

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
March 19, 2009**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:36 a.m.

**ROLL CALL**

Members Present: Crawford, Flack, Fraser, Kahan, Kaur (8:43-9:51), Nerdrum, Sylvester  
Members Absent: Heatley, Hescheles  
Staff Present: Kluczynski, Powell, Refalo  
Others: Michael VanOverbeke, Legal Counsel  
Michael Tracy, City Employee  
Maryellen Tracy, Wife  
Mike Rankin, City Employee  
David Diephuis, 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 Nerdrum and **seconded** by Kahan to approve the revised agenda.  
**Approved**

**B. APPROVAL OF MINUTES**

**B-1 February 19, 2009 Regular Board Meeting Minutes**

It was **moved** by Kahan and **seconded** by Flack to approve the February 19, 2009 regular Board Meeting minutes as presented.  
**Approved**

**C. CONSENT AGENDA**

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

**Preliminary Retirement Resolutions**

**C-1 Preliminary Approval for Early/Service Retirement for Thomas Kucab**

**WHEREAS**, the Board of Trustees is in receipt of an application for retirement from **Thomas Kucab (Applicant)**, dated February 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 **Thomas Kucab** 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-2 Approval of Early/Service Retirement for Karen Fletcher**

**WHEREAS**, **Karen Fletcher** (Participant) has submitted an application for an early/service retirement to the Board of Trustees requesting an effective retirement date of February 14, 2009, and

**WHEREAS**, said Participant has been credited with 23 years and 2 months of service credit (*which includes 7 years and 1 month reciprocal credit*), and

**WHEREAS**, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for an early/service retirement as established pursuant to the provisions of the Retirement System and applicable collective bargaining agreement, and

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

**WHEREAS**, the Board of Trustees has provided all necessary personal and financial data to the Board of Trustees' actuary who has completed all necessary reports relating to Participant, and

**WHEREAS**, said Participant has elected to receive an Option III, 50% Joint & Survivor with pop-up form of benefit (and nominated Anthony Fletcher, husband, as option beneficiary), and

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

**RESOLVED**, that an early/service retirement is hereby granted to **Karen Fletcher** (Participant), effective February 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 Participant and the appropriate City representatives.

**C-3 Approval of Early/Service Retirement for James A. Wilson**

**WHEREAS**, **James A. Wilson** (Participant) has submitted an application for an early/service retirement to the Board of Trustees requesting an effective retirement date of February 23, 2009, and

**WHEREAS**, said Participant has been credited with 20 years and 7.5 months of service credit, and

**WHEREAS**, the Board of Trustees has verified that the aforesaid Participant meets all those

requirements for an early/service retirement as established pursuant to the provisions of the Retirement System and applicable collective bargaining agreement, and

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

**WHEREAS**, the Board of Trustees has provided all necessary personal and financial data to the Board of Trustees' actuary who has completed all necessary reports relating to Participant, and

**WHEREAS**, said Participant has elected to receive an Option III, 50% Joint & Survivor with pop-up form of benefit (and nominated James A. Wilson, son, as option beneficiary), and

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

**RESOLVED**, that an early/service retirement is hereby granted to **James A. Wilson** (Participant), effective February 23, 2009, and further

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

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

**Resolutions:**

**C-4 Authorization For Payment of Invoices (\$ 57,526.28)**

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.

	PAYEE	AMOUNT	DESCRIPTION
1	Gray & Company	7,115.34	Investment Consultant Retainer – December 2008
2	Coverall North America, Inc.	140.00	Office Cleaning Services for March 2009
3	Comcast	75.85	Monthly Cable Fee

