

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
August 18, 2016**

The meeting was called to order by Jeremy Flack, Chairperson, at 8:39 a.m.

ROLL CALL

Members Present: Clark, Crawford, DiGiovanni, Flack, Hastie, Lynch, Monroe, Nerdrum
Members Absent: Heusel
Staff Present: Gustafson, Jarskey, Kluczynski, Walker
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 July 21, 2016 Regular Board Meeting

It was **moved** by Nerdrum and **seconded** by Hastie to approve the July 21, 2016 Regular Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA

C-1 Reciprocal Retirement Act – Service Credit

WHEREAS, the Board of Trustees is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees acknowledges that, effective July 14, 1969, the City of Ann Arbor adopted the Reciprocal Retirement Act, Public Act 88 of 1961, as amended, to provide for the preservation and continuity of retirement system service credit for public employees who transfer their employment between units of government, and

WHEREAS, the Board acknowledges that a member may use service credit with another governmental unit to meet the eligibility service requirements of the Retirement System, upon satisfaction of the conditions set forth in the Reciprocal Retirement Act, and

WHEREAS, the Board is in receipt of requests to have service credit acquired in other governmental unit retirement systems recognized for purposes of receiving benefits from the Retirement System, therefore be it

RESOLVED, that the Board of Trustees hereby certifies that the following member(s) of the Retirement System have submitted the requisite documentation for the recognition of reciprocal retirement credit:

Name	Classification	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
David Dykman	General	14 years, 6 months	Washtenaw County Road Commission (MERS)

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.

It was **moved** by Crawford and **seconded** by Monroe to approve the Consent Agenda as submitted.

Approved

D. ACTION ITEMS

D-1 Executive Director Job Description

Mr. Crawford advised the Board that the City is contemplating the implementation of a new hybrid plan for new hires effective January 1, 2017, and a lengthy discussion ensued regarding Trustee and Staff concerns and potential responsibilities. The Board recommended that at least two staff members attend any committee meetings held by the City with respect to implementation efforts. The Board also discussed fiduciary processes to be considered if the Board is tasked with reviewing investment options for participants under the new defined contribution portion of the Plan. A number of Board members and staff expressed concerns regarding the short time remaining for implementation if the deadline is truly January 1, 2017. Many more details and policies will need to be flushed out as the Plan design moves forward. Discussion highlighted the fact that the new Director is recommended to have experience with defined contribution administration.

Mr. VanOverbeke stated that he has minor language and grammatical changes for the job description and the Board decided to approve the document subject to those changes. As far as posting the position, it was decided that the Committee would engage an outside executive recruiter as well as placing the job posting on the City's website, and H.R. will be asked to forward all applications and resumes to the Retirement Office. The Board also authorized staff to place the posting to various retirement-related sites and publications. After discussion of the annual salary range, it was decided that the range would be \$90,000-\$130,000, as well as utilizing the current benefit package as Ms. Walker's.

It was **moved** by Hastie and **seconded** by Nerdrum to authorize the posting of the Executive Director job description subject to minor revisions by legal counsel, authorize the APC to engage the services of one and/or more executive recruiters, authorize the publication and posting of the position to various retirement system-related websites and/or publications at the discretion of the APC, and agree that the annual salary range for this position shall be set as \$90,000-\$130,000 and will include the current benefit package.

Approved

D-2 Executive Director Temporary Services Contract

Ms. Walker advised the Board that her attorney has asked her to hold off on signing this contract until he receives further clarification on certain items from the City Attorney. The Board agreed that no action should be taken at this time, noting the importance of executing the document before August 31st. Mr. VanOverbeke stated that he would get in touch with the City Attorney as well. The Board agreed to hold a special meeting if needed when the contract is ready to be reviewed and executed.

D-3 Resolution to Invest in DRA Fund IX

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, Meketa as the Retirement System's investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have discussed an additional allocation to value added real estate, and

WHEREAS, a current real estate manager, DRA, presented their investment strategies for Fund DRA Growth and Income Fund IX, LLC, to the IPC on August 2, 2016, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with DRA Fund IX, so be it

RESOLVED, that the Board of Trustees approve the investment In DRA Fund IX with a commitment in the amount of \$8.5 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Monroe and **seconded** by DiGiovanni to approve the Resolution to Invest in DRA Fund IX.

