

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
August 19, 2010**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:40 a.m.

**ROLL CALL**

Members Present: Clark, Crawford, Flack, Fraser, Kaur (8:47), Monroe, Nerdrum, Sylvester  
Members Absent: Hescheles  
Staff Present: Kluczynski, Powell, Refalo, Jarskey  
Others: Michael VanOverbeke, Legal Counsel  
David Diephuis, City Resident  
Lauri Siskind, City of Southfield  
Tanwei Chen, Boy Scout

**AUDIENCE COMMENTS - None**

**A. APPROVAL OF REVISED AGENDA**

Mr. Powell noted that the agenda has been revised as follows:

- F-6 Hiring Committee Minutes – August 13, 2010
- D-1 Revisions to proposed resolution

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

**Approved**

**B. APPROVAL OF MINUTES**

**B-1 July 15, 2010 Regular Board Meeting Minutes**

Mr. Monroe suggested a minor language change to the July 15<sup>th</sup> meeting minutes.

It was **moved** by Nerdrum and **seconded** by Clark to approve the July 15, 2010 Board Meeting minutes as revised.

**Approved**

**C. CONSENT AGENDA**

It was **moved** by Fraser and **seconded** by Monroe to approve the following consent agenda:

**C-1 EDRO Resolution – Nancy S. Bowerbank v. Dean A. Bowerbank**

**WHEREAS**, the Board of Trustees is in receipt of an Eligible Domestic Relations Order (“EDRO”) dated July 14, 2010, wherein Nancy S. Bowerbank, the Alternate Payee, is awarded certain rights to the benefits of Dean A. Bowerbank, the Participant, and

**WHEREAS**, the Alternate Payee is entitled to claim a portion of the Participant’s retirement benefit which is subject to the Alternate Payee filing an application for same, and

**WHEREAS**, said matter had been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law including Public Act 46 of 1991 (MCLA 38.1701) as applicable, therefore be it

**RESOLVED**, that the Board acknowledges receipt of said court order, will pay pension benefits consistent with said order subject to an application being filed by the Alternate Payee or the Participant seeking payment, and further

**RESOLVED**, that upon application of either the Alternate Payee or the Participant this file be forwarded to the Pension Board's actuary for calculation of the benefits, and further

**RESOLVED**, that a copy of this resolution be immediately attached as the top sheet of the pension file and other appropriate records be kept for the Retirement System relative to this matter, and

**RESOLVED**, that copies of this resolution be sent to Kathryn D. Gallagher, Esq., attorney for the Alternate Payee; Dean A. Bowerbank, the Participant; and the Board's actuary.

### **C-2    EDRO Resolution – Scott R. Kearney v. Carla C. Kearney**

**WHEREAS**, the Board of Trustees is in receipt of an Eligible Domestic Relations Order ("EDRO") dated July 14, 2010, wherein Carla C. Kearney, the Alternate Payee, is awarded certain rights to the benefits of Scott R. Kearney, the Participant, and

**WHEREAS**, the Alternate Payee is entitled to claim a portion of the Participant's retirement benefit which is subject to the Alternate Payee filing an application for same, and

**WHEREAS**, said matter had been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law including Public Act 46 of 1991 (MCLA 38.1701) as applicable, therefore be it

**RESOLVED**, that the Board acknowledges receipt of said court order, will pay pension benefits consistent with said order subject to an application being filed by the Alternate Payee or the Participant seeking payment, and further

**RESOLVED**, that upon application of either the Alternate Payee or the Participant this file be forwarded to the Pension Board's actuary for calculation of the benefits, and further

**RESOLVED**, that a copy of this resolution be immediately attached as the top sheet of the pension file and other appropriate records be kept for the Retirement System relative to this matter, and

**RESOLVED**, that copies of this resolution be sent to Timothy P. Flynn, Esq., attorney for the Alternate Payee; Ann M. Howard, Esq., attorney for the Participant; and the Board's actuary.