4	<b>Ann Arbor Business Review</b>	<b>39.00</b>	Annual subscription
5	<b>Staples</b>	<b>104.99</b>	Miscellaneous office supplies
6	<b>Sullivan, Ward, Asher &amp; Patton, PC</b>	<b>5,277.00</b>	Professional Services: 12/1/08–1/31/09
7	<b>AT&amp;T</b>	<b>92.16</b>	Monthly Toll-Free Telephone Service
8	<b>Transition Imaging</b>	<b>693.25</b>	Digital Imaging Services – Invoice #1170
9	<b>Transition Imaging</b>	<b>1,927.89</b>	Digital Imaging Services – Invoice #1174
10	<b>Transition Imaging</b>	<b>143.50</b>	Digital Imaging Services – Invoice #1175
11	<b>Gray &amp; Company</b>	<b>6,480.67</b>	Investment Consultant Retainer – February 2009
12	<b>Gabriel, Roeder, Smith &amp; Company</b>	<b>2,254.25</b>	Preparation/attendance at 2009 Board Retreat
13	<b>DTE Energy</b>	<b>184.88</b>	Monthly Electric Fees - 2/11/09–3/13/09
14	<b>DTE Energy</b>	<b>647.79</b>	Monthly Gas Fees - 12/2/08–2/11/09
15	<b>Fisher Investments</b>	<b>32,349.71</b>	Investment Mgmt. Fees–October–December 2008
	<b>TOTAL</b>	<b>57,526.28</b>	

**C-5 Authorization for Conference/Training – 2009 Spring MAPERS Conference, May 17-19, 2009 – Heatley, 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, Chris Heatley and Willie Powell have requested the Board of Trustees' authorization for their travel to Grand Rapids, Michigan, at Retirement System expense, estimated at \$1,430.00 (collectively), to attend the 2009 Spring MAPERS Conference, to participate in continuing education in their responsibilities as Board Trustee/Staff and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the travel requests of Chris Heatley and Willie Powell to travel to Grand Rapids, Michigan, at Retirement System expense, estimated at \$1,430.00 (collectively), to attend the 2009 Spring MAPERS Conference, to participate in continuing education in their responsibilities as Board Trustee/Staff, and

FURTHER RESOLVED, that Chris Heatley and Willie Powell 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. EXECUTIVE SESSION – Request for Disability Approval**

Mr. Powell stated that the purpose of the executive session is for discussion of a non-duty disability

request from Michael Tracy, City of Ann Arbor employee.

Roll call vote:

Crawford - Yes	Heatley - Absent	Kaur - Yes
Flack – Yes	Hescheles – Absent	Nerdrum - Yes
Fraser - Yes	Kahan - Yes	Sylvester - Yes

*Executive session time: 8:37 – 8:50 a.m.*

**E. ACTION ITEMS**

**E-1 Motion: Request for Disability Approval**

It was **moved** by Crawford and **seconded** by Nerdrum to acknowledge receipt of the medical reports from Dr. Robert Gordon and Dr. Alex M. Steinbock of Consulting Physicians dated March 3, 2009, and to approve the non-duty disability retirement for Michael Tracy, City of Ann Arbor employee.

**Approved**

**E-2 Appointment of Committee Members & Chairpersons**

Ms. Sylvester appointed the following Committees and Committee members for 2009:

**Investment Policy Committee**

Chris Heatley – Chair  
Jeremy Flack  
David Hescheles  
Jeff Kahan  
Nancy Sylvester

**Administrative Policy Committee**

Tom Crawford - Chair  
Atleen Kaur  
Nancy Sylvester

**Audit Committee**

Alexa Nerdrum – Chair  
Nancy Sylvester  
Tom Crawford  
Atleen Kaur

It was **moved** by Kahan and **seconded** by Crawford to approve the Committees and members as listed above.

**Approved**

**MS. KAUR REQUESTED THAT THE BOARD MOVE ITEM K, EXECUTIVE SESSION, TO THIS POINT ON THE AGENDA BECAUSE SHE MUST SOON DEPART THE MEETING FOR AN APPOINTMENT. THE BOARD AGREED.**

It was **moved** by Kaur and **seconded** by Crawford to amend the agenda to move the executive session (Item K) up to this point in the agenda.

