GEM Reality Capital, Inc. at this time due to concerns and recommendations from Meketa Investment Group.

**Approved**

**E. DISCUSSION ITEMS**

**E-1 Update on Och-Ziff**

Mr. Hastie provided an update on the Och-Ziff issue, stating that it has been recommended by Meketa Investment Group to take no action at this time, and Meketa will continue to monitor the situation and keep the Investment Committee informed.

**F. REPORTS**

**F-1 Executive Report – May 19, 2016**

**CITY OF ANN ARBOR EMPLOYEES' RETIREMENT SYSTEM  
EXECUTIVE DIRECTOR'S REPORT  
May 19, 2016**

**SUMMIT PARTNERS CAPITAL CALLS**

Summit Partners Credit Fund II, L.P. has requested a series of capital calls as follows:

<b><u>Date</u></b>	<b><u>Retirement System</u></b>	<b><u>VEBA</u></b>
February 26, 2016	\$985,136	\$246,284
March 7, 2016	\$80,386	\$ 20,097
March 10, 2016	\$805,479	\$201,370
March 15, 2016	\$38,603	\$ 9,651
April 4, 2016	\$42,392	\$ 10,598
April 15, 2016	\$18,892	\$ 4,723
April 29, 2016	\$(105,311)	\$(37,578)
May 12, 2016	\$351,023	\$ 87,756

The general partners are creating a bank subscription line to consolidate funding efforts and reduce the frequency of capital calls. As of the most recent capital calls, the investments are 61.7% funded.

**INVESCO DISTRIBUTION**

INVESCO Mortgage Recovery Loans AIV, L.P. made a distribution on Monday, May 9, 2016. Partner's allocable share of distribution: **\$931,587**

**CONSTITUTION CAPITAL PARTNERS CO INVESTMENT FUND III**

Ironsides Co-Investment Fund III, L.P. (the "Fund" or "Partnership") made a distribution May 12, 2016. The Retirement System's share of this distribution is **\$371,924.21**.

An additional distribution was made May 16, 2016. The Retirement System's share of this distribution is **\$99,815.06**.

**DRA DISTRIBUTIONS**

The Fund made a distribution on May 13, 2016, to the Retirement System, in the amount of **\$108,921.00**. The return of capital is recallable and upon the distribution our remaining commitment to the Fund is \$626,221.00.

The Fund made a distribution on May 13, 2016, to the VEBA, in the amount of **\$32,036.00**. The return of capital is recallable and upon the distribution our remaining commitment to the Fund is **\$184,183.00**.

**VONTOBEL DISTRIBUTION AND REINVESTMENT**

The proceeds of the Vontobel distribution were received. (\$9.4 million for the Retirement System and \$3.4 million for the VEBA.) The proceeds were transferred to the IR& M TIPS portfolios per the Board's direction.

**STAFF**

On May 2, 2016 staff participated in a project outline regarding On-Base, the City's online document storage and retention system, to evaluate the current functionality and discuss possible improvements. On-Base stores our retiree files, employee contribution and other financial work papers, and board meetings documentation.

A training session for the Employee Self Service was held on 4-28-2016.

The IT project to consolidate the historical earnings and contribution data from various prior systems to the Buck administrative system is continuing.

**F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended April 30, 2016**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended April 30, 2016 to the Board of Trustees:

4/30/2016 Asset Value (Preliminary)	\$455,736,449
3/31/2016 Asset Value (Audited by Northern)	\$453,476,318
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$10,115,628
Percent Gain <Loss>	2.2%
<b>May 18, 2016 Asset Value</b>	<b>\$ 448,681,132</b>

**F-3 Investment Policy Committee Minutes – May 3, 2016**

Following are the Investment Policy Committee minutes from the meeting convened at 3:02 p.m. on May 3, 2016:

*Member(s) Present:* Clark, DiGiovanni, Flack (via tx, dep @ 4:55), Hastie,  
Monroe (via tx, dep @ 5:20)

*Member(s) Absent:* None

*Other Trustees Present:* None

Staff Present: Walker  
Others Present: Henry Jaung, Meketa Investment Group

### **MARCH 31, 2016 INVESTMENT PERFORMANCE REVIEW**

Mr. Jaung presented the Investment Performance Review for the quarter ended March 31, 2016. As of March 31, 2016, the Fund was at \$454.5 million. Mr. Jaung also provided a brief investment performance review and the Act 314 Compliance Review, stating that all investments are currently in compliance.

