

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
April 16, 2009**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:34 a.m.

ROLL CALL

Members Present: Crawford, Flack, Fraser, Heatley, Kahan, Kaur, Sylvester
Members Absent: Hescheles, Nerdrum
Staff Present: Kluczynski, Powell, Refalo
Others: Michael VanOverbeke, Legal Counsel
Jeff Rentschler, City Retiree
Jack Ceo, City Retiree

AUDIENCE COMMENTS

Mr. Rentschler stated that he would like to defer his comments until Item F-1, 2009 Retiree Benefit Increase Discussion.

A. APPROVAL OF REVISED AGENDA

Ms. Kluczynski stated that the following item has been revised since the distribution of the agenda packet:

- C-6 Authorization for Payment of Invoices – additional invoices received
- C-7 Reciprocal Retirement Act-Service Credit Resolution – additional employees

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

Approved

B. APPROVAL OF MINUTES

B-1 March 19, 2009 Regular Board Meeting Minutes

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

Approved

C. CONSENT AGENDA

It was **moved** by Heatley and **seconded** by Fraser to approve the following Consent Agenda:

Preliminary Retirement Resolutions

C-1 Preliminary Approval for Early/Service Retirement for Kenneth Carlisle

WHEREAS, the Board of Trustees is in receipt of an application for early/service retirement from **Kenneth Carlisle (Applicant)**, dated March 23, 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 early/service retirement of **Kenneth Carlisle** 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 Service Retirement for Thomas Kucab

WHEREAS, **Thomas Kucab** (Participant) has submitted an application for a service retirement to the Board of Trustees requesting an effective retirement date of March 14, 2009, and

WHEREAS, said Participant has been credited with 13 years and 10.5 months of service credit (*which includes 4 years military service credit*), and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for a 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 II, 100% Joint & Survivor (Pop-Up) form of benefit (and nominated Claudia Kucab, wife, 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 a service retirement is hereby granted to **Thomas Kucab** (Participant), effective March 14, 2009, and further

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

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

C-3 Approval of Service Retirement for Christine Parlett

WHEREAS, **Christine Parlett** (Participant) has submitted an application for a service retirement to the Board of Trustees requesting an effective retirement date of February 21, 2009, and

WHEREAS, said Participant has been credited with 6 years and 8.5 months of service credit (*which includes 2 years and 6 months reciprocal credit*), and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for a 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 I, Cash Refund Annuity plus Pension Terminating at Death form of benefit, 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 a service retirement is hereby granted to **Christine Parlett** (Participant), effective February 21, 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-4 Approval for Non-Duty Disability Retirement for Michael Tracy

WHEREAS, **Michael Tracy** (Participant) has submitted an application for a non-duty disability retirement to the Board of Trustees requesting an effective retirement date of March 20, 2009, and

WHEREAS, said Participant has been credited with 10 years and 9 months of service credit, and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for a duty disability 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 II, 100% Joint & Survivor (Pop-Up) form of benefit (and nominated Maryellen Tracy, wife, 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 a non-duty disability retirement is hereby granted to **Michael Tracy** (Participant), effective March 20, 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-5 Approval for Early/Service Retirement for Bryan Weinert

WHEREAS, Bryan Weinert (Participant) has submitted an application for an early/service retirement to the Board of Trustees requesting an effective retirement date of March 14, 2009, and

WHEREAS, said Participant has been credited with 20 years and 1 month 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 II, 100% Joint & Survivor with pop-up form of benefit (and nominated Layale Weinert, wife, 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 **Bryan Weinert** (Participant), effective March 14, 2009, and further

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

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

Resolutions:

C-6 Authorization For Payment of Invoices (\$ 41,988.29)

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	Coverall North America, Inc.	140.00	Office Cleaning Services for April 2009
2	Comcast	75.85	Monthly Cable Fee
3	City of Ann Arbor Treasurer	11.74	Municipal Code Supplements/Updates
4	Gabriel, Roeder, Smith & Co.	7,675.00	Actuarial & consulting services 1/1/09-3/31/09
5	VanOverbeke, Michaud & Timmony	21,196.00	Legal services – 10/1/08–12/31/08
6	AT&T	124.41	Monthly Long-Distance Telephone Service
7	Dollarbill Copying	2,713.75	Printing: Employee & Retiree Newsletters
8	Chris Heatley	64.19	Travel Reimbursement – Intercontinental due dilig.
9	Jeremy Flack	162.65	Travel Reimbursement– Blackrock/MacKay due dil.
10	Tom Crawford	242.80	Travel Reimbursement– Blackrock/MacKay due dil.
11	Lora Kluczynski	291.64	Petty cash reimbursement
12	Consulting Physicians, P.C.	1,450.00	Medical Examinations for M.Tracy – 3/3/2009
13	University Office Equipment	108.99	Quarterly Copier Maintenance Contract
14	Kolosos Printing, Inc.	43.75	Deferred retirement (ncr) forms
15	Gray & Company	6,643.77	Investment Consultant Retainer – March 2009
16	Transition Imaging	271.00	Digital Imaging Services – Invoice #11
17	Transition Imaging	427.25	Digital Imaging Services – Invoice #11
18	DTE Energy	151.45	Monthly Electric Fees - 3/14/09–4/13/09
19	DTE Energy	194.05	Monthly Gas Fees - 3/14/09–4/13/09
	TOTAL	41,988.29	