### **C-3    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:

<b>Name</b>	<b>Classification</b>	<b>Reciprocal Service Credit</b>	<b>Prior Reciprocal Retirement Unit</b>
<b>Scott Fouty</b>	<b>Police</b>	<b>3 Years, 7 Months</b>	<b>City of Ypsilanti</b>
<b>Matthew Lige</b>	<b>Police</b>	<b>3 Years, 9 Months</b>	<b>City of Ypsilanti</b>
<b>Douglas Warsinski</b>	<b>Fire</b>	<b>7 Years, 5 Months</b>	<b>Charter Township of Ypsilanti</b>

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-4 Authorization for Conference/Training – IFEBP Certificate Series/Retirement Plan Basics, October 15-16, 2010 - Refalo**

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, Judi Refalo, Pension Analyst, has requested the Board of Trustees' authorization for her travel to Providence, Rhode Island, at Retirement System expense, estimated at \$2,045.00 to attend the IFEBP Certificate Series Certificate in Retirement Plan Basics, to participate in continuing education in her responsibility as Retirement System Staff person, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Judi Refalo to travel to Providence, Rhode Island, at Retirement System expense, estimated at \$2,045.00, to attend the IFEBP Certificate Series Certificate in Retirement Plan Basics, to participate in continuing education in her responsibility as a Retirement System Staff person, and

FURTHER RESOLVED, that Judi Refalo 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 Resolution to Direct Lee Munder Capital to Purchase Exchange Traded Funds**

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

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

WHEREAS, Lee Munder Capital Group decided to close the former Independence Investments Small Cap Select Growth Strategies, and

WHEREAS, the Retirement System has \$19 million invested in the Small Cap Select Growth Strategies with Lee Munder Capital Group, and

WHEREAS, the Small Cap Select Growth Strategies has a number of illiquid securities included in the portfolio and Lee Munder Capital Group desires to sell these illiquid securities over the next couples of weeks and invest the proceeds in Exchange Traded Funds (ETF's) up to 20%, and

WHEREAS, Gray and Company supports the Lee Munder Capital proposal to sell the illiquid securities and invest the proceeds in ETF's, and

WHEREAS, the Investment Policy Committee agrees with Gray and Company's recommendation to allow Lee Munder Capital to sell the illiquid securities and invest the proceeds in ETF's, be it

RESOLVED, that the Board of Trustees authorizes Lee Munder Capital Group to sell the illiquid securities in the Small Cap Select Growth Strategies as soon as it is prudently possible and invest the proceeds in Exchange Traded Funds (ETF's) up to 20%.

It was **moved** by Flack and **seconded** by Crawford to approve the Resolution to Direct Lee Munder Capital to Purchase Exchange Traded Funds as revised.

**Approved**

**D-2 Resolution to Liquidate Lee Munder Capital and Reallocate Funds to Loomis,**

## **Sayles & Company and Rhumblin Advisers**

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

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

WHEREAS, the Lee Munder Capital Group has informed the Retirement System that they are closing the former Independence Investments Small Cap Select Growth Strategies, and

WHEREAS, the Retirement System has \$19 million invested in the Small Cap Select Growth Strategies with Lee Munder Capital Group, and

WHEREAS, Gray & Company along with the Investment Policy Committee recommend liquidating the Small Cap Select Growth Strategies with Lee Munder Capital Group after the illiquid assets are sold and Exchange Traded Funds (ETF's) are purchased by Lee Munder Capital, and that the 12% allocation set aside for small cap equity per the Investment Policy Statement be used to increase Loomis, Sayles & Company's allocation to 8% and the remaining 4% be used to purchase Rhumblin Small Cap Core Index, be it

RESOLVED, that the Board of Trustees authorizes liquidation of the Small Cap Select Growth Strategies with Lee Munder Capital Group after the illiquid assets are sold and Exchange Traded Funds (ETF's) are purchased by Lee Munder Capital, and that the 12% allocation set aside for small cap equity per the Investment Policy Statement be used to increase Loomis, Sayles & Company's allocation to 8%, and the remaining 4% be used to purchase the Rhumblin Small Cap Core Index.

It was **moved** by Flack and **seconded** by Monroe to approve the Resolution to Liquidate Lee Munder Capital and Reallocate Funds to Loomis, Sayles & Company and Rhumblin Advisers as presented.

**Approved**

### **D-3 Revised Investment Policy Statement**

Ms. Sylvester stated that the Investment Policy Committee has recommended that the language in the Investment Policy Statement in Section 3, subsection D, "Investment Managers", #6, and that "Professional staff turnover" be replaced with "Changes to the investment team responsible for the management of the City of Ann Arbor Employees' Retirement System's portfolio".

It was **moved** by Monroe and **seconded** by Flack to approve the revised Investment Policy Statement as recommended by the Investment Policy Committee.

**Approved**

## **E. DISCUSSION ITEMS**

### **E-1 Interview Dates for Executive Director Position**

Ms. Sylvester stated that the interview dates for the Executive Director position have been set for Monday, September 20 and Tuesday, September 21, 2010. The Board discussed time frames for the interviews, and ultimately decided that the interviews will take place on September 20<sup>th</sup>

beginning at 1:30 p.m. with possible follow-up interviews as well as a Special Board Meeting taking place on September 21<sup>st</sup>. The location is yet to be determined at this time.

