

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
February 15, 2018**

**B**

The meeting was called to order by Jeremy Flack, Board Chairperson, at 8:42 a.m.

**ROLL CALL**

Members Present: Crawford (*dept. 9:00a.m.*), DiGiovanni, Flack, Hastie (*arrival 9:30 a.m.*), Lynch, Monroe, Nerdrum, Schreier  
Members Absent: Clark  
Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Jason Ashline, Regional Manager, ICMA-RC  
Rola Ismail, Retirement Plans Specialist, ICMA-RC

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

It was **moved** by Nerdrum and **seconded** by Crawford to approve the agenda as submitted.  
**Approved**

**B. APPROVAL OF MINUTES**

**B-1 December 21, 2017 Revised Regular Board Meeting**

It was **moved** by Nerdrum and **seconded** by Crawford to approve the Revised December 21, 2017 Regular Board Meeting minutes as submitted.  
**Approved**

**B-2 January 18, 2018 Regular Board Meeting**

It was **moved** by Nerdrum and **seconded** by Crawford to approve the January 18, 2018 Regular Board Meeting minutes as submitted.  
**Approved**

**C. 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
Luke Yu Liu	Public Services	4 months	Washtenaw County
Jessica Quinn	Police	11 years	Lincoln Park Police Department
Paul Matthews	Public Services	15 years, 4 months	City of Birmingham

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 Disability Application Withdrawal**

Received and filed.

**C-3 Receipt of Communications from HR regarding Disability Re-Examination**

Received and filed.

It was **moved** by Crawford and **seconded** by Nerdrum to approve the Consent Agenda as presented.

**Approved**

**E. ACTION ITEMS**

**E-1 Election of Board Officers (Chairperson, Vice-Chairperson, Secretary)**

It was **moved** by Crawford and **seconded** by DiGiovanni to retain the existing Board Officers for the 2018 term:

Board Chairperson: Jeremy Flack, Fire Trustee  
 Vice-Chairperson: Alexa Nerdrum, Citizen Trustee  
 Secretary: David Monroe, Police Trustee

**Approved**

**E-2 Appointment of Board Committee Members – IPC, APC & AC**

Mr. Schreier stated that he would like to be appointed to the Administrative Policy Committee. Committees appointed as follows:

- Investment Policy Committee: Hastie/Chair, Clark, Crawford, DiGiovanni, Flack, Monroe
- Administrative Policy Committee: Monroe/Chair, Lynch, Schreier
- Audit Committee: Nerdrum/Chair, Clark, Crawford, Monroe

**E-3 Motion to Approve Executive Director as Plan Coordinator for ICMA-RC Plans**

Ms. Orcutt stated that she would like to be the Plan Coordinator, replacing the HR Director, for the ICMA-RC Plans. The Board agreed and made the following motion:

It was **moved** by Nerdrum and **seconded** by Crawford to approve the Executive Director as the ICMA-RC Plan Coordinator.

**F. DISCUSSION ITEMS**

**F-1 Actuary Finalists Discussion**

A discussion regarding the Actuary Finalists ensued. The Board ultimately decided to hire Findley Davies as its Actuary. The transition process was also discussed. Mr. VanOverbeke stated that the transition could take 30-60 days.

It was **moved** by Nerdrum and **seconded** by Crawford to select Findley Davies as the new Actuary subject to negotiation of appropriate Actuarial Services Contract.

**F-2 ICMA Quarterly Plan Review**

Jason Ashline and Rola Ismail were present to provide a Quarterly Plan Review including Technology and Tools Overview, Plan Statistics, Education Results, and an Investment Analysis. Ms. Ismail presented the Board with an overview of the plan participant website, taking note of the disclaimers that the Board would like added to the participant calculation tools. She also shared ideas on future education opportunities.

Mr. Ashline reviewed both the 457(b) Plan and the 401(a) Plan, stating that the 457(b) contributions were up 9% in 2017 compared with the 2014-2016 average. Ms. Orcutt questioned how ICMA-RC determines which funds are replaced if they are not meeting the monitoring criteria standards. Mr. Ashline informed the Board that ICMA-RC uses both a quantitative and qualitative approach to fund monitoring. He also pointed out that the Harbor International Administrative Fund has underperformed and is on ICMA-RC's watch list. ICMA-RC is looking to remove this fund if the performance does not improve. The Investment Policy Committee will continue working on an Investment Policy Statement in the coming months.

Mr. Ashline also informed the Board of the following:

- The Overall "All-In" Plan Costs: 55 basis points (as of 9/30/17)
- Fees and Expenses: 45 out of the 46 funds in the lineups have lower expense ratios than their category peer averages (as of 12/31/17)
- Performance Rankings: in 119 out of 177 (67% of the Time Periods), did the funds beat their peer averages for the 1, 3, 5, and 10 year time periods measured (as of 12/31/17).

**F-3 Proposed March 23, 2018 Board Retreat Agenda**

Ms. Orcutt reviewed the proposed agenda for the upcoming Board Retreat on Friday, March 23, 2018. There were no changes made to the agenda at this time.

**G. REPORTS**

**G-1 Executive Report – February 15, 2018**

## SVB CAPITAL CALLS

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 392,000** for the Retirement Plan and **\$ 98,000** for the VEBA on January 12, 2018 for the purpose of funding current commitments.

## CONSTITUTION CAPITAL PARTNERS

Ironsides Partnership Fund III, L.P. (the "Fund" or "Partnership") requested a capital call in the amount of **\$ 902,279** on 2/21/18. This was netted against recallable refunds of capital in the amount of **\$ 302,279** for an actual outlay of **\$ 600,000**.

## SUMMIT PARTNERS CREDIT FUND II – CAPITAL CALL

Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$456,069** for the Retirement System and **\$ 114,017** for the VEBA on 1/16/18.

## DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund VIII on 2/5/18 in the amount of **\$127,095** for the Retirement System consisting of \$ 98,489 in capital and a gain of \$28,606. The VEBA distribution of **\$ 37,380** consisted of \$ 28,967 in capital and a gain of \$ 8,413.

## HYBRID/457 UPDATE

A2 employees were notified on January 23, 2018 that the ERS is now responsible for the administration of the 457 plan.

ED met with HR on January 25 to discuss the transition progress and the administrative allowance. The full \$197,000 was distributed to the City in November. The City intends to disburse these funds (less the \$50,000 the Board requested to be retained to cover potential expenses) in March. Per Karen Lancaster, the monies are currently being held in the Risk fund until we advise otherwise.

ED worked with VMT and Jason Ashline regarding a new policy regarding EDRO/QDRO processes as it relates to these two plans. The proposed policy and related forms will be on the February 13 APC agenda for review.

Rola Ismail will be onsite in various locations from February 5-8 to meet with employees.

## EXPENSE REPORT INFORMATION

Effective Jan. 1, 2018, the new standard mileage rate is 54.5 cents per mile for miles driven on business or for travel. The IRS recommends standard mileage rates for business based on an annual study of the fixed and variable costs of operating an automobile, including depreciation, insurance, repairs, tires, maintenance, gas and oil.

## STAFF OPERATIONS/UPDATE

The Pension Analyst conducted 5 pre-sessions and completed 11 estimates.

### **G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31, 2018**

Corbin Hammond, Accountant, submitted the Financial Report for the month ended January 31, 2018 to the Board of Trustees:

1/31/2018 Asset Value (Preliminary)	\$526,688,276
12/31/2017 Asset Value (Audited by Northern)	\$516,783,772
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$12,916,975
Percent Gain <Loss>	2.5%
<b>February 14, 2018 Asset Value</b>	<b>\$514,000,000</b>

**G-3 Investment Policy Committee Minutes – February 6, 2018**

Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on February 6, 2018:

Member(s) Present: Clark (via TX), Crawford, DiGiovanni, Hastie, Monroe  
 Member(s) Absent: Flack  
 Other Trustees Present: None  
 Staff Present: Hollabaugh, Orcutt  
 Others Present: Henry Jaung, Meketa Investment Group  
 David Diephuis, City Resident

**RAISE CASH FOR BENEFITS**

The Committee discussed the amount of cash needed to supplement the City contributions both on an annual basis and in the near term to pay benefits. After further discussion, it was decided to raise cash to supplement the City Contributions until the next quarter. The committee decided to rebalance a total of \$11 Million, raising \$5 million now from US Equities and another \$6 million in the near future. The Committee gave Mr. Jaung the discretion to determine which fund(s) to rebalance from.

It was **moved** by DiGiovanni and **seconded** by Clark to issue \$11 million dollars in two tranches; one of \$5 million by February 28, 2018 from US Equities and the other in \$6 million at Meketa’s discretion.

**Approved**

**NORTHERN TRUST DISCUSSION**

Ms. Orcutt informed the Committee of several concerns staff has been having with Northern Trust. The Committee briefly discussed the issue and decided that it would be best to communicate these concerns with Northern Trust and possibly have the new relationship manager present at the Board Retreat.

**QUARTERLY PERFORMANCE UPDATE FOR DECEMBER 31, 2017**

As of December 31, 2017, the balance of the Fund was \$516,283,746. Mr. Jaung also reviewed the PA 314 Compliance, stating that everything is currently in compliance.

The Committee discussed the current market volatility and the interest rate cycle. A discussion ensued regarding strategy and ways to reduce risk such as put options, hedging and tactical rebalancing. It was ultimately decided to have a future discussion regarding strategy and possibly reducing the equity allocation. Board Retreat topics were also discussed.

**ADJOURNMENT**

It was **moved** by Crawford and **seconded** by Clark to adjourn the meeting at 5:25 p.m.

**Meeting adjourned at 5:25 p.m.**

IPC Project Tracking Table		
Description	Originated	Status
Draft Investment Policy Statement 401A/457B		Pending
Board’s Preliminary Financial Report: Add benchmark info on reports – stock market index		Pending
Custom Benchmarks		Pending

G-4 Administrative Policy Committee Minutes – None

G-5 Audit Committee Minutes – None

G-6 Legal Report - No Report

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 February Planning Calendar

H-3 Record of Paid Invoices

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

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Allstar Alarm LLC	90.00	Fire Alarm Monitoring 2/1/2018 – 4/30/2018
2	Afternoon Delight	149.45	Board Meeting Breakfast 1/18/2018
3	DTE Energy	192.99	Gas Service 12/12/17-1/12/18
4	DTE Energy	164.20	Electric Service 12/12/17-1/12/18
5	Yeo & Yeo	1,500.00	6/30/17 Audit Final Billing
6	Loomis Sayles	28,264.00	Investment management fees: 10/1/2017 – 12/31/2017
7	AT&T	1201.59	Phone Service 12/12/17-2/12/17
	<b>TOTAL</b>	<b>31,562.23</b>	

H-4 Retirement Report

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

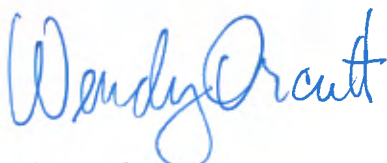
Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Mary Fales	Age & Service	March 3, 2018	General	21 years, 4 months	City Attorney

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

I. TRUSTEE COMMENTS / SUGGESTIONS – None

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by DiGiovanni to adjourn the meeting at 11:05 a.m.  
**Meeting adjourned at 11:05 a.m.**



Wendy Orcutt, Executive Director  
City of Ann Arbor Employees' Retirement System