

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
May 21, 2009**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:30 a.m.

**ROLL CALL**

Members Present: Crawford, Flack, Heatley, Hescheles, Kahan, Kaur (8:37), Sylvester  
 Members Absent: Fraser, Nerdrum  
 Staff Present: Kluczynski, Powell  
 Others: Michael VanOverbeke, Legal Counsel  
 Chris Kuhn, Gray & Company  
 David Diephius, City Resident

**AUDIENCE COMMENTS - None**

**A. APPROVAL OF REVISED AGENDA**

Mr. Powell stated that the following item has been revised since the distribution of the agenda packet:

- C-4 Authorization for Payment of Invoices – additional invoices received

It was **moved** by Kahan and **seconded** by Heatley to approve the revised agenda.

**Approved**

**B. APPROVAL OF MINUTES**

**B-1 April 16, 2009 Regular Board Meeting Minutes**

Mr. VanOverbeke stated that the minutes reflect that the Board went into a closed session regarding James Wilson, and subsequent to the meeting in reviewing the issues that were discussed in closed session as well as the motion that was made, he is concerned that it may not comply with the Open Meetings Act because personnel matters were not scheduled for discussion and staff had not made a request for a closed session. Mr. Crawford stated that he had made the motion for a closed session and Mr. Powell had agreed, and Mr. Powell stated that he understood that the closed session was for the James Wilson discussion, and not matters dealing with staff. Mr. VanOverbeke recommended tabling the approval of the April minutes for inclusion of the closed session minutes, and that the April Board minutes be brought back to the June meeting for approval.

It was **moved** by Heatley and **seconded** by Kahan to table approval of the April 16, 2009 meeting minutes until the June 18, 2009 Board meeting in order for revisions.

**Approved**

**B-2 April 24, 2009 Special Call Board Meeting**

It was **moved** by Heatley and **seconded** by Hescheles to approve the April 24, 2009 regular Board Meeting minutes as presented.

**Approved**

**C. CONSENT AGENDA**

It was **moved** by Kahan and **seconded** by Flack to approve the following Consent Agenda:

**Preliminary Retirement Resolutions**

**C-1 Preliminary Approval for Service Retirement for Dolores Ruland**

**WHEREAS**, the Board of Trustees is in receipt of an application for retirement from **Dolores Ruland (Applicant)**, dated April 17, 2009, and

**WHEREAS**, it appears, based on preliminary information provided, that said Applicant meets the eligibility requirements of the Retirement System and any applicable collective bargaining agreement, therefore be it

**RESOLVED**, that said application for service retirement of **Dolores Ruland** is preliminarily approved subject to the adoption by the Board of a resolution approving the calculations of the actuary, and further

**RESOLVED**, that upon receipt of all required certificates/forms completed by said Applicant and following said Applicant's last date on the active payroll, a retirement calculation will be completed based upon the certified numbers from the City of Ann Arbor Finance Department, and further

**RESOLVED**, that the Board's actuarial program certified by the Board's actuary shall perform the retirement calculation and employer transfer to the retiree reserve fund to the Board of Trustees as soon as possible, and further

**RESOLVED**, that upon receipt of the retirement calculations completed by the Board's actuarial software, the Board of Trustees will consider adoption of a resolution approving payments of the applicable benefit amounts.

**C-2 Approval of Service Retirement for Darrell Wooster**

**WHEREAS**, the Board of Trustees is in receipt of an application for retirement from **Darrell Wooster (Applicant)**, dated May 13, 2009, and

**WHEREAS**, it appears, based on preliminary information provided, that said Applicant meets the eligibility requirements of the Retirement System and any applicable collective bargaining agreement, therefore be it

**RESOLVED**, that said application for service retirement of **Darrell Wooster** is preliminarily approved subject to the adoption by the Board of a resolution approving the calculations of the actuary, and further

**RESOLVED**, that upon receipt of all required certificates/forms completed by said Applicant and following said Applicant's last date on the active payroll, a retirement calculation will be completed based upon the certified numbers from the City of Ann Arbor Finance Department, and further

**RESOLVED**, that the Board's actuarial program certified by the Board's actuary shall perform the retirement calculation and employer transfer to the retiree reserve fund to the Board of Trustees as soon as possible, and further

**RESOLVED**, that upon receipt of the retirement calculations completed by the Board's actuarial software, the Board of Trustees will consider adoption of a resolution approving payments of the applicable benefit amounts.