## **E-2 APC Ordinance Amendment Proposal: Revocation of Option Elections**

Mr. Crawford stated that the APC has forwarded this Ordinance Amendment, as drafted by legal counsel, after discussion at its last meeting on August 10, 2010. Mr. Crawford clarified the drafted provision, which would allow a retiree to remove an "other qualified adult" from their pension in the event of a separation:

*APC ORDINANCE AMENDMENT PROPOSAL  
RE: REVOCATION OF OPTION ELECTIONS*

*Section 1.566(1) of the Retirement System Ordinance currently contains the following language:*

*If a retirant receiving a reduced retirement allowance under Option II or Option III is divorced from the spouse who had been named the retirant's survivor beneficiary, the election of a reduced retirement allowance form of payment shall be considered void by the retirement system if the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court provides that the election of a reduced retirement allowance form of payment under Option II or Option III is to be considered void by the retirement system and the retirant provides a certified copy of the judgment of divorce or award or order of the court, or an amended judgment of divorce or award or order of the court, to the retirement system. If the election of a reduced retirement allowance form of payment under Option II or Option III is considered void by the retirement system under this paragraph, the retirant's retirement allowance shall revert to a straight life retirement allowance. The retirement allowance shall revert to a straight life retirement allowance under this paragraph effective the first of the month after the date the retirement system receives*

*a certified copy of the judgment of divorce or award or order of the court. This paragraph does not supersede a judgment of divorce or award or order of the court in effect on the effective date of the amendatory ordinance that added this paragraph. This paragraph does not require the retirement system to distribute or pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if a judgment of divorce had not been rendered.*

*The APC has discussed this provision and would like the Board's consideration of recommending an amendment to this Section of the Retirement Ordinance to give a retiree the ability to revoke a previous election of an Option II or Option III benefit with their "other qualified adult" partner as named beneficiary in the event of the termination of the relationship. Such an amendment would provide language similar to the following:*

*If a retiree receiving a reduced retirement allowance under Option II or Option III is separated from the named beneficiary who, at the time of retirement, satisfied the City's "other qualified adult" criteria (or such other similar designation), the election of the reduced allowance form of payment shall be considered void by the retirement system if the retiree files a sworn affidavit with the Board providing that the named beneficiary no longer satisfies the "other qualified adult" criteria established by the City and requesting that the reduced retirement allowance form of payment under Option II or Option III is to be considered void by the retirement system. If the election of a reduced retirement allowance form of payment under Option II or Option III is considered void by the retirement system under this paragraph, the retirant's retirement allowance shall revert to a straight life retirement allowance. The retirement allowance shall revert to a straight life retirement allowance under this paragraph effective the first of the month after the date the retirement system receives the sworn affidavit. This paragraph does not require the retirement system to distribute or*

*pay retirement assets on behalf of a retirant in an amount that exceeds the actuarially determined amount that would otherwise become payable if the Affidavit had not been tendered.*

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Ms. Kaur asked if a step-child would qualify as a beneficiary in this situation, and Mr. VanOverbeke stated that they would not qualify as he understands the City's criteria at this point in time. Mr.

VanOverbeke reminded the Board that the City is currently updating Chapter 18 of the Ordinance, and this draft was created to find out if the Board is interested in pursuing this issue and forwarding it on to the City for inclusion in the updated language. Mr. Fraser stated that the City's use of the context "other qualified adult" is generally intended to mean those who are functioning together as a couple rather than as a parent/child relationship.

It was **moved** by Crawford and **seconded** by Flack to approve the language as presented by legal counsel and forward it to the City for inclusion in Chapter 18 of the City's Ordinance.

**Approved**

**F. REPORTS**

**F-1 Executive Report – August 19, 2010**

**REQUEST FOR PROPOSAL – INVESTMENT CONSULTANT**

The deadline for accepting Request for Proposals for Investment Consultant was July 13, 2010. By the deadline the Retirement System had received 20 Request for Proposals for Investment Consultants. The RFPs are currently being reviewed and summarized for the Trustees. It is anticipated that the summaries will be available for Trustees by the next Investment Policy Meeting in September.

**HOUSE BILLS**

Four bills have been introduced which would affect Michigan public plans. They propose that all new DB hires beginning October 1, 2010, have a cap benefit at not more than 55% of base pay. "Base pay" is stated as an hourly rate up to 40 hours a week x 52 weeks; and excludes OT, accrued sick or vacation leave, bonus pay, cost of health insurance/fringes, and one-time lump sums.