**Approved**

**EXECUTIVE SESSION – Attorney-Client Privilege**

Roll call vote:

Crawford - Yes	Heatley - Absent	Kaur - Yes
Flack – Yes	Hescheles – Absent	Nerdrum - Yes
Fraser - Yes	Kahan - Yes	Sylvester - Yes

*Executive session time: 8:56 – 10:28 a.m.*

It was **moved** by Crawford and **seconded** by Fraser to direct the Executive Director, with assistance from Sullivan, Ward, Asher & Patton, to send a letter to the System’s insurance carrier.

**Approved**

**E-3 Certification of Delegates & Alternates for Spring MAPERS Conference, May 17-19, 2009**

It was **moved** by Fraser and **seconded** by Kahan to approve Mr. Heatley and Mr. Powell as delegates for the Spring MAPERS Conference on May 17, 2009.

**Approved**

**E-4 Abraham & Gaffney, P.C. Engagement Letter to Perform Annual Financial Audit for the Year Ending June 30, 2009**

Ms. Nerdrum stated that there have been discussions at the Board and Committee levels to initiate a separate engagement with the auditors, and Abraham & Gaffney have submitted the engagement letter and fee proposal for the Board’s approval. This will enable the auditors to communicate directly with Mr. Powell on next year’s audit process.

It was **moved** by Kahan and **seconded** by Crawford to approve the engagement letters with Abraham & Gaffney, P.C. as submitted.

**Approved**

**E-5 Deferred Retirement Form & “Understanding the Annuity Withdrawal Option” Document**

Mr. VanOverbeke briefly reviewed the revised Deferred Retirement Form along with an information document titled, “Understanding the Annuity Withdrawal Option”. This language will ultimately be placed in the Retirement System’s Employee Handbook as well. The language explains that if an employee who is terminating employment with the City decides to withdraw their accumulated contributions when they leave employment, there is a possibility that when they come to draw their retirement benefit at retirement age, they could potentially not receive any benefit. The new language includes various sample calculations and illustrations in order to better understand the implications of taking out partial or entire portions of accumulated contributions. Mr. Crawford thanked Mr. VanOverbeke and the Administrative Policy Committee for their work on this complicated project, and stated that the explanation has been made as clear as possible in the revised documents.

It was **moved** by Kahan and **seconded** by Fraser to adopt the revised Deferred Retirement Form and Annuity Withdrawal Option information as presented.

**Approved**

**E-6 Approval of Engagement Letter to Hire Ennis Knupp for Fiduciary Audit**

Ms. Nerdrum stated that this letter was presented to the Board last month and it was decided to send it back for further review by legal counsel before Board approval. Mr. VanOverbeke stated that he has communicated with Ennis Knupp, who has incorporated the provisions that he was concerned

about at the last meeting. Mr. VanOverbeke stated that there is one provision that he is waiting to hear back on regarding language suggesting that if the agreed upon deadlines are not met due to the action or inactions of Ennis Knupp, then the Retirement System shall receive a 15% reduction in the total fee for each 30-day period during which the deadlines are not met.

Ms. Sylvester stated that with all that has been going on with the economy and in the Plan, she has had some hesitation about spending money on this project, even though the System is pretty much ahead of the pack when it comes to other retirement systems, and the fact that no one else is conducting this kind of an audit. Ms. Sylvester asked for other Trustee opinions on how they feel about continuing with the project. Mr. Crawford stated that he agreed, but as rare as it is for other organizations to do this, it is also very rare that we have an organization like we have, and he does not view this as an expenditure that is thrown away, this is an investment in the System for the long-term, and he feels that the Audit Committee worked very diligently to reduce and minimize the expenditure over several meetings, so at the level at which we are performing this, he is supportive that the audit be done at this time.

It was **moved** by Crawford and **seconded** by Nerdrum to approve the engagement letter to hire Ennis Knupp to conduct the Fiduciary Audit, with the understanding that one provision is still being negotiated.