### **GEM REALITY CAPITAL, INC. PRESENTATION** (OPPORTUNISTIC REAL ESTATE MANAGER) **Denise Olsen, Senior Managing Director**

Ms. Olsen presented on behalf of GEM Realty Capital, Inc., investors in private-market real estate assets and publicly traded real estate securities. After Ms. Olsen departed, a discussion ensued regarding investing in this area, and the Committee decided to make the following motion:

It was **moved** by DiGiovanni and **seconded** by Clark to recommend to the Board that the System hire GEM Realty Capital, Inc. as an opportunistic real estate manager for both the Retirement System and the VEBA. This will be finalized after satisfactory review of the documents, contracts, and other potential issues. The allocations are anticipated to consist of \$4-5 million for the RS and \$1-1.5 million to the VEBA. The source of the funds is to be determined depending on timing of the investment.

**Approved**

### **PRIVATE EQUITY AND REAL ESTATE PACING STUDY**

Mr. Jaung reviewed a pacing study created by Meketa to figure out how much should be committed on an annual basis to different types of real estate funds in order to keep the target weight at 9%. Mr. Jaung presented various scenarios using portfolio allocation models.

### **OCH-ZIFF DISCUSSION**

Mr. Jaung discussed Och-Ziff in light of a recent Wall Street Journal article regarding a violation of the FCPA. Mr. Jaung stated that the System is not invested in the fund mentioned in the article (OZMF), but rather the OZCO, which they had performed due diligence on for the past several years, and stated that Meketa's positive opinion of OZCO has not been tainted by the actions of the two individuals on the OZM team, and believes OZCO to still be a high conviction manager and very viable fund. After further discussion, the Committee decided to request that Meketa continue to monitor this issue and bring any recommendations back to the Committee regarding terms of the current contract.

### **CLOSING COMMENTS AND FUTURE TOPICS OF DISCUSSION**

Future topics of discussion will include:

- 1) Monitoring the Och-Ziff situation and further research by Meketa on the terms of the OZ contract
- 2) DRA and their new real estate Fund IX
- 3) Fixed income portfolio and appropriate duration and source of investment grade bonds

Quorum notes: Mr. Flack departed the meeting at 4:55 p.m., and Mr. Monroe departed at 5:20 p.m.

### **ADJOURNMENT**

**Meeting adjourned at 5:40 p.m. due to the loss of a quorum**

**F-4 Administrative Policy Committee Minutes – May 10, 2016**

Following are the Administrative Policy Committee minutes from the meeting convened at 3:14 p.m. on May 10, 2016:

Committee Members Present:	Heusel (via tx), Lynch, Monroe
Members Absent:	Crawford
Other Trustees Present:	None
Staff Present:	Kluczynski, Walker
Others Present:	None

**DRAFTED REVISIONS TO CURRENT CHANGE OF BENEFICIARY FORM**

The Committee further reviewed a rough draft of the Beneficiary Election Forms that were revised by legal counsel. The beneficiary forms were revised due to the need for a more thorough document in regards to how each form differently affects newly-hired employees, vested employees, and those going in to retirement.

At the March APC meeting, the Committee had approved the format and language in the forms, and agreed to inquire with legal counsel as to the whether the forms should be notarized when completed by an employee, as well as forwarding to the Board for approval at the March Board meeting. During that meeting, legal counsel was of the opinion that it is not necessary for the forms to be notarized or witnessed, but suggested that the witness line be left in place on the forms. The Board had also suggested further revisions to the forms, such as adding additional spaces for beneficiaries and changing the word “nomination” to “designation”, which Ms. Walker now presents for the Committee’s review.

After review and a brief discussion, Ms. Lynch noted one minor format change and the Committee decided to approve the beneficiary forms packet as revised. Being that the Board has previously viewed the forms and made their recommendations, the Committee agreed that the forms be finalized and put into effect.