- HB 6334 adds section 36B to MERS Act;
- HB 6332 adds section 4S to the Home Rule City Act;
- HB 6333 amends section 110b of the law governing general law townships (and which applies to charter townships); and
- HB 6335 amends the Firefighters and Police Officers Retirement Act.

The package has been assigned to the Committee on Intergovernmental and Regional Affairs. While there is some transitional collective bargaining protection, FAC will be governed by conflicting CBA language 'until the agreement expires or is renegotiated.' This applies to 3 of the bills (but not the Home Rule Cities Act). The 'new hire' date of October 1, 2010 is the same in all bills; but the CBA in effect date is different in the 3 bills (September 30, 2011 [sic, "2010"] in #6333; September 30, 2010 in #6334; and in #6335, December 31, 2010.

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Ms. Nerdrum asked what criteria Mr. Powell is using for inclusion in his summary for the Investment Policy Committee. Mr. Powell responded with the various criteria items that will be included. Mr.

VanOverbeke suggested that it is good practice to request the firms' performance of approximately five other clients or samples of what they consider to be returns for the clients, and to provide information on their asset allocation, their investment performance, and the manager selection. This is a good way to measure the performance of investment consultants. The Board agreed that this information should be requested from the twenty firms who have submitted an RFP, and requested Mr. Powell to send a follow-up request for further information.

Mr. Powell discussed the second item in his report regarding four drafted House Bills which would affect public defined benefit plans in Michigan. Mr. VanOverbeke stated that in his opinion, these bills will not go any further, and MAPERS will be monitoring them quite heavily. Mr. Crawford discussed pending GASB changes relating to this issue. Mr. VanOverbeke stated that if the Board wishes to provide a comment regarding the GASB preliminary view, it should request Gabriel, Roeder, Smith & Company's draft of their comments, which is very critical of the changes, and include it on the System's letterhead. Mr. Powell was asked to follow up with GRS.

It was **moved** by Fraser and **seconded** by Crawford to authorize the Executive Director to draft a comment letter in response to the GASB proposal, and to distribute it to the Board via Email, and upon the concurrence of the majority of the Trustees, send the letter via Email.

**Approved**

**F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended July 31, 2010**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended July 31, 2010, to the Board of Trustees:

7/31/2010 Asset Value (Preliminary)	\$362,808,136
6/30/2010 Asset Value (Audited by Northern)	\$351,272,378
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$8,522,561
Percent Gain <Loss>	2.4%
<b>August 18, 2010 Asset Value</b>	<b>\$364,471,003</b>

**F-3 Investment Policy Committee Report – August 3, 2010**

Following are the Investment Policy Committee minutes from the meeting convened at 3:17 p.m. on August 3, 2010:

Member(s) Present: Flack (via conf call), Sylvester, Monroe (3:47)  
 Member(s) Absent: Hescheles  
 Other Trustees Present: None  
 Staff Present: Kluczynski, Powell  
 Others Present: Larry Gray, Gray & Company  
 Chris Kuhn, Gray & Company  
 David Diephuis, City Resident

**RETIREMENT SYSTEM QUARTERLY PERFORMANCE REPORT FOR JUNE 30, 2010**

Mr. Kuhn reviewed the quarterly performance report. The Fund's total market value as of June 30, 2010 was \$344.20 million. The Fund had a return of -5.77% for the current quarter, and a return of 13.09% for the last twelve months.

Summary of Assets as of June 30, 2010:



<b>Managers</b>	<b>Market Value</b>
Domestic Equity	\$ 161,795,000
International Equity	36,035,000
Fixed Income	95,976,000
Real Estate	17,616,000
Alternative Composite	22,715,000
Cash & Cash Equivalents	10,060,000
<b>Total Plan</b>	<b>\$344,197,000</b>

**LEE MUNDER CAPITAL GROUP**  
**Recommended Index Funds & 20% or More in Exchanged Traded Funds (ETF's)**

*Summary:* Lee Munder Capital Group recently announced their intention to close the Small Cap Growth strategy managed by Charles Glovsky (the Retirement System utilizes this strategy). The firm's management indicated that they did not believe in the team's ability to generate excess returns over the long-term. Gray & Company had recommended conducting a replacement search for this mandate, but the Board had voted against it at its July meeting and decided to place the money into an index during the transition. During the transition period, Gray & Company recommends permitting Charles and his team to continue to manage the portfolio; Lee Munder has indicated that Charles will continue to manage assets in this strategy until the end of October. Gray & Company will continue to monitor this investment manager on behalf of the City of Ann Arbor Employees' Retirement System.