**Approved**

**F. DISCUSSION ITEMS**

**F-1 Suggestions for Potential 2009 Retiree Benefit Increases**

Ms. Sylvester stated that the April Board meeting is typically when the Board discusses the proposed retiree increase costs from Gabriel, Roeder, Smith & Company. Ms. Sylvester asked for Trustee opinions as to whether they would like to request certain scenarios from GRS for this year's discussion. Ms. Sylvester stated that she has asked Mr. Powell to provide information on what kind of increases have been provided over the last ten years and the funding level of the Plan at each point, which has been included in the packet. The Board decided not to ask for additional information from GRS this year, and will discuss their regular recommendation at the April meeting. Ms. Nerdrum asked if two additional columns could be added to the historical information, including the return on market value of assets and the percent funded based on market value. Mr. Powell stated he would update the information.

**G. REPORTS**

**G-1 Executive Report – March 19, 2009**

**VEBA TRANSFER**

At the Regular Board Meeting on February 19, 2009 it was reported that the City transferred \$4,348,065.09 into the VEBA. Tom Crawford, Board Trustee and CFO of the City, stated that the transfer was in error. Legal Counsel informed the Board that before the money could be returned to the City he would need to look into the Internal Revenue Service laws regarding withdrawals made in error to the VEBA. Below are memorandums from Legal Counsel and the CFO:

**M E M O R A N D U M**

TO: BOARD OF TRUSTEES OF THE CITY OF ANN ARBOR  
RETIREE HEALTH CARE PLAN AND TRUST  
FROM: MICHAEL J. VANOVERBEKE, VANOVERBEKE, MICHAUD & TIMMONY PC  
RE: CORRECTION OF OVERPAYMENTS  
DATE: MARCH 4, 2009

The Internal Revenue Service has yet to provide formal guidelines for the correction of errors with regard to contributions made in error to an IRC §501(c)(9) VEBA Trust. The correction procedures that the IRS has established with regard to qualified retirement plans do not apply to VEBA Trusts because they are not considered qualified plans under Section 401 of the Internal Revenue Code. In the absence of a formal correction process, practitioners generally advise correcting errors by putting all involved parties in the position they would have been if the plan were administered correctly. Additionally, it is my understanding that the City could also request these funds be transferred to the City for payment of retiree healthcare expenses which is their intended purpose. Accordingly, it is my considered opinion that since this error was timely discovered and prompt notification was provided such that the monies have not yet been invested, that the portion of the monies contributed in error, may be returned to the City.

**MEMORANDUM**

TO: Willie Powell, Employees' Retirement System  
 FROM: Tom Crawford, CFO  
 DATE: March 4, 2009  
 SUBJECT: VEBA transfer

Last month, at the request of the system, we transferred \$4,348,065.09 to the VEBA trust fund for both 2008 and 2009 monies transferred into the fund. The 2009 monies (\$2,602,856.00) were transferred in error from the Insurance Fund as an operating transfer. These monies were budgeted in the Insurance Fund as a contingency and should not have been transferred to the VEBA fund. Please transfer the money back to the City as soon as possible. If you have any questions or concerns, please contact me.

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Based on Legal Counsel advice a transfer of \$2,602,856.00 was approved on March 5, 2009 that instructed Northern Trust to return the funds to the City.

**G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended February 28, 2009**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended February 28, 2009, to the Board of Trustees:

2/28/2009 Asset Value (Preliminary)	\$282,793,062
1/31/2009 Asset Value (Audited by Northern)	\$315,736,995
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$(30,157,394)
Percent Gain <Loss>	-9.6%
<b>March 18, 2009 Asset Value</b>	<b>\$289,733,138</b>

**G-3 Investment Policy Committee Report – March 3, 2009**

Following are the Investment Policy Committee minutes from the meeting convened during the Board Retreat on March 3, 2009:

Member(s) Present: Heatley, Hescheles, Kahan, Sylvester  
 Member(s) Absent: None  
 Other Trustees Present: Crawford  
 Staff Present: Kluczynski, Powell  
 Others Present: Larry Gray, Gray & Company  
 Chris Kuhn, Gray & Company

David Diephuis, City Resident

Mr. Powell informed the Committee of the upcoming all-day Equity Manager Forum on Friday, May 29, 2009 beginning at 8:00 a.m. at the Washtenaw Intermediate School District.