Approved

D-4 Resolution to Invest in Silicon Valley Bank Strategic Investors Fund VIII

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, Meketa as the Retirement System's investment consultant, the Investment Policy Committee, and the Board of Trustees have discussed an allocation to venture capital, and

WHEREAS, Silicon Valley Bank (SVB) presented their investment strategies for Strategic Investors Fund VIII, to the IPC on August 2, 2016, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with SVB Strategic Investors Fund VIII, as it provides highly concentrated exposure to hard-to-access venture funds, so be it

RESOLVED, that the Board of Trustees approves the investment In Silicon Valley Bank Strategic Investors Fund VIII, with a commitment in the amount of \$9 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Monroe and **seconded** by DiGiovanni to approve the Resolution to Invest in Silicon Valley Bank Strategic Investors Fund VIII.

Approved

E. DISCUSSION ITEMS

E-1 Correspondence from Human Resources Regarding ICMA Duties

Ms. Walker reviewed correspondence from the H.R. Director which included an outline of the responsibilities related to the ICMA 457 plan. Ms. Walker wanted the Board to be aware of the workload involved if and when the new plan is implemented.

F. REPORTS

F-1 Executive Report – August 18, 2016

CONSTITUTION CAPITAL PARTNERS

Ironsides Partnership Fund III, L.P. called capital in a total amount of \$8,940,038 for expenses and investment cost for Fund Level Activity for August 2, 2016. Our share of this call was **\$393,318.77** for the Retirement System.

DRA RETURN OF CAPITAL

DRA will be making a return of capital consisting of cash from operations (dividend less management fees) on August 15, 2016 in the amount of **\$56,947** for the VEBA and **\$193,619** for the Retirement System. The return of capital is recallable and upon the distribution your remaining commitment to the Fund will be \$389,749 for the VEBA and \$1,325,141 for the Retirement System.

CITY CONTRIBUTION TO VEBA

The City transferred **\$2,906,024** to the VEBA Trust representing the remaining ARC (Annual Required Contribution) plus the extra contribution that the City sends annually per policy to provide funding in excess of the ARC as tax revenues permit. Most of the ARC is accounted for when the total paid claims for the retiree health care benefits are paid by the City. Per the City, it is anticipated that in 3-5 years some of the cash required for retiree health care claims will be sourced from the VEBA.

STAFF

Retirement estimate requests are starting to pick up as of the beginning of August.

The City HR staff (Sharie Sell is the H.R. liaison) is assisting with the posting of the Accountant II hire. Staff reviewed the generic job description for this position and added duties which reflect the specialized knowledge and skills for the Retirement System. The job is expected to be posted sometime the week of August 15th. The City compensation staff will be reviewing the salary range for the job and advising the System. The City will coordinate with the System, Trustees, and Staff who wish to be involved in the launch of this hire process.

The final financial reports from Northern Trust were posted 8-10-2016 for the 6-30-2016 closing. Staff waited for the AEW Core Property Trust final numbers for 6-30-2016, since the value of that investment, in excess of \$23 million for the Retirement System, was deemed material to the closing information. Staff is working on the financial statement and reporting process. All deadlines from the City for financial reports have been met at this time.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended July 31, 2016

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended July 31, 2016 to the Board of Trustees:

7/31/2016 Asset Value (Preliminary)	\$469,659,958
6/30/2016 Asset Value (Audited by Northern)	\$459,493,886
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$26,238,961
Percent Gain <Loss>	5.8%
August 17, 2016 Asset Value	\$472,392,743

F-3 Investment Policy Committee Minutes – August 2, 2016

Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on August 2, 2016:

Member(s) Present: Clark, DiGiovanni, Flack (via tx), Monroe
 Member(s) Absent: Hastie
 Other Trustees Present: None
 Staff Present: Gustafson, Kluczynski, Walker
 Others Present: Alli Wallace, Meketa Investment Group
 Valentina Geba, Meketa Investment Group

36 SOUTH – NEW STRUCTURE

Brian Dana from Meketa Investment Group called in to discuss new structuring at 36 South, as discussed in detail in a memorandum from Meketa included in the meeting packet. Meketa has indicated that the structuring/conversion will have no impact on the investment team, investment philosophy, or investment risks taken on behalf of their clients by 36 South. After further discussion, the Committee decided to make the following motion:

It was **moved** by Monroe and **seconded** by Clark to approve the structure change and execution of the 36 South Advisors Investment Vehicle Form of Proxy subject to legal review, noting the August 18, 2016 deadline.

Approved

DRA FUND IX PRESENTATION

Adam Breen, CFA, Managing Director

Mr. Breen of DRA Advisors, LLC, made a presentation regarding "Fund IX", which Meketa recommends that the Committee consider investing in for both the Retirement System and the VEBA. Mr. Breen provided an overview of the firm and recent investment performance of the various Growth & Income Funds.