**Final Retirement Resolutions**

**C-3 Approval for Non-Duty Death Benefits for Jason Zogaib**

**WHEREAS**, the Board of Trustees is in receipt of an application for an Option II death benefit from **Lila Zogaib (Applicant)**, the named beneficiary of **Jason Zogaib (Participant)**, requesting an effective retirement date of March 14, 2009, and

**WHEREAS**, said Participant was an active employee at the time of his death and has been credited with 11 years and 1 month of service credit, and

**WHEREAS**, the Board of Trustees has verified that the aforesaid Applicant meets all those requirements for an Option II death benefit as established pursuant to the provisions of the Retirement System and the applicable collective bargaining agreement, and

**WHEREAS**, said Applicant has provided all necessary data and certificates/forms to the Board of Trustees, and

**WHEREAS**, said Applicant has requested no annuity withdrawal under the provisions of the Retirement System and collective bargaining agreement, therefore be it

**RESOLVED**, that Option II death benefits are hereby granted to **Lila Zogaib (Applicant)**, effective March 14, 2009, and further

**RESOLVED**, that benefits be paid consistent with the foregoing, and further

**RESOLVED**, that copies of this resolution be forwarded to said Applicant and the appropriate City representatives.

**Resolutions:**

**C-4 Authorization For Payment of Invoices (\$ 165,243.05)**

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

**WHEREAS**, Section 13(4) of Public Act 314 of 1965, as amended, provides that an investment fiduciary may use a portion of the income of the system to defray the costs of investing, managing, and protecting the assets of the system, may retain services necessary for the conduct of the affairs of the system, and may pay reasonable compensation for those services; 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 Board of Trustees has previously approved a resolution at its regular meeting of June 19, 1997 to have accounts payable services provided through its custodian bank, The Northern Trust Company; and

**WHEREAS**, the Board is of the opinion that prompt payment to service providers for services rendered is appropriate and in the best interest of the plan; therefore be it

RESOLVED, that the Board of Trustees' custodial bank, The Northern Trust Company, is authorized and directed to provide payment to the following vendors and providers of service in the amount as indicated upon receipt by the Board of appropriate invoices or as required by lease agreements, subject to (a) review and approval of said invoices and lease agreements by appropriate Board representatives and (b) payment authorization signed by Nancy Sylvester/Chairperson, Chris Heatley/Vice-Chairperson, or Jeffrey Kahan/Secretary, and Willie J. Powell/Executive Director.

	<b>PAYEE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
1	Gray & Company	7,053.03	Investment Consultant Retainer – April 2009
2	Coverall North America, Inc.	140.00	Office Cleaning Services for May 2009
3	Comcast	75.85	Monthly Cable Fee
4	City of Ann Arbor Treasurer	5.48	Municipal Code Annual Internet Fee
5	AT&T	80.74	Monthly Long-Distance Telephone Service
6	Allstar Alarm LLC	90.00	Quarterly Alarm Monitoring (May-July 2009)
7	Staples Business Advantage	241.12	Miscellaneous office supplies
8	Sullivan, Ward, Asher & Patton, PC	9,462.29	Legal Review
9	Consulting Physicians, P.C.	625.00	Disability medical review for M. Tracy – 3/3/2009
10	Four Points Sheraton	2,815.59	Annual Retiree Educational Session – 4/29/2009
11	Government Finance Officers Asc.	160.00	Membership Renewal 7/1/2009 - 6/30/2010
12	Bradford & Marzec, Inc.	38,259.13	Investment Manager Fees: 1/1/09-3/31/09
13	Fisher Investments	28,894.42	Investment Manager Fees: 1/1/09-3/31/09
14	Independence Investments	29,349.67	Investment Manager Fees: 1/1/09-3/31/09
15	Loomis, Sayles & Company	28,105.41	Investment Manager Fees: 1/1/09-3/31/09
16	RhumbLine Advisers	2,695.72	Investment Manager Fees: 1/1/09-3/31/09
17	Schwartz Investment Counsel	12,398.00	Investment Manager Fees: 1/1/09-3/31/09
18	Jeremy Flack	330.46	Travel reimbursement for IFEBP CAPP Part I
19	Jeffrey Kahan	340.89	Travel reimbursement for Penn due dil., March '09
20	Dollarbill Copying	256.30	Printing: Employee Handbooks
21	Jeremy Flack	2,588.83	Travel reimbursement for NCPERS/TEDS 5/2009
22	Comerica Bank	70.00	Annual Safe Deposit Box Rental Fee
23	DTE Energy	133.87	Monthly Gas Fee dated
24	DTE Energy	205.83	Monthly Electric Fee dated
25	Republic Parking System	4.10	Parking Validation Fee
26	Lora Kluczynski	281.07	Petty cash reimbursement
27	Transition Imaging	228.25	Digital Imaging Services – Invoice #1179
28	Transition Imaging	352.00	Digital Imaging Services – Invoice #1180
	<b>TOTAL</b>	<b>165,243.05</b>	