**DELIVERABLES FROM GRAY & COMPANY**

**Exploration of Options** – Postponed until the April IPC meeting

**Managed Futures** – Postponed until the April IPC meeting. Mr. Gray will forward the presentation to Mr. Powell so that the Trustees can review the material before the April meeting.

**Historical Data, Net of Fees, Details of Managers/Executive Summary**

Mr. Gray and Mr. Kuhn presented an informational item on historical data, which shows the historical allocations from 2001 to 2008, the actual returns, and the benchmark returns, in order to see the manager performance for that period of time. The results show that overall, the System has done better than the benchmark over the last few years. After further reviewing the other detailed documents, Mr. Gray asked if the Committee wished to make any changes to the allocation at this time. Mr. Kahan stated that he is comfortable with the allocations as they are right now, but is open to other suggestions. Ms. Sylvester stated that she is happy to see that the ten-year numbers for the portfolio are better than if they had been indexed.

**Summary from Date of Funding**

Mr. Gray and Mr. Kuhn reviewed the Asset/Manager Allocation Table, which gives the allocations to some of the new managers and overall market values as of March 2, 2009.

**Bank of Ann Arbor – Report**

Bank of Ann Arbor does not offer the small cap product any longer, and only have a global fund at this time. Mr. Powell stated that the reason this item is on the agenda comes from information he had received from the Bank of Ann Arbor when we were looking at mortgage options for the new office, and they had mentioned some of their products at the same time. Mr. Gray stated that he understands that the Committee is open to the possibility of looking at local banks with investment funds, and stated that he could research the area for solid banks that can match up returns.

**Penn Capital Due Diligence Visit Discussion**

Ms. Sylvester stated she may be able to attend the due diligence visit on either March 31<sup>st</sup> or April 1<sup>st</sup>, and will get back with staff when she checks her schedule.

**ADJOURNMENT**

It was ***moved*** by Sylvester and ***seconded*** by Heatley to adjourn the meeting at 4:12 p.m.  
**Meeting adjourned at 4:12 p.m.**

**G-4 Administrative Policy Committee Report**

Following are the Administrative Policy Committee minutes from the meeting convened at 1:15 p.m. on March 3, 2009:

Committee Members Present:	Crawford, Kaur, Sylvester
Members Absent:	None
Other Trustees Present:	None

Staff Present:  
Others Present:

Kluczynski, Powell, Refalo  
Michael VanOverbeke, Legal Counsel

### **DEFERRED RETIREMENT COMMUNICATIONS**

Mr. VanOverbeke stated that the revised documents for review are the Deferred Retirement Form and the "Understanding the Annuity Withdrawal Option" document, which explains the service retirement allowance and different scenarios and implications of withdrawing contributions when signing up for a deferred retirement. Mr. VanOverbeke reviewed the revised language in the deferred retirement form, which resulted in various grammatical changes throughout the document. After agreeing on the language changes, the Committee decided to forward the revised form to the Board of Trustees at the March 19, 2009 regular Board meeting.

It was **moved** by Crawford and **seconded** by Kaur to accept the Deferred Retirement Form as revised, and recommend approval by the Board of Trustees at the next regular Board meeting on March 19, 2009.

**Approved**

Mr. VanOverbeke reviewed the "Understanding the Annuity Withdrawal Option" document with the Committee, and a lengthy discussion ensued regarding the various scenarios. Ultimately, the Committee agreed on minor grammatical, calculation, and format revisions and decided to request that Mr. VanOverbeke revise the document and return it for submission to the Board of Trustees for approval at the next regular Board meeting.