After Mr. Breen's departure, the Committee further discussed the Fund, and decided to recommend to the Board of Trustees to move forward with the investments, and per Meketa's suggestion, will recommend that the Board approve investing \$8.5 million from the Retirement System, and \$2.5 million from the Retiree Health Care Benefit Plan & Trust (VEBA) for Fund IX.

The recommendation will be placed on the August 18th regular Board agenda.

It was **moved** by Monroe and **seconded** by DiGiovanni to recommend that the Board of Trustees approve investing \$8.5 million from the Retirement System, and \$2.5 million from the Retiree Health Care Benefit Plan & Trust (VEBA) for Fund IX pending legal review.

Approved

SILICON VALLEY VC FUND PRESENTATION

Katie Riester, Director & Sulu Mamdani, Managing Partner

Ms. Riester and Mr. Mamdani were present to discuss Silicon Valley Bank (SVB Capital)'s Venture Capital Fund of Funds strategy, which includes a technology-focused portfolio, which Meketa recommends that the Committee consider investing in for both the Retirement System and the VEBA.

Strategic Investors Fund VIII provides highly concentrated exposure to hard-to-access venture funds. The Fund will make commitments to about 16 funds over a two to three year investment period in SVB Capital's highest conviction managers. SVB Capital expects to commit to 10 to 12 core managers, which should make up 85% to 90% of the portfolio, while the remaining 10% to 15% are allocated to "break out managers." In terms of geography, Fund VIII expects to be U.S. focused with up to 20% invested outside the U.S. The Fund will also target 60-65% in early stage and 35-40% in late stage venture investments. Technology will make up 90% of the portfolio, with life sciences and "other" making up the rest of the Fund. Strategic Investors Fund VIII may also invest up to 20% of its capital in secondary transactions of venture capital funds.

After Ms. Riester and Mr. Mamdani's departure, the Committee further discussed the Fund, and decided to recommend to the Board of Trustees to move forward with the investments, and per Meketa's suggestion, will recommend that the Board approve investing \$9 million from the Retirement System, and \$2 million from the Retiree Health Care Benefit Plan & Trust (VEBA) to the Strategic Investors Fund VIII. The recommendation will be placed on the August 18th regular Board agenda.

*It was **moved** by DiGiovanni and **seconded** by Clark to recommend that the Board of Trustees approve investing \$9 million from the Retirement System, and \$2 million from the Retiree Health Care Benefit Plan & Trust (VEBA) to Strategic Investors Fund VIII, pending legal review.*

Approved

FISCAL YEAR TO DATE PERFORMANCE REVIEW

Ms. Geba presented the Investment Performance Review for the quarter ended June 30, 2016. As of June 30, 2016, the Fund was at \$459.6 million, which is a \$4.5 million increase from the end of the first quarter. All investments are currently in compliance with PA 314.

CONSTITUTION CAPITAL – IRONSIDES IV UPDATE CORRESPONDENCE

Received and filed.

36 SOUTH – COMMENTARY ON CURRENT MARKET CONDITIONS CORRESPONDENCE

Received and filed.

ADJOURNMENT

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

Meeting adjourned at 5:50 p.m.

F-4 Administrative Policy Committee Minutes – August 9, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 3:09 p.m. on August 9, 2016:

Committee Members Present: Crawford, Heusel (via tx), Lynch, Monroe
Members Absent: None
Other Trustees Present: None
Staff Present: Gustafson, Kluczynski, Walker
Others Present: David Diephuis, City Resident

HIRING PROCESS FOR EXECUTIVE DIRECTOR

The Committee reviewed the drafted job description for the Executive Director position and discussed the search process going forward. Ms. Walker stated that the Committee has received notice that the Human Resources Department will not be able to assist in the search due to other projects, and the Committee decided to pursue further information from outside recruitment firms to assist. Ms. Lynch stated that she has left messages with two firms and will report back at the next meeting. Mr. Crawford stated that he will also speak with H.R. to see if the position could also be posted on the City's website in the meantime, as well as obtaining a healthcare options document for review at the next meeting.

The Committee reviewed the drafted Individual Personal Services Contract for Ms. Walker as submitted by legal counsel, and a discussion ensued regarding the hours Ms. Walker would be able to work after August 31st. It was decided to revise the language to read 16-24 hours per week, not to exceed 24 unless agreed to by both parties. With no other changes, the Board decided to present both the updated job description and Services Contract to the Board of Trustees at the August 18th Board meeting for approval.