C-7 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
Jill Thacher	General	7 Years, 3 Months	Livingston County
Scott Kearney	Police	1 Year, 6 Months	City of Farmington
Henry Forbes	Police	2 Years, 6 Months	Grand Rapids Public Schools
Kevin Harding	Police	1 Year, 10 Months	City of Flint
Mark St. Amour	Police	1 Year, 2 Months	Alpena County

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-8 EDRO Resolution – Jennifer N. Hubbard v. Michael A. Roberts

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order (“EDRO”) dated March 20, 2009, wherein Jennifer N. Hubbard, the Alternate Payee, is awarded certain rights to the benefits of Michael A. Roberts, 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 Jennifer N. Hubbard, the Alternate Payee; Michael A. Roberts, the Participant; Nancy Keppelman, Esq., and the Board’s actuary.

Consent agenda approved

D. EXECUTIVE SESSION – Attorney-Client Privilege

Ms. Sylvester stated that the purpose of the executive session is for an attorney-client privilege discussion.

Roll call vote:

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

Executive session time: 8:36 – 9:12 a.m.

E. ACTION ITEMS

Ms. Sylvester asked for a motion to revise the agenda to include an Executive Session after section H of the agenda and before Trustee Comments for the purpose of discussing the James Wilson retirement case.

It was **moved** by Kahan and **seconded** by Flack to amend the agenda to include an Executive Session after section H of the agenda.

Approved

E-1 Approval of Funding & Contract with Blackrock Multi-Manager Partners (Offshore) LTD

Mr. Crawford gave a verbal report on the recent due diligence trip to visit Blackrock Multi-Manager Partners, stating overall that he and Mr. Flack were very impressed with their firm, and Mr. Gray and Mr. Kuhn also attended the visit.

It was **moved** by Heatley and **seconded** by Crawford to approve the funding and contract with Blackrock Multi-Manager Partners (Offshore) LTD, subject to legal counsel’s final review.

Approved

E-2 Annual Disability Re-Examination

Mr. Powell presented a memorandum that indicated that per the Board’s policies and procedures, disability retirees who have not met voluntary retirement age may be recalled for a medical re-examination at least once each year during the first five years after their approved disability retirement, then at least once in every three-year period thereafter. The memorandum shows that Leza Scott, William Mueller, and Jeffery Harmon would qualify for a medical re-examination per the Board’s policy, but all three were seen within the last year. Based upon all three of the doctor reviews, the three individuals were all determined to be mentally or physically totally incapacitated for duty in the service of the City, and that such incapacity will probably be permanent, therefore Mr. Powell recommended that no action be taken for re-examinations at this time. The Board agreed.

It was **moved** by Crawford and **seconded** by Fraser to acknowledge review of the eligible disability retirees for re-examination, and to accept the Executive Director’s recommendation that the individuals do not undergo an examination this year.

Approved

F. DISCUSSION ITEMS

F-1 2009 Retiree Benefit Increase Discussion

Mr. Rentschler stated that the older retirees are having a very hard time with the higher prices right now, and many of the oldest retirees are collecting less than \$25,000 per year from the pension system. Mr. Rentschler commented on the early buy-out that the Police Department is considering, and noted that a 1% retiree increase should not cost the System more than \$300,000. Mr. Rentschler asked the Board to please help the retirees by granting an increase this year. Mr. Crawford stated that the Police buy-out has been discussed publicly, and wants the Board to understand that if it goes through, the funding will not draw on the sources of the System, and the City will have to kick in and pay for all of it - the buy-out will not utilize resources that could have gone for retiree raises. Mr. Crawford stated that the proposed retirement Ordinance that the Board worked on over a year ago is still at the City Attorney's Office along with several others because the City is still working on reworking the entire Ordinance, and over the summer there should be some progress made on this issue.