#### **C-5 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
Samuel James	Police	6 Years, 4 Months	City of Inkster

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-6 Authorization for Conference/Training – 2009 Annual NASRA Conference, July 31-August 5, 2009 - Powell**

WHEREAS, the Board of Trustees (Board) of the City of Ann Arbor Employees' Retirement System (Retirement System) is vested with the authority and fiduciary responsibility for the 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 Board of Trustees acknowledges that the Retirement System has evolved in complexity such that the circumstances 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 requires continuing education, training, and oversight of its advisors, and

WHEREAS, it is necessary, appropriate and incumbent upon Board trustees and/or Retirement System staff, from time to time, to participate in continuing education, training, and/or conduct due diligence trips in relation to their oversight of Retirement System advisors to ensure that Retirement System participants receive the best possible service, benefit and representation from these responsible persons, and

WHEREAS, Willie Powell has requested the Board of Trustees' authorization for conference/training in Savannah, Georgia, at Retirement System expense, estimated at \$3,740.00, to attend the 55<sup>th</sup> Annual National Association of State Retirement Administrators (NASRA) Conference, to participate in continuing education in his responsibility as Retirement System Executive Director and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Willie Powell to travel to Savannah, Georgia, at Retirement System expense, estimated at \$3,740.00, to attend the 55th Annual National Association of State Retirement Administrators (NASRA) Conference, to participate in continuing education in his responsibility as Retirement System Executive Director, and

FURTHER RESOLVED, that Willie Powell comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

**C-7 Authorization for Conference/Training – Intercontinental Real Estate Investor’s Summit, July 26-27, 2009 - Sylvester**

WHEREAS, the Board of Trustees (Board) of the City of Ann Arbor Employees’ Retirement System (Retirement System) is vested with the authority and fiduciary responsibility for the 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 Board of Trustees acknowledges that the Retirement System has evolved in complexity such that the circumstances 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 requires continuing education, training, and oversight of its advisors, and

WHEREAS, it is necessary, appropriate and incumbent upon Board trustees and/or Retirement System staff, from time to time, to participate in continuing education, training, and/or conduct due diligence trips in relation to their oversight of Retirement System advisors to ensure that Retirement System participants receive the best possible service, benefit and representation from these responsible persons, and

WHEREAS, Nancy Sylvester has requested the Board of Trustees’ authorization for conference/training in Boston, Massachusetts, at Retirement System expense, estimated at \$1,100.00, to attend the Intercontinental Real Estate Investor’s Summit, to participate in continuing education in her responsibility as a Board Trustee and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Nancy Sylvester to travel to Boston, Massachusetts, at Retirement System expense, estimated at \$1,100.00, to attend the Intercontinental Real Estate Investor’s Summit, to participate in continuing education in her responsibility as a Board Trustee, and

FURTHER RESOLVED, that Nancy Sylvester comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

**Consent agenda approved**

**D. ACTION ITEMS**

**D-1 Approval of Contract to Hire Penn Capital as a High Yield Manager**

Mr. Heatley stated that the Investment Policy Committee is recommending approval of this contract based on a recommendation from Gray & Company and interviews with Penn Capital.

It was **moved** by Heatley and **seconded** by Kahan to approve the contract to hire Penn Capital as a High Yield Manager.

**Approved, 2 abstained (Hescheles, Kaur)**

**D-2 Approval of Contract to Hire MacKay Shields as a High Yield Manager**

Mr. Heatley stated that the Investment Policy Committee is recommending approval of this contract based on a recommendation from Gray & Company and interviews with MacKay Shields.