Mr. Kuhn stated that Lee Munder has concerns that if the Board chooses to go through a transition manager to sell 20% of the illiquid stocks in a single day it would put a lot of downward pressure on those stocks and end up hurting everyone else in the portfolio. They would like to sell those stocks themselves and take the proceeds and put them into an ETF so that they will do it over a week or two weeks as the market permits them to get out of those names, and Gray & Company would fully support that. Mr. Kuhn stated that the Committee has a choice to allow Lee Munder to sell some of the stocks in their portfolio and put it into an ETF, basically giving us a liquid portfolio so that when we go to GTS to do the transition, they would have this portfolio of 15% ETF's and the rest would be in stocks, and then they would take that portfolio and transition it to the new manager. They would then continue to manage the other 80% through November 30<sup>th</sup> on our behalf. The Committee discussed its options, including transferring some of the funds over to the Loomis, Sayles small cap value and/or the Rhumblin small cap core account as well as the Russell 2000 Index. The Committee decided to recommend the following motion to the Board of Trustees:

It was moved by Sylvester and seconded by Flack to recommend that the Board of Trustees approve the liquidation of the Small Cap Select Growth Strategies with Lee Munder Capital Group after Lee Munder sells the liquid assets and purchases Exchange Traded Funds up to 20% and that the 12% allocation set aside for small cap equity per the Investment Policy Statement be used to increase Loomis, Sayles & Company's allocation to 8%, and the remaining 4% be used to purchase the Rhumblin Small Cap Core Index.

**Approved**

**LOOMIS, SAYLES & COMPANY REQUEST FOR CHANGE IN INVESTMENT POLICY STATEMENT**

Mr. Kuhn stated that Loomis, Sayles & Company has requested to change the language in the Investment Policy Statement from “professional staff turnover” to “material changes to the investment team responsible for the Retirement System”. Mr. VanOverbeke has provided a written opinion that such a change does not create any legal implications under PA 314. Mr. VanOverbeke also indicated that there could be a disagreement between the parties as to what constitutes a “material” change, and the language should provide that the Board be advised of any change in the investment team. Also it was his opinion that this change is more in the nature of an investment issue and should be referred to the Board’s investment consultant and the IPC. Mr. Kuhn stated that Gray & Company has no issue with Loomis’ request, and agrees that the word “material” could be taken out from the Statement, and they will provide a brief memo to the Board to recommend the change. The Committee discussed the new wording, and agreed that the language could be changed, and “Professional staff turnover” be replaced with, “Changes to the investment team responsible for the management of the City of Ann Arbor Employees’ Retirement System’s portfolio”. The change would apply to all of the managers in the System.

It was **moved** by Sylvester and **seconded** by Flack to recommend that the Board of Trustees revise the Investment Policy Statement language in Section 3, subsection D, “Investment Managers”, #6, and that “Professional staff turnover” be replaced with “Changes to the investment team responsible for the management of the City of Ann Arbor Employees’ Retirement System’s portfolio”.

**Approved**

### **ADJOURNMENT**

It was **moved** by Sylvester and **seconded** by Flack to adjourn the meeting at 5:06 p.m.

**Meeting adjourned at 5:06 p.m.**

#### **F-4 Administrative Policy Committee Report – July 13, 2010 & August 10, 2010**

Following are the Administrative Policy Committee minutes from the meeting convened at 2:42 p.m. on **July 13, 2010**:

Committee Members Present:	Crawford, Kaur, Monroe, Sylvester
Members Absent:	None
Other Trustees Present:	Clark
Staff Present:	Powell, Kluczynski
Others Present:	David Diephuis, City Resident

### **REVIEW OF DISABILITY POLICY & PROCEDURES**

The Committee continued its discussion of the Disability Policy & Procedures. Mr. Crawford and Ms. Sylvester had both submitted their revised versions of the policy for discussion. A discussion ensued regarding the newer HIPAA laws, and Ms. Kaur believed that it would be beneficial if Mr. VanOverbeke could discuss these laws with the Board so that it is clear what the System is responsible for handling. Mr. Powell stated that he would place this item on the July Board agenda, and will let Mr. VanOverbeke know to be prepared.