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

Motion passes 5-2 (Crawford, Fraser)

G. REPORTS

G-1 Executive Report – April 16, 2009

FIDUCIARY AUDIT

Legal counsel agreed to the following language with Ennis Knupp:

The parties agree that should Ennis Knupp fail to comply with Milestone No. 6, (*Milestone No.6 - No later than 20 days following receipt of the written comments. Ennis Knupp will prepare and deliver the final report to CAAERS/CAARHCBP. Schedule exit conference call, if needed*) the net compensation (fixed fee minus related expenses) provided for in Section V will be reduced by 3% for each 30-day period over and above the Milestone 6 due date. The parties further agree that Ennis Knupp's ability to adhere to the timeline set forth above is contingent upon the timely receipt of information and comments and the ability to schedule discussions at mutually agreed upon dates and times. For that reason, if Ennis Knupp is obstructed or delayed in the commencement, execution, or completion of any part of the work to be provided pursuant to this Agreement by any cause beyond the control of Ennis Knupp, the Milestone due dates will be extended for a period equivalent to the time lost by reason.

The Board Chairperson signed the agreement with Ennis Knupp on March 30, 2009.

REBALANCING

Bradford & Marzec and Schwartz Investment Counsel were directed to raise \$5 million and \$3 million respectively per the instruction of Gray and Company. Both firms were over their target allocation per the Board's approved Investment Policy Statement. The firms were instructed to have the cash available by April 1, 2009. The monies will be placed in the System's cash account.

RETIREE SIGNATURE VERIFICATION

At the Regular Meeting on December 18, 2008 the Board waived the requirement that the retirees/beneficiaries signatures had to be notarized. At that time approximately 25% (197 people) had failed to return the form. In January 2009 the Signature Forms were revised and mailed to the 197 people. The revised form did not include the notary requirement. As of March 24th forty-three forms were still outstanding. On March 25th a second letter was sent to the ones still outstanding and

since then we have received ten more. To date there are 33 outstanding. Anyone who is still outstanding by April 27th will receive a final certified copy. By Board's policy the retiree/beneficiary has fifteen days to return the form after sent by certified mail. If not, the Board may suspend or terminate the pension benefit payment.

2009 RETIREES' EDUCATIONAL LUNCHEON

The annual retirees' educational luncheon will be held Wednesday, April 29, 2009 at the Four Points Sheraton located at 3200 Boardwalk, Ann Arbor. The luncheon is scheduled from 11:30 a.m.-2:30 p.m. To date there are 78 persons who are registered to attend the luncheon.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended March 31, 2009

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended March 31, 2009, to the Board of Trustees:

3/31/2009 Asset Value (Preliminary)	\$289,910,152
2/28/2009 Asset Value (Audited by Northern)	\$282,793,062
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$(20,978,908)
Percent Gain <Loss>	-6.6%
April 15, 2009 Asset Value	\$ 300,085,744

G-3 Investment Policy Committee Report – April 7, 2009

Following are the Investment Policy Committee minutes from the meeting convened at 3:03 p.m. on April 7, 2009:

Member(s) Present: Heatley, Hescheles (via telephone), Kahan (3:20)
 Member(s) Absent: Flack, Sylvester
 Other Trustees Present: Crawford
 Staff Present: Refalo
 Others Present: Larry Gray, Gray & Company
 Matthew Horning, City Treasurer

CONFIRM CONFLATED BASIS POINTS

Mr. Gray reviewed the Asset/Manager Allocation tables, stating that the market value as of April 2, 2009 for the VEBA was at \$48,259,000, and Fisher Investments, Bradford & Marzec, and MacKay Shields were approved at the last Board meeting so the three contracts have been sent to Tom Michaud at Michael VanOverbeke's office for review. The market value for the Retirement System as of April 2, 2009 was at \$295,144,000 which was up slightly from the March report. In regards to the conflated basis points, Mr. Gray stated that Mr. Kuhn had not received the numbers from Mr. Powell before the meeting, so he called recently to get them from Ms. Jarskey, and will have this information at the next IPC meeting in May. Mr. Gray stated that Ms. Sylvester had been looking for the basis points for the total plan's cost of managers wrapped in with custody fees, actuarial fees and consultant fees, in order to get a sense of what the basis points costs were, and with that number we would attempt to drive it down over time.