It was **moved** by Heatley and **seconded** by Kahan to approve the contract to hire MacKay Shields as a High Yield Manager.

**Approved, 2 abstained (Hescheles, Kaur)**

**D-3 Revised Insurable Interest Policy**

Mr. Crawford stated that the Administrative Policy Committee is recommending this revision after discussions regarding changing the wording from Domestic Partner to “Other Qualified Adult”, in order to be consistent with what the City recently has defined in other Ordinance language.

It was **moved** by Heatley and **seconded** by Kahan to revise the Insurable Interest Policy as recommended.

**Approved**

**D-4 APC Recommendation to Remove “Insurable Interest” Language from Chapter 18**

Mr. VanOverbeke stated that the Administrative Policy Committee discussed this issue at their recent meeting, and explained that where the insurable interest language comes in to play is when an individual, in lieu of drawing their straight-life benefit, would like to take a reduction in their otherwise lifetime benefit and name a beneficiary to receive their benefits in the event of their death; they pay the cost for that reduction, and depending on who they name the reduction is based upon their actuarial life expectancy and there are actuarial equivalents paid. The recommendation is to ask City Council to remove the requirement that the individual designated have an insurable interest. The recommendation comes because insurable interest has a very broad definition which includes all family members and those with a pecuniary financial interest in the continuation of a life, and the thought process is to remove that requirement which is somewhat archaic and not applicable in all governmental plans. An individual would be able to name somebody and there would be an actuarial reduction in their benefit.

Mr. VanOverbeke added that if this language is revised, the Board would no longer have to make decisions on whether to approve certain individuals as beneficiaries. Mr. VanOverbeke stated that his office has drafted revisions to the Retirement Ordinance and has combined all of the APC recommendations in Items D-4, D-5, and D-6 of this agenda into those revisions for forwarding to City Council.

It was **moved** by Flack and **seconded** by Kaur to forward Ordinance language changes to City Council through the City Attorney’s Office and request that they give consideration to amend the Ordinance to strike the requirement of having an insurable interest in the retirant’s life as currently contained within the Ordinance.

**Approved, 1 abstain (Crawford)**

**D-5 APC Recommendation to Amend Section 1:564(4) of Chapter 18**

Mr. VanOverbeke stated that this recommendation involves that in the event a person passes away during their employment and have made employee contributions and there is to be a

refund of their accumulated contributions to the Plan, currently the Ordinance provides that an employee can designate a person or persons for a refund of their accumulated contributions. The refund of accumulated contributions is not tied to a reduction or to anybody's lifetime, it's just a lump sum of money that would otherwise be paid, so the APC is recommending that where there is to be just a lump sum payable, whether an active employee or after retirement when there is no more beneficiaries to be paid but yet there is a balance of cash, that in those instances it can be paid to such person, persons, or trust because it is not based upon a life expectancy, and trusts are certainly permissible in the Plan document. Currently the language reads, "person or persons", and the recommendation is to change that to include trusts. Mr. VanOverbeke stated that language was also changed regarding payments to "legal representatives", and the Committee decided that payments should rather be made to an estate or trust, so that language was revised.

It was **moved** by Crawford and **seconded** by Flack to approve the recommendation to Amend Section 1:564(4) of Chapter 18.

**Approved**

**D-6 APC Recommendation to Adopt the "Period Certain with Life Benefit Option"**

Mr. VanOvebeke stated that this would be an added option to the Plan, and from a Plan perspective it is actuarial cost-neutral, so there's no cost to the Plan to put this in. This is a form of benefit where a retiree could name someone to receive benefits for a period certain, but not for a lifetime, in case the retiree would pass away in 5, 10, or 15 years, there would be benefits allowed for that certain period of time, perhaps for a minor, older parent, or a spouse who will be receiving their own pension in the future. With this option a person, persons, or trust can be made because the reduction to the benefit has nothing to do with the life expectancy of another party, only to do with the age of the retiree and how long the benefit is guaranteed (from the date of retirement).

It was **moved** by Heatley and **seconded** by Flack to approve the recommendation to adopt the Period Certain with Life Benefit Option (Option IV) included in the proposed Ordinance language being forward to City Council.