It was **moved** by Crawford and **seconded** by Kaur to accept the Annuity Withdrawal document as revised, and recommend approval by the Board of Trustees at the next regular Board meeting on March 19, 2009.

**Approved**

### **DIFFERENT OPTIONS AT TIME OF RETIREMENT**

Mr. VanOverbeke presented a memorandum explaining a "Period Certain Payment Option", which is explained as an alternative retirement benefit option. In such an option, a retiree is guaranteed receipt of payments for a specified number of months, but not thereafter. His monthly retirement benefit amount is actuarially reduced accordingly. The memorandum notes that the Board of Trustees does not have the power or authority to adopt new forms of benefit options, and any new form of benefit would need to be addressed in an ordinance amendment adopted by City Council or negotiated in a collective bargaining agreement between the unions and the City. "Option IV" is described as follows:

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 stated there would be a cost to the retirant for choosing this option, which would be added to one of the current options, because the retirant is "buying" the ability to choose to discontinue a person as their option beneficiary in the future if they wish to do so, resulting in the ability to pop up to the straight-life option. The election for this form of benefit would have to be made

at the time of retirement. After further discussing this issue, the Committee found that there are many actuarial questions that would need to be answered before further consideration of this option, and

decided to postpone this item until the April 7<sup>th</sup> APC meeting where the Committee will come up with a list of questions for Gabriel, Roeder, Smith & Company, who perhaps could attend the May 5<sup>th</sup> APC meeting. Suggested questions or topics for discussion with GRS could be:

- Cost of doing away with the term “insurable interest” & pros/cons of doing so
- Pop up for Other Qualified Adult
- Current employees naming a Trust instead of an individual as the beneficiary for their accumulated contributions
- Period Certain form of benefit (which would enable naming a Trust)
- Gabriel Roeder’s experiences with other plans

### **INSURABLE INTEREST POLICY DISCUSSION**

Ms. Sylvester stated that this item has been brought to the Committee for discussion of the current Insurable Interest Policy, which indicates specific categories of individuals who can be named as a beneficiary who has an “insurable interest” in someone’s life. This issue has been brought back for discussion because several months ago, a current employee wanted to name someone who did not fall within the categories outlined in the policy. Mr. VanOverbeke stated that the issue would be to do away with the term “insurable interest” in the Ordinance, which would have to be approved by City Council. When someone makes an election of a joint and survivor form of benefit, they pay for it and their benefit gets reduced based on the life expectancy of their named beneficiary; so the question is, does it make a difference to anybody, realistically, who the person names as their beneficiary? The calculation is ultimately based on their life expectancy, and not upon insurable interest, so they would be choosing to take the reduced benefit for their entire life. Mr. VanOverbeke stated he will bring additional information to the next meeting regarding the Period Certain benefit and the idea of Trusts.

### **ADJOURNMENT**

It was ***moved*** by Kaur and ***seconded*** by Crawford to adjourn the meeting at 3:05 p.m.

**Meeting adjourned at 3:05 p.m.**

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

**G-6 Legal Report – No Report**

### **H. INFORMATION**

**H-1 Communications Memorandum**

The Communications Memorandum was received and filed.

**H-2 April Planning Calendar**

The April Planning Calendar was received and filed. Mr. Powell noted that he will be out of town at the time of the Committee meetings, but that staff will be available to attend. Ms. Nerdrum stated that the AC meeting should be cancelled for April 7<sup>th</sup> since there are no pending issues at this time.

**H-3 Vendor Contacts - None**

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

The Status of Pending Projects Report was received and filed.

**I. TRUSTEE COMMENTS**

Mr. Kahan asked about the status of the Ordinance changes that were sent to the City Attorney's Office, and Mr. Powell stated that the City has indicated that they will be working on all of the submitted changes during the summer.

**J. ~~MOTION TO RECESS~~**

**K. EXECUTIVE SESSION – Attorney-Client Privilege** (*Moved to Action Items section of the agenda*)

**L. ADJOURNMENT**

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

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