MANAGED FUTURES

Mr. Gray distributed a report titled, "Why Managed Futures? Superior Risk Adjusted Returns". Mr. Gray explained that Futures are contracts that are traded for the future delivery of a commodity, such as soybeans, wheat, livestock, 5, 10 and 30 year bonds, Equities, and metals. Origins are in the agricultural

and tangible commodity markets going back hundreds of years, and in the early 1980's financial futures on bonds, stock indexes and currencies were introduced to institutions. Managed Account Reports, an industry publication, estimates that assets invested in managed futures has grown from less than \$310 million in 1980 to over \$234.1 billion at the end of 2008. Professor John E. Lintner of Harvard found that including managed futures in an investment portfolio "reduces volatility while enhancing return." Managed Futures add value because their returns are un-correlated with the returns of stocks and bonds.

Mr. Gray discussed the history of managed futures, and stated that 2008 was a test for institutional portfolios. A properly diversified portfolio of commodity trading advisors produces an un-correlated return to the market...no beta – but does produce a repeatable return that is not dependent on the direction of equity or bond markets. In conclusion, asset allocation accounts for 90% of portfolio return; managed futures enhances portfolio returns while reducing risk; a repeatable source diversified Alpha; and it is a perfect asset class for down market periods as managed futures are not correlated. Futures had positive returns in 2008. Mr. Kahan and Mr. Crawford stated that they would like Mr. Gray to further explore this investment, and Mr. Gray stated that he would bring in more information to review with the Committee. The Committee briefly discussed Timber as an asset allocation, which had previously been approved but put on hold. Mr. Kahan stated that he has been impressed with timber as a long-term play in terms of its long-term performance as well as the fact that it is not directly correlated with the volatility in the markets. Mr. Gray stated that he could bring in some firms for further education on managed futures at the May IPC meeting, and the Committee agreed. Mr. Kahan stated that high yield was intended to be a relatively short term investment, so that approximately 2.5% could be available in the future.

CONFIRMATION LETTER TO FUND BLACKROCK AS HEDGE FUND MANAGER

Mr. Gray presented a letter dated April 2, 2009 regarding Blackrock Hedge Fund of Funds as composed by Chris Kuhn. The letter indicates that Gray & Company has thoroughly reviewed Blackrock and the terms of the Blackrock Multi Manager Partners (Offshore), Ltd. (hedge fund of funds). The market conditions (hedge fund redemptions and closures) that led to the recommendation to delay the funding of this strategy last year have been resolved. Upon the approval of contracts by the System's attorney, Gray & Company recommends funding Blackrock Multi Manger Partners (Offshore) Ltd. in the second quarter of 2009. This letter will be included on the April 16th Board meeting agenda along with the request to approve the contract to hire Blackrock as the new hedge fund manager.

GRAY & COMPANY REPORT REGARDING HIGH YIELD MANAGERS' FUNDING PROCESS

Mr. Gray reviewed his report on Proposed High Yield Funding, which highlights MacKay Shields and Penn Capital Management, the reasons for the recommendation, and what they expect from that particular area. The target allocation is approximately 2.5%, or about \$7.5 million, and that it would be partially funded now and part later as previously discussed with the Committee. Bulk rates are expected to go up this year, meaning that managers would like to wade into this area rather than jumping in with both feet. Specifically, Gray's recommendation is to invest \$5 million (approximately 1.7% of the System's assets) in the strategy in the near future; the target date is May 1, 2009, and a second funding would occur in 4 to 6 months to increase the allocation to approximately 2.5% of the System's assets.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Kahan to adjourn the meeting at 3:58 p.m.
Meeting adjourned at 3:58 p.m.

G-4 Administrative Policy Committee Report – No Report

G-5 Audit Committee Report – No Report

G-6 Legal Report

Mr. VanOverbeke discussed a matter that recently came up regarding a Writ of Garnishment received for one of the City’s retirees, and noted that Section 3 of the Public Employee Retirement Benefit Protection Act (MCL 38.1683, State Law) protects the retirement benefit of a public employee retirement system retiree from garnishment. Mr. VanOverbeke stated that his office has sent a response to their attorney advising of the retirement law.

H. INFORMATION

H-1 Communications Memorandum

The Communications Memorandum was received and filed.

H-2 May Planning Calendar

The May Planning Calendar was received and filed with changes to the APC meeting date, which will be rescheduled to April 28th at 12:00 p.m., and the IPC meeting will begin at 1:00 p.m. on May 5th.

H-3 Vendor Contacts

The Vendor Contacts information was received and filed.

H-4 Status of Pending Projects Report

The Status of Pending Projects Report was received and filed.

H-5 Fiduciary Liability Policy No. 8119-8549

The information regarding Fiduciary Liability Policy No. 8119-8549 was received and filed.

EXECUTIVE SESSION – James Wilson Retirement Case

Ms. Sylvester stated that the purpose of the executive session is to discuss James Wilson’s retirement case.