**Approved**

**D-7 Proposed FY 2009/2010 Budget & Cash Flow Projection**

Mr. Powell presented and reviewed the proposed budget and cash flow projection for fiscal year 2009/2010. Mr. Crawford asked that the fees be shown on Thornburg's line, and then shown subtracted, reflecting that their fees are taken from returns. Mr. Crawford asked if by approving the budget, if the Board would be approving the increase in staff wages as it is projected, and believes that in this environment he would propose that the Board not approve that line of the budget.

It was **moved** by Crawford and **seconded** by Kahan to approve the proposed FY 2009/2010 Budget and Cash Flow Projection, with a removal of the 3% increase in staff salary wages.

**Approved, 1 opposed (Sylvester)**

**D-8 Military Purchase Request from Louis Della-Badia, City Employee**

Mr. Powell explained that Mr. Della-Badia had turned in an application for Military Purchase in 2007, but had delayed in getting the required DD-214 form turned in with it until recently and the question is whether to use his pay rate from 2007 when he first submitted the application or to use his current rate. Mr. Powell stated this has been made a separate agenda item because he notified Mr. VanOverbeke for a legal opinion. Mr. VanOverbeke stated that this



item has not

come before the Board because the application process had not been completed, and in his opinion the employee can not claim the application from two years ago as the date of application and pay a lesser amount. Mr. VanOverbeke stated that the APC may want to take a look at the policy and decide whether to include a time period in which a person has to complete their application submission.

It was **moved** by Heatley and **seconded** by Flack to approve Mr. Della-Badia's request using the application dated May 12, 2009 and his current wages for the military purchase calculation:

**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**, Section 1:561(e) of the Retirement Ordinance, Chapter 18 of the Code of the City of Ann Arbor allows for prior Military Service Credit, and

**WHEREAS**, the Board is in receipt of an Application for Purchase of Military Service Time, 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 purchase of Military Service Time:

Name	Department	Requested Military Service Time	Requested Method of Payment	Cost for Purchase of Military Service Time
Louis Della-Badia	General	2 Years	Lump Sum	\$ 6,352.32

**FURTHER RESOLVED**, that the applicant(s) purchasing Military Service Time be notified of the amount of money necessary to buy the Military Service Time, and upon full payment, the member(s) shall be credited the service time.

**Approved**

**E. DISCUSSION ITEMS**

**E-1 Managed Futures**

Mr. Heatley stated that at the last IPC meeting there were two presentations made as educational sessions regarding managed futures and the Committee is requesting permission to move forward in looking at an investment of this nature, with further recommendations coming back to the Board for approval. Mr. Kuhn gave a brief overview of managed futures, stating that managed futures are very similar to hedge funds and is more of a trading strategy orientation to the investments, and is actually looking at the futures market (currencies, interest rates futures, energies, metals, etc.) for buying opportunities. Mr. Kahan summarized by stating that managed futures invests in the trading process as opposed to buying a stock and hoping that it runs up. Mr. Heatley stated that the IPC will come back with a more formal proposal.

**F. REPORTS**

**JULY 1, 2009 BENEFIT INCREASE**

At the Regular Board meeting on April 16, 2009, the Trustees discussed the 2009 Retiree Benefit Increase. As result of that discussion the following motion was approved:

It was **moved** by Heatley and **seconded** by Flack to approve a 1% one-time lump sum payment providing the actuarial cost is less than \$300,000, and if it would equal more, that this issue then would come back before the Board for further discussion.

**Motion passes 5–2 (Crawford, Fraser)**

In their Benefit Increase Analysis, Gabriel Roeder Smith & Company stated: “If the benefit increase percentage is 1.0% on July 1, 2009, the cost of a one-time payment would be approximately \$243,000. In the case of a 1.0% increase, 152 retirants and beneficiaries would receive the minimum \$10 per month increase, based on the June 30, 2008 valuation data.”

Since the cost of a 1% one-time lump sum payment would be less than \$300,000, it would be in order that the Board of Trustees approves the following motion provided by Gabriel Roeder & Smith:

“Move that the Board of Trustees approve a one-time 1.0% increase in the retirement allowances of eligible retirees and beneficiaries as of July 1, 2009, and to assist in meeting the estimated \$243,000 actuarial cost of such increase, approve a transfer of \$243,000 from the Employer Contribution Reserve to the Retirement Reserve Fund for the fiscal year ending June 30, 2009, and leave the Pension Contingency Reserve at zero as of July 1, 2009.”