Mr. Crawford stated that he believes the City should be made aware when an employee applies for a disability retirement, as well as be requested to provide certain information to the Board’s medical director regarding issues such as the employee’s history of absence or work restrictions, any accommodations requested and/or made by the City, and any similar possible assignments the employee may be qualified for and/or has performed successfully and other relevant items. The Committee discussed this matter, with some members believing the disability application process should be kept confidential until after the Board has received all medical reports and approves the

disability. After further discussion, the Committee agreed to request that Human Resources provide a list of categories of things they believe would be relevant to a medical disability decision. Mr. Crawford stated that he will speak with Human Resources and obtain the list for discussion at the August APC meeting.

Due to time limitations, the Committee decided to continue the discussion at the August APC meeting.

### **FIDUCIARY AUDIT RECOMMENDATIONS AND CONSIDERATIONS**

Due to time limitations, this item was postponed until the August APC meeting.

### **ADJOURNMENT**

It was **moved** by Sylvester and **seconded** by Monroe to adjourn the meeting at 4:41 p.m.  
**Meeting adjourned at 4:41 p.m.**

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Following are the Administrative Policy Committee minutes from the meeting convened at 2.14 p.m. on **August 10, 2010**:

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

### **OTHER QUALIFIED ADULT / POP-UP**

Ms. Sylvester stated she believes that the current notion in the City Ordinance is to equate "Other Qualified Adults" with spousal marriage relationships, and when a married employee retires and subsequently after retirement get a divorce, if in the divorce decree they split certain assets, then that person may be able to remove that beneficiary and "pop up" to the straight-life option. Ms. Sylvester stated that as the current Ordinance language is written, there is no such provision for a domestic partnership. Mr. VanOverbeke stated that once a beneficiary determination is made at retirement, the decision is set as a general rule. There is an exception in the law in that when there is a divorce and the Option 2 or Option 3 (reduced pensions) are chosen, and the judgment of the divorce provides for there to be no survivorship rights, there is the pop up provision, which is a possibility, but very rarely happens. Mr. VanOverbeke explained that if a retiree named an Other Qualified Adult as their beneficiary, there is not an order of the court that would recognize them, and there would have to be an Ordinance amendment, along with criteria such as an affidavit created in the case of the relationship being dissolved, because there would be no judgment of divorce.

Mr. VanOverbeke recommended that while the City is working on rewriting Chapter 18 of the Ordinance, and if this is an issue that this Committee would like to move forward with, that some form of an Ordinance amendment be drafted that would incorporate the ability for a retiree pop up in a situation other than death, and would apply to Other Qualified Adults. Mr. VanOverbeke stated that the System could allow for the pop up of an Other Qualified Adult in the Ordinance without a divorce decree, but to make them equal to a married couple would be to put in at least an affidavit because there is no court proceeding in the event of the termination of that relationship. A provision could also be placed on the Other Qualified Adult nomination form which states that they understand that in the event the relationship ends, that the retiree would have the right to revoke

the designation at any point in time. That statement would protect the System, and that would be the only paperwork required. The Committee discussed the next step, and decided to request that Mr. VanOverbeke provide a rough draft of the Ordinance language regarding this issue for discussion at the next Board meeting on August 19<sup>th</sup>.

It was **moved** by Sylvester and **seconded** by Clark to add this discussion item on the August 19, 2010 Board meeting agenda.

**Approved**

### **HIPAA RULES & REGULATIONS FOR RETIREMENT SYSTEMS**

Mr. VanOverbeke stated that as a part of the disability procedures, there are forms that are used to obtain medical records which are then forwarded to the System's medical director. The medical records are protected under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) so the form has to be HIPAA compliant, and it is important to know that as a Retirement System, we are not subject to HIPAA because we are not a health plan or health plan provider, and not a healthcare clearing house which is what HIPAA covers. This does not mean that the System has no obligations to protect the medical records, and most people who deal with medical records are making every effort to comply with the privacy concepts governing HIPAA, which is good law. When an individual releases the privacy interest in those medical records, they are waiving, in effect, their HIPAA rights so that their medical records can be obtained.

Mr. Crawford stated that he wants to make sure that the Board is covered, and that the release form clearly states that while efforts will be made to keep medical information private, it cannot be guaranteed, because more than one person will have access to these documents. Mr. VanOverbeke stated that further language could be included indicating that the authorization is in force until the conclusion of the person's disability retirement, when they are converted to a regular retirement. After further review of the documents, it was determined that Mr. VanOverbeke will revise the proposed forms, including the Authorization for Release of Records Form and the Application for Disability Retirement Form, and provide new drafts at the next APC meeting.