Roll call vote:

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

[Subsequent to the closed session, the Board in consultation with its legal counsel, determined that although the purpose of the closed session is to discuss a personnel matter with regards to the Retirement Office’s handling of James Wilson’s retirement case, the request for the closed session was not requested by the Retirement Executive Director as required by Section 8(a) of the Open Meetings Act (MCL15.268(a)). Accordingly, the minutes of the closed session are included herein.]

**Executive Session - 4/16/09
RE: James Wilson Retirement Case
10:04 – 10:52 a.m.**

Trustees Present: Crawford, Flack, Fraser, Heatley, Kahan, Kaur, Sylvester
Staff Present: Kluczynski, Powell
Others Present: Michael VanOverbeke

Mr. Powell explained that Mr. Wilson recently retired under the System and was a member of the AFSCME Union, whereby there is still a grievance issue with the City. The City has indicated that unless Mr. Wilson drops the grievance, he will not be able to receive retiree healthcare.

Mr. Fraser stated that there was a break in service between the time that Mr. Wilson terminated service with the City and the time that he applied for retirement, and that he should not have been qualified for a regular retirement. Mr. VanOverbeke stated that this is a possible labor issue, which is separate. Mr. VanOverbeke further stated that he would like to look more closely at the entire Ordinance. From a brief look at the Ordinance, it appears that healthcare coverage is a City issue; but that he would like to review the complete Ordinance before giving his opinion if the Board wanted to delay consideration of this issue. Mr. Fraser and Mr. Crawford stated that it was not necessary. Mr. VanOverbeke stated that the Retirement System only administers the funding of the VEBA and not the administration.

In discussing Mr. Wilson's case, Mr. Fraser stated that there is a recurring problem with the Retirement Office notifying the City of upcoming retirements, and providing counseling to retiree applicants with regards to retiree healthcare benefits.

Mr. Fraser stated that irrespective that it was determined by the Retirement Office that Mr. Wilson was eligible for retirement with a break in service, the City has determined that he is not eligible for retiree healthcare benefits. Mr. Wilson is a terminated employee, not a retiree.

Mr. Powell stated that the retirement staff does not advise employees on healthcare issues, and refers employees to Human Resources for enrollment. Mr. Powell stated that Mr. Wilson was terminated on January 22nd, and came in to the office on January 23rd, and because of the 30-day rule, his retirement was not effective until February 23rd.

Mr. Powell stated that in the future, if he has to notify legal counsel with a question on an individual, he will not place the issue on the consent agenda in order to notify the Board of a potential problem. It was also made clear that it is not the roll of the Retirement Staff to advise employees on their eligibility for retiree healthcare, and that they should be advised to contact the Human Resources department in that regard. Ms. Kluczynski advised the Board that there is language within the retirement paperwork that notifies employees to contact the Employee Benefits Manager in Human Resources on signing up for healthcare benefits. The Board decided that there was no further action to be taken since this is a labor/City issue.

Mr. VanOverbeke again stated that he would like to review the entire Ordinance regarding the question of who decides eligibility for healthcare benefits.

It was **moved** by Fraser and **seconded** by Heatley to adjourn the Session at 10:52 a.m.

Executive session time: 10:04 –10:52 a.m.

I. TRUSTEE COMMENTS

Mr. Flack stated that the Firefighter's Union is interested in receiving information on the DROP Program (*Deferred Retirement Option*), and asked if the Board would allow Mr. VanOverbeke to conduct an educational session for them in the near future. Mr. VanOverbeke stated that he has conducted such educational sessions in the past, and would need the Board's approval to do so, and added that the Union would be paying for his time, and not the Retirement System. The Board agreed to allow Mr. VanOverbeke to work with the Fire Department in conducting an education session.

Mr. Flack asked about the status of the proposed buy-out program in the Police Department and if the Retirement Board would be getting any information on what is going on. Mr. Fraser stated that at some point the City will need to amend its Ordinance with respect to this particular offering, and they have presumed and have studied the actuarial costs of offering a 2-year additional benefit to these employees and the City has determined what that cost is and is committed to pay the entire cost of the additional two years. The rest of the costs would be with normal pension funds, so there is no impact to the Board as a consequence of what is being proposed. The employees involved would have to be within two years of early or normal retirement and if they want to exercise that option, it would have to be exercised by the end of June 2009. Mr. Crawford added that they would also have the option to purchase at their own cost, for benefit purposes only, an additional year.

J. ADJOURNMENT

It was **moved** by Heatley and **seconded** by Fraser to adjourn the meeting at 10:57 a.m.
Meeting adjourned at 10:57 a.m.

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