**EVALUATION FORMS FOR EXECUTIVE DIRECTOR PERFORMANCE EVALUATION**

The Committee reviewed the E.D. performance evaluation/questionnaire used in the past, and decided that it should be updated, categorized, and that additional comments/suggestion lines be added under each question. Ms. Lynch volunteered to reorganize the forms before the May 19<sup>th</sup> Board meeting so that it may be distributed to the Board members on that day. The completion deadline for Trustees will be June 3<sup>rd</sup> so that the APC can discuss the results at its June 14<sup>th</sup> meeting, and subsequently add a recommendation to the full Board at the June 16<sup>th</sup> regular Board meeting.

**FIDUCIARY AUDIT RECOMMENDATIONS & CONSIDERATIONS**

The Committee further reviewed the Fiduciary Review Recommendations Discussion Guide, specifically the Internal Controls section’s one remaining item, “Make risk identification and the development, implementation, and documentation of internal controls a priority of the Audit Committee.”

The Committee discussed various risks that may need to be identified, i.e. electronic, fraud, and physical, and requested that Ms. Walker create a listing to be discussed with the full Board at its June 16<sup>th</sup> regular meeting in order to gather further input.

**PLAN DESIGN UPDATE**

Ms. Walker updated the Committee on a discussion she had with the City Human Resources office regarding the impending possible plan design changes. Ms. Walker stated that it was unclear where the plan design changes stand. A proposed meeting in mid April regarding this matter has now been postponed to "late May". Implementation of any plan changes with a suggested tentative January 1, 2017 deadline will be of concern if designs, decisions, and negotiations are finalized too late in the year. Mr. Monroe stated that the Board of Trustees has reached out to the City at least twice, and hopes that communication will be kept open between the City and Retirement System.

**ADJOURNMENT**

It was **moved** by Lynch and **seconded** by Heusel to adjourn the meeting at 4:16 p.m.  
**Meeting adjourned at 4:16 p.m.**

**F-5 Audit Committee Minutes – No Report**

**F-6 Legal Report – No Report**

**G. INFORMATION (Received & Filed)**

**G-1 Communications Memorandum**

**G-2 June Planning Calendar**

**G-3 Record of Paid Invoices**

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

	<b>PAYEE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
1	DTE Energy	74.60	Monthly Gas Fee dated April 13, 2016
2	DTE Energy	140.08	Monthly Electric Fee dated April 13, 2016
3	AT&T	396.99	Monthly telephone service
4	Dollar Bill Copying	2,166.66	Annual Member Newsletter – printing/ mailing
5	City of Ann Arbor Treasurer	599.85	ITSU Service Charge (K. Spade) for March 2016
6	Staples Advantage	144.59	Miscellaneous Office supplies
7	The Berwyn Group	1,000.00	Insurance Special Audit and Analysis April-March
8	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – May-July 2016
9	Buck Consultants	9,774.43	Various Actuarial/Consulting Services dated 4/15/2016
10	The Northern Trust Company	29,417.79	Indexed & Quantitative Svcs for period ended 3/31/2016
11	Loomis, Sayles & Company	44,827.25	Investment management fees: 1/1/2016 – 3/31/2016
12	Income Research & Management	2,015.56	Investment management fees: 4/1/2015 – 6/30/2015
13	Income Research & Management	2,006.71	Investment management fees: 1/1/2016 – 3/31/2016
	<b>TOTAL</b>	<b>92,654.51</b>	

**G-4 Retirement Report**

Retirement paperwork has been submitted by the following employee(s):

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Steven Lowe	Age & Service	May 24, 2016	Fire	26 years, 2 months	Safety Services Fire Department
David Dangler	Early/Age & Service	July 6, 2016	Fire	22 years, 10 months	Safety Services Fire Department
Robin Sykes	Age & Service	June 13, 2016	General	20 years <i>(which includes 6 years, 1 month reciprocal credit)</i>	Safety Services Police Department

G-5 Analysis of Page Views on City Intranet / Retirement System Page

G-6 Correspondence from Loomis, Sayles & Company Regarding COO Promotion

H. TRUSTEE COMMENTS / SUGGESTIONS - None

I. ADJOURNMENT

It was **moved** by Heusel and **seconded** by Monroe to adjourn the meeting at 9:22 a.m.  
**Meeting adjourned at 9:22 a.m.**



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