### **REVIEW OF DISABILITY POLICY & PROCEDURES**

The Committee continued its discussion of the Disability Policy & Procedures. Mr. Crawford and Ms. Sylvester had both submitted their revised versions of the policy for discussion. The Committee discussed and debated the various proposed revisions to the Policy, and requested that Mr. VanOverbeke further revise the Policy to incorporate the changes discussed at this meeting. Mr. VanOverbeke stated that he will provide the new draft at the next APC meeting.

It was determined that the next APC meeting will convene on Tuesday, October 12, 2010 at 2:00 p.m., and topics for discussion will include: 1) Review of Redrafted Disability Policy & Procedures, 2) Changing or Removing Beneficiaries after Retirement, and 3) Amended Insurable Interest Policy/Change of Beneficiary Form Revisions.

### **ADJOURNMENT**

It was **moved** by Sylvester and **seconded** by Monroe to adjourn the meeting at 5:50 p.m.

**Meeting adjourned at 5:50 p.m.**

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

**F-6 Hiring Committee Minutes – August 13, 2010**

Following are the Hiring Committee minutes from the meeting convened at 2:37 p.m. on August 13, 2010:

Committee Members Present: Clark, Crawford, Monroe (2:47), Sylvester  
Members Absent: Nerdrum  
Other Trustees Present: None  
Staff Present: Kluczynski, Powell, Refalo, Jarskey  
Others Present: None

### **REVIEW OF SELECTED APPLICANTS**

The Committee reviewed the information on each of the nine candidates that were chosen to be the highest qualified, and which were presented in alphabetical order. The Committee and staff members conducted a survey rating each of the candidates.

Mr. Powell stressed to the Committee that even though Candidate G had only one Trustee vote, they should be interviewed considering their extensive experience as relayed through the telephone interview, and the Committee agreed to include that candidate. After further discussion, the Committee decided that Candidates A, C, G, H, and I should be brought in for interviews.

It was **moved** by Crawford and **seconded** by Clark to interview Candidates A, C, G, H, and I.  
**Approved**

### **DISCUSSION OF STAFF MEMORANDUM TO HIRING COMMITTEE**

Mr. Powell stated that he and staff have discussed the issue of whether the interviews would better be conducted by splitting into two groups and having the candidates interview twice versus a traditional one group interview session. Staff has submitted a memorandum to the Committee noting the various reasons they believe the interviews should be conducted in a one-group session:

- A. Each interviewer should be able to hear all questions and responses to avoid missing out on possible key points or multiple answers from the candidates. Receiving a synopsis from one group is not as comprehensive as hearing the interviewee's responses first hand.
- B. The Executive Director must be comfortable addressing the full Board plus frequent audience members and Board advisors. A single interviewing team allows the Board to evaluate the candidate's abilities to interact and communicate in a group setting. It also would eliminate the need to conduct the interviews outside of the Retirement Office.
- C. Having a single interviewing team would require only one representative from Human Resources. Sharie has been working with us from the beginning and therefore has the best understanding of our needs and requirements.
- D. Let's assume that all the selected candidates meet the required qualifications. It is important that each interviewer use their selective judgment to observe non-verbal communication (i.e. body language, mannerisms, etc.) to further evaluate the candidates throughout the entire process.

Mr. Monroe stated he believes it is a good cross-check when the interviews are conducted in separate groups; both should come to the same consensus if the person is the right person for the job. Mr. Powell disagreed, noting that the candidate may interact one way with one group and

*different with the other, which makes it a disadvantage for the opposite group of interviewers. Mr. Powell also stated that the candidates may ask technical questions about the position that only he (Mr. Powell) could answer and he may not be able to if the sessions were separate, noting that this has already happened during the telephone interviews. Mr. Crawford stated that from his experience, he prefers the two-group system. Mr. Powell reminded the Committee that all of the service vendors and legal counsel are always interviewed at once by the entire Board of Trustees. Mr. Clark agreed, and stated that he would prefer to be present for all of the questions and answers, and these candidates are highly educated professionals, so they should interview very well with larger groups of people.*

*Ms. Sylvester stated that she is torn between the two formats, and although she prefers to see how the candidates answer each and every question, she does not have a strong feeling one way or the other. Before departing the meeting at 3:33 p.m., Mr. Clark stated that he would like more time to think about this issue. After further discussion, the Committee decided to take this issue to the full Board of Trustees for discussion at the August meeting, considering that the entire Board would be interviewing the candidates. Mr. Crawford stated that the Board should also be informed of the candidates it has decided to bring in for interviews. It was agreed that after the August Board meeting, the candidates should be contacted and an interview location should be reserved if the decision is made to hold concurrent interview sessions rather than a one-group session, which could be conducted on-site. Mr. Powell stated that he, Ms. Sell, Ms. Sylvester, and Ms. Nerdrum will be setting up a meeting soon to go over the interview questions based on the Committee's selected criteria. Ms. Sylvester suggested that all of the Trustees be encouraged to send Mr. Powell any suggested questions they may have to be included in the interview sessions.*