In their analysis Gabriel Roeder & Smith noted, “that a \$243,000 net increase in liability would represent an increase in City contributions of 0.04% of active member payroll if amortized over 15 years, and a decrease of 0.1% in the funded ratio.”

**FIDUCIARY AUDIT**

The fiduciary audit that is being conducted by Ennis Knupp is progressing according to schedule. Staff has provided Ennis Knupp with all the documents they have requested for their review. They plan to be present at the June 18, 2009 Board meeting to observe how the meetings are conducted. At that time they will also interview staff members.

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*Discussion of Retiree Increase:* Mr. Powell reviewed the July 1, 2009 Benefit Increase section and stated that a motion is needed from the Board in order to move forward with a one-time 1% increase for this year for eligible retirees and beneficiaries.

It was **moved** by Heatley and **seconded** by Flack that the Board of Trustees approve a one-time 1.0% increase in the retirement allowances of eligible retirees and beneficiaries as of July 1, 2009, and to assist in meeting the estimated \$243,000 actuarial cost of such increase, approve a transfer of \$243,000 from the Employer Contribution Reserve to the Retirement Reserve Fund for the fiscal year ending June 30, 2009, and leave the Pension Contingency Reserve at zero as of July 1, 2009.

**Approved, 2 Opposed (Crawford, Kaur)**

*Discussion of Police Early-Out Program:* Mr. Powell stated that staff has been conducting final retirement sessions with many of the police employees who will be retiring under the Early-Out Program, and the Ordinance and Memorandum of Understanding indicates that they have until June 19, 2009 to sign up for the program and submit their “irrevocable” letter to the City, for

which they have seven days to change their minds. Mr. Powell stated that legal counsel, staff, and the City Attorney's office has been working together to make sure this process is completed as smoothly as possible, and after legal counsel's review, there were suggested changes made to the program. Mr. Powell stated that one of the suggested changes was not included regarding the purchase of the extra year and when that payment is to be made. Legal counsel had recommended that a payment deadline should be included or language that the payment would have to be paid into the System before a pension check would be issued.

Mr. Powell stated that since this change was not included in the language, he will have to work something out with legal counsel. Mr. VanOverbeke stated that the Board, by policy, will have the general understanding that the office cannot start payment of a pension benefit if the purchase of service credit has not been completed, and he would have liked that to have been made clear in the Ordinance, but from a practical standpoint, in the Board's role as Trustees and administrator of the Plan, that if an individual is asking for a retirement benefit based upon a certain amount of service credit, before we will pay a retirement benefit, they will need to have paid for that additional year of service credit, and from a policy standpoint, he believes that is consistent with what the intent of the Ordinance and the Plan is, although we just wanted it stated clearly in the documents. According to the timing of the deadlines with payroll, there is a possibility that those employees purchasing the extra year will not receive a benefit check until October 1<sup>st</sup> because GRS cannot do any calculations until they receive the "final" final numbers from the City.

**F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended April 30, 2009**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended April 30, 2009, to the Board of Trustees:

4/30/2009 Asset Value (Preliminary)	\$305,278,768
3/31/2009 Asset Value (Audited by Northern)	\$289,910,152
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$(4,093,837)
Percent Gain <Loss>	-1.3%
<b>May 20, 2009 Asset Value</b>	<b>\$ 310,290,699</b>

**F-3 Investment Policy Committee Report – May 5, 2009**

Following are the Investment Policy Committee minutes from the meeting convened at 1:34 p.m. on May 5, 2009:

Member(s) Present: Heatley, Hescheles (dep. 1:54), Kahan  
 Member(s) Absent: Flack, Sylvester  
 Other Trustees Present: Crawford  
 Staff Present: Powell, Kluczynski  
 Others Present: Larry Gray, Gray & Company  
 Chris Kuhn, Gray & Company

**RETIREMENT SYSTEM QUARTERLY REVIEW FOR THE QUARTER ENDED MARCH 31, 2009**

Mr. Kuhn reviewed the March 31, 2009 quarterly review. The Fund's total market value as of March 31, 2009 was \$291.69 million. The Fund had a return of -5.82% for the current quarter, and a return of -26.02% for the last twelve months.