HIRING PROCESS FOR ACCOUNTANT II POSITION

Ms. Walker informed the Committee that the Accountant II job description has been updated and sent to H.R., and it is anticipated that it will be posted sometime in the next week. H.R. has indicated that they would be able to assist in the hiring process for this position. The Committee decided to post it as a part-time/full-time position at this time (75-100%), with the hopes that the position could be filled by November 1st. As far as the salary, Ms. Walker stated that H.R. uses a specific range for this position, which could be discussed at the next meeting. The Committee discussed holding the next meeting at the end of August, and decided to set a date during the August 18th Board meeting.

FIDUCIARY AUDIT RECOMMENDATIONS & CONSIDERATIONS

It was decided to place this item back on the Tabled/Pending Items listing until the hiring process is completed.

ADJOURNMENT

*It was **moved** by Crawford and **seconded** by Lynch to adjourn the meeting at 4:29 p.m.*

Meeting adjourned at 4:29 p.m.

F-5 Audit Committee Minutes – No Report

F-6 Legal Report – No Report

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 September Planning Calendar

G-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	13.88	Monthly Gas Fee dated July 14, 2016
2	DTE Energy	257.19	Monthly Electric Fee dated July 14, 2016
3	AT&T	485.27	Monthly telephone service
4	Buck Consultants	1,583.33	Monthly hosting fees for June 2016
5	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – August-October 2016
6	Hasselbring-Clark Co.	50.82	Monthly copier cost per copy – June 2016
7	Robertson Morrison, Inc.	220.00	Annual maint.fee for qtrly inspections - 3/2016-3/2017
8	B Green and Clean	245.00	Final invoicing - Feb-April 2016
9	Med Source Services/Cons. Physicians	950.00	Independent exam & report – A. Fischer 7/6/2016
10	Med Source Services/Cons. Physicians	1,500.00	Independent exam & report – R. Robinson 6/16/2016
11	Loomis, Sayles & Company	46,173.50	Investment management fees: 4/1/2016 – 6/30/2016
12	VanOverbeke, Michaud & Timmony P.C.	10,678.00	Legal Services – 1/1/2016 – 3/31/2016
13	Fisher Investments	57,671.52	Investment management fees: 1/1/2016 – 3/31/2016
14	Fisher Investments	56,199.23	investment management fees: 4/1/2016 – 6/30/2016
15	Government Finance Officers Assoc.	160.00	Membership renewal for 7/1/2016-6/30/2017
16	Culligan of Ann Arbor/Detroit	7.00	Water service – August 2016
17	City of Ann Arbor Treasurer	246.12	ITSU Service Charge (K. Spade) for July 2016
18	Meketa Investment Group	10,000.00	Investment Consultant Retainer - July 2016
19	Arbor Inspection Services, LLC	250.00	Annual fire sprinkler inspection 7/20/2016
20	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for July 2016
21	Aventric Technologies	119.80	AED Kit for office
22	Fire Equipment Company, Inc.	60.00	Annual fire extinguisher inspection/updates
23	Comcast	89.58	Monthly Cable Fee
24	Bergeron Backflow Services, Inc.	189.00	Ann. Fire protection backflow preventer
	TOTAL	187,414.24	

G-4 Retirement Report

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

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Nancy Walker	Age & Service	August 31, 2016	General	5 years, 8 months	Employees' Retirement System
Howard Scheps	Age & Service	September 7, 2016	General	10 years, 6 months	City Administration Clerk's Office

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

G-4 Legal Confirmation Regarding 36 South

H. TRUSTEE COMMENTS / SUGGESTIONS

Mr. Clark informed the Board that the upper management in his department continues to view his participation at meetings and conferences to be unrelated to City time, and is continually being deprived of overtime by being placed farther down "the list" after he has been contacted to work during a meeting or training conference. Mr. Clark stated that this has been going on for years, and he's looking for the Board's guidance as to how to move forward, and that he's losing money by being lowered on the O.T. listing.

Mr. VanOverbeke read the Ordinance language that states that a Trustee of the Board shall suffer no loss in compensation on account of their services as a Trustee, and reminded the Board that one or more letters have been sent to this Department Head, H.R., and Supervisor informing them of Mr. Clark's role on the Board as an employee-elected member. The Board agreed that perhaps a grievance should be filed and perhaps his attorney should get involved, and Mr. Clark agreed that he will proceed by filing a grievance and keep the Board advised.

I. ADJOURNMENT

It was **moved** by Hastie and **seconded** by DiGiovanni to adjourn the meeting at 10:40 a.m.
Meeting adjourned at 10:40 a.m.



**Nancy R. Walker, Executive Director
City of Ann Arbor Employees' Retirement System**