### **ADJOURNMENT**

*The Committee decided that the next Hiring Committee meeting will tentatively be held on Thursday, September 2, 2010 at 4:00 p.m. to finalize the interview agenda and location, and to discuss background checks and possible hotel accommodations.*

*It was **moved** by Monroe and **seconded** by Crawford to adjourn the meeting at 3:55 p.m.  
**Meeting adjourned at 3:55 p.m.***

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Ms. Sylvester asked the Board's opinion regarding the interview format for the upcoming Executive Director interviews in September, and whether the Board wishes to interview in teams or as one group. The Board discussed this issue, and the majority of Trustees preferred to hold the interviews in teams. With 14 interview participants scheduled to attend, it was decided that there will be three interviewing teams (consisting of 5-5-4 per group). The Board will schedule a Special Board Meeting on Tuesday, September 21, 2010 to discuss the interviews and make its decision.

#### **F-7 Legal Report – No Report**

### **G. INFORMATION**

#### **G-1 Communications Memorandum**

The Communications Memorandum was received and filed.

#### **G-2 September Planning Calendar**

The September Planning Calendar was received and filed.

**G-3 Board Tracking Report**

The Board Tracking Report was received and filed.

**G-4 Record of Paid Invoices**

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

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	328.91	Monthly Electric Fee dated July 14, 2010
2	Comcast	82.93	Monthly Cable Fee
3	AT&T	117.35	Monthly Long-Distance Telephone Service
4	Allstar Alarm, LLC	90.00	3 Months Central Station Monitoring (August-Oct.)
5	Levi, Ray & Shoup, Inc.	75.00	T&M Hourly Support – Pension Gold
6	University Office Equipment	135.48	Quarterly Copier Maintenance Contract
7	Hasselbring-Clark Co.	434.40	Toner charges for new copier
8	Gray & Company	8,049.99	Investment Consultant Retainer – June 2010
9	City of Ann Arbor Treasurer	3.54	Municipal Code Supplement/Update
10	Staples Advantage	130.37	Misc. Office Supplies
11	Arbor Inspection Services, LLC	150.00	Sprinkler Inspection / Test
12	Bergeron Plumbers, LLC	538.00	Water drip pan installed in conf room ceiling
13	Bradford & Marzec, Inc.	38,440.91	Investment Mgmt. Fees: 4/1/10 – 6/30/10
14	Fisher Investments	39,238.59	Investment Mgmt. Fees: 4/1/10 – 6/30/10
15	Lee Munder Capital Group	42,112.45	Investment Mgmt. Fees: 4/1/10 – 6/30/10
16	Loomis, Sayles & Company	39,473.04	Investment Mgmt. Fees: 4/1/10 – 6/30/10
17	RhumbLine Advisers	3,458.84	Invest. Mgmt. Fees: 4/1/10 – 6/30/10 Rus Midcap
18	Schwartz Investment Counsel	10,670.00	Investment Mgmt. Fees: 4/1/10 – 6/30/10
19	Coverall North America, Inc.	140.00	Office Cleaning Services for August 2010
20	Comcast	75.93	Monthly Cable Fee
21	AT&T	147.75	Monthly toll-free telephone service
22	The Wall Street Journal	441.48	One-year subscription renewal
	<b>TOTAL</b>	<b>184,334.96</b>	

**G-5 Retirement Report**

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Nancy Bauer <i>(Beneficiary of Lawrence Bauer)</i>	Non-Duty Death	July 20, 2010	General	21 years, 8 months	Public Services

**G-6 Legal Opinion Regarding Nomination of Beneficiary of Douglas J. Warsinski**

The Legal Opinion Regarding Nomination of Beneficiary of Douglas J. Warsinski was received and filed.

**H. TRUSTEE COMMENTS**

Mr. Flack discussed the recent IFEBP CAPP Conference that he attended in June, stating that it

was very educational and worthwhile, and thanked the Board for allowing him to attend.

**I. ADJOURNMENT**

It was **moved** by Nerdrum and **seconded** by Fraser to adjourn the meeting at 10:15 a.m.  
**Meeting adjourned at 10:15 a.m.**

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

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