Mr. Kuhn reviewed the Summary of Assets as of March 31, 2009:

<b>Managers</b>	<b>Market Value</b>
<i>Domestic Equity</i>	\$ 136,801,000
<i>International Equity</i>	25,837,000
<i>Fixed Income</i>	92,919,000
<i>Real Estate</i>	32,987,000
<i>Cash &amp; Cash Equivalents</i>	3,151,000
<b>Total Plan</b>	<b>\$291,695,000</b>

Due to the loss of a quorum at 1:54 p.m. (Hescheles), the meeting was adjourned and the Managed Futures presentations were made to the remaining Committee.

### **ADJOURNMENT**

It was **moved** by Kahan and **seconded** by Crawford to adjourn the meeting at 1:54 p.m.  
**Meeting adjourned at 1:54 p.m.**

### **MANAGED FUTURES PRESENTATIONS**

**Steben & Company**  
Bradley Weltler, CAIA,  
Rockville, Maryland

**United Investment Managers (UIM)**  
Thomas E. Zimmerman, CFA  
Chicago, Illinois

### **F-4 Administrative Policy Committee Report – April 28, 2009**

Following are the Administrative Policy Committee minutes from the meeting convened at 12:18 p.m. on April 28, 2009:

Committee Members Present: Crawford, Kaur, Sylvester  
Members Absent: None  
Other Trustees Present: None  
Staff Present: Kluczynski, Powell, Refalo  
Others Present: Michael VanOverbeke, Legal Counsel

### **INSURABLE INTEREST POLICY DISCUSSION**

Mr. VanOverbeke explained the Insurable Interest Policy, stating that it was designed in 1998 to give Retirement Staff guidance when employees designate a beneficiary, by specifying who can be designated as a beneficiary. One of the options indicates that a domestic partner can be designated, and the City has since changed the use of the term “domestic partner” in the Ordinance, and have changed the term to read “other qualified adult”. From a Retirement System standpoint, the Board has the ability to find that a domestic partner, fiancé, ex-spouse, etc., all fall within the definitions in the policy, and the object of the policy was to avoid an employee designating just anyone as their beneficiary. Mr. VanOverbeke compared the policy with an insurance policy, which has specific insurable rules.

Mr. VanOverbeke stated that considering the APC’s previous discussions on this issue and it is a

general feeling that the Board is not concerned with whom someone names as their beneficiary, one option would be for the System to recommend that City Council remove the requirement of an insurable interest, and noted that there are many retirement systems who do not have an insurable interest requirement, which allows employees to name who they want to name and they will get a reduction based upon their age. Another change to the policy would be to replace the term "domestic partner" with "other qualified adult" to stay inline with the City's Ordinance language. Ms. Sylvester suggested that other wording be used that would avoid having to change the terminology every time the City changes the Ordinance language.

It was **moved** by Sylvester and **seconded** by Kaur to recommend to the Board of Trustees that the insurable interest language be removed from Chapter 18 of the City Ordinance.

**Approved**

Approval of the above motion will enable an employee to name anyone they want as their beneficiary. Mr. VanOverbeke suggested that until such time that the previous motion is changed, that the terms in the current Board policy be changed, or such other term as utilized by City Council. If Council approved the motion above, then the current Insurable Interest Policy would become void.

It was **moved** by Sylvester and **seconded** by Kaur to recommend to the Board of Trustees that the term "Other Qualified Adult" be substituted for the term "Domestic Partner" within the current Insurable Interest Policy.

**Approved**

Mr. VanOverbeke stated that he will bring drafts of the language changes to the May 21, 2009 Board meeting. Ms. Refalo asked about the fact that Trusts cannot be named as a beneficiary and often employees wish to name a Trust, and also asked for clarification as to what the term "legal representative" stands for in these particular scenarios. Mr. VanOverbeke stated that when paying out a lump sum contribution payment, a Trust can be used, and it also can be used in the Period Certain Payment Option (below) because the benefit calculation has nothing to do with life expectancies. He also believes that the term "legal representative" should be changed to "estate" in the language. The Committee discussed the matter of naming Trusts, and decided to recommend that language be changed to the following section of Chapter 18:

**1:564. Service retirement allowance.**

Upon retirement, unless a member has elected to receive a retirement allowance under section 1:563, a member shall receive a straight life retirement allowance consisting of the following:

**(4)** If a retirant dies before receiving straight life retirement allowance payments equal to the member's accumulated contributions at the time of retirement, as reduced by any election under section 1:566(2), the difference between said accumulated contributions and the aggregate amount of retirement allowance paid shall be paid from the pension reserve fund to such person, ~~or persons~~ **persons, or Trust and in the absence of any designation, to the estate** as shall have been nominated by written designation filed with the Board. If there has been no such designation, the difference shall be paid to the member's legal representative. No payment shall be made under this paragraph if the retirant has elected options I, II or III of section 1:566, except that under options II and III if both the retirant and the beneficiary die before receiving an aggregate amount of retirement allowance payments equal to the aforementioned accumulated contributions, the difference between said accumulated contributions and the aggregate amount of retirement allowance paid shall be paid from the pension reserve fund to the legal representative of the retirant or beneficiary, whoever died last.

It was **moved** by Kaur and **seconded** by Sylvester to recommend to the Board of Trustees that Section 1:564(4) of Chapter 18, Service Retirement Allowance, be amended to include the language as discussed for forwarding to City Council.

**Approved**

### **ADDITIONAL BENEFIT OPTION CHANGES**

As explained in the March APC minutes, Mr. VanOverbeke briefly explained the following alternative payment option for consideration:

*Allowance for N Months Certain and Life Thereafter: Under Option IV a retirant shall receive a reduced retirement allowance payable throughout his or her life with the provision that if he or she dies before he or she has received N monthly retirement allowance payments, the payments shall be continued for the remainder of the period of N months to such person or persons in equal shares as the retirant shall have nominated by written designation duly executed and filed with the Board of Trustees. If there be no such designated person surviving the retirant, the actuarial present value of the remaining monthly payments shall be paid to the estate of the last to survive of the retirant and the named beneficiary. The member may select either 60, 120, 180, or 240 as the value of N, such election to be made at the time of Option IV election.*

Mr. VanOverbeke believes that the 240 months (20 years) could be stricken from the definition because it is unlikely that anyone would choose that option. Mr. Powell noted that this option would have no cost impact to the System.

It was **moved** by Sylvester and **seconded** by Kaur to recommend that the Board of Trustees adopt the Period Certain Payment Option (Option IV), and to amend the language to include Trusts and to exclude the number 240 (months) in the language.

**Approved**

The Committee briefly discussed the possibility of a retiree being able to un-name a beneficiary that was designated at the time of retirement and the ability to pop-up to the straight-life option, which would involve obtaining information from the actuary as far as possibility and costs. It was decided that this issue will be placed on the June APC meeting agenda, and Mr. Powell will ask for information from the actuary before that time.

### **ADJOURNMENT**

It was **moved** by Sylvester and **seconded** by Kaur to adjourn the meeting at 1:31 p.m.

**Meeting adjourned at 1:31 p.m.**

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

**F-6 Legal Report**

Mr. VanOverbeke reported that his office has received the final client statement from the IRS, indicating that they have accepted the proposal and includes the five year repayment schedule and the Plan amendments to establish the 401(h) account and 420 transfers as well as vesting requirements, so his office will be working on this issue.

### **G. INFORMATION**

**G-1 Communications Memorandum**

The Communications Memorandum was received and filed.

**G-2 June Planning Calendar**

The June Planning Calendar was received and filed.

**G-3 Vendor Contacts - None**

**G-4 Status of Pending Projects Report**

The Status of Pending Projects Report was received and filed.

**G-5 Detroit Free Press Article – “Detroit Employee Sues Pension Trustees, Adviser”**

The Detroit Free Press Article was received and filed.

**H. TRUSTEE COMMENTS**

Ms. Sylvester stated that along with the Insurable Interest items changed today, she will be proposing to the APC to continue to work on the Insurable Interest Policy and further define the definition of Other Qualified Adult, and that the policy may be brought back for approval with additional changes.

**I. ADJOURNMENT**

It was **moved** by Heatley and **seconded** by Kahan to adjourn the meeting at 10:08 a.m.  
**Meeting adjourned at 10:08 a.m.**

**Willie J. Powell, Executive Director  
City of Ann Arbor Employees' Retirement System**