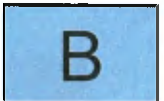


**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
February 20, 2020**



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

**ROLL CALL**

Members Present: Crawford, DiGiovanni(10:50 a.m. depart), Flack, Hastie, Lynch, Monroe, Nerdrum (8:50 a.m. arrival), Peariso  
Members Absent: Schreier  
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Kevin Monds, ICMA-RC(Via TX 9:46a.m. – 10:20 a.m.)  
Michael Whitehead, City Employee(9:19 a.m. depart)  
Dave Diephuis, City Resident

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

It was **moved** by Monroe and **seconded** by Peariso to approve the agenda as submitted.  
**Approved**

**B. APPROVAL OF MINUTES**

**B-1 January 20, 2020 Regular Board Meeting**

It was **moved** by Monroe and **seconded** by Lynch to approve the January 20, 2020 Regular Board Meeting minutes.  
**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
Shanon Henson	General	14 Years, 10 Months	Oakland County
Peter Bell	Police	5 Years, 4 Months	Michigan State Police
Marc Howell	General	13 Years, 10 Months	City of Ferndale
Glen Dempsey	General	2 Years 3 Years, 10 Months <u>14 Years, 1 Month</u> 19 Years, 11 Months	Leelanau County City of East Lansing Washington Township

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 Monroe and **seconded** by DiGiovanni to approve the consent agenda as submitted.

**Approved**

**D. EXECUTIVE SESSION – Disability Examination/Re-Examination Review**

It was **moved** by Crawford and **seconded** by DiGiovanni to convene an Executive Session for the purpose of discussing the medical reports for Lynn Hart and Michael Whitehead.

**Approved**

*Roll call vote:*

Crawford – Yes	Hastie – Yes	Nerdrum – Yes
DiGiovanni – Yes	Lynch – Yes	Peariso – Yes
Flack - Yes	Monroe - Yes	Schreier - Absent

*Executive session time: 8:43 a.m – 9:18 a.m*

**E. ACTION ITEMS**

**E-1 Motions Regarding Disability Examination/Re-Examination Review**

It was **moved** by DiGiovanni and **seconded** by Peariso that the Board acknowledges receipt of the medical report dated January 21, 2020 from Stanley J. Szczecienski, D.O., with regards to the independent medical evaluation of Michael Whitehead, noting that the Board has reviewed the medical report and discussed with the applicant in closed session; requesting that the Executive Director contact Consulting Physicians, the Board’s medical director and arrange for a re-examination by a pulmonist or such other specialist as determined appropriate.

**Approved**

Staff is still awaiting Ms. Hart's medical report from the Medical Consultant. The report will be reviewed at the next meeting.

**E-2 Election of Board Officers (Chairperson, Vice-Chairperson, Secretary)**

It was **moved** by Hastie and **seconded** by Crawford to retain the existing Board Officers for the 2020 term:

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

**Approved**

**E-3 Appointment of Board Committee Members – IPC, APC & AC**

It was **moved** by Peariso and **seconded** by DiGiovanni to appoint the Committees as follows:

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

**Approved**

**E-4 Proposed FY 2020-2021 Expenditure Budget**

Ms. Orcutt presented and reviewed the proposed expenditure budget for Fiscal Year 2020-2021.

It was **moved** by Monroe and **seconded** by Lynch to approve the 2020-21 Expenditure Budget as presented.

**Approved**

**E-5 Approval of Revised Committee Charters**

Mr. VanOverbeke informed the Board that the Committee Charters were revised to include the language and duties for the 401 and 457 Plans. Ms. Nerdrum stated that in the past, the Auditors would contact the Audit Committee Chair during the audit and would like them to continue doing so. Ms. Orcutt will follow up to ensure the auditors contact the Audit Committee Chair during the annual audit.

It was **moved** by Crawford and **seconded** by Nerdrum to acknowledge receipt of the revised Committee Charters and approve as submitted.

**Approved**

**F. DISCUSSION ITEMS**

**F-1 ICMA-RC Investment Review**

Kevin Monds, ICMA-RC Portfolio Manager called in to discuss the Plan Investment Report highlighting the ICMA-RC Investment Team & Philosophy, a brief funds review and performance as of December 31, 2019.

## **F-2 Board Retreat Agenda/Topics**

Ms. Orcutt informed the Board of the quote from GRS to provide projections and modeling data for the Board Retreat. Ms. Nerdrum requested that Ms. Orcutt follow up with GRS to clarify what the fee includes and to also provide sample deliverables.

Ms. Orcutt updated the Board stating that an Agenda will be finalized next month. The Board further discussed agenda topics including GRS to provide benchmarking vs. peers and Meketa to provide a “big picture” overview and possibly have a strategist present.

## **G. REPORTS**

### **G-1 Executive Report – February 20, 2020**

#### **DRA DISTRIBUTIONS**

*DRA issued a distribution from the Growth and Income Fund VIII on 2/4/20 in the amount of **\$25,167** for the Retirement System and **\$7,402** for the VEBA consisting of dividends and return of capital.*

*DRA issued a distribution from the Growth and Income Fund VIII on 2/13/20 in the amount of **\$108,779** for the Retirement System and **\$31,994** for the VEBA consisting of return of capital and dividends netted against management fees.*

*DRA issued a distribution from the Growth and Income Fund IX on 2/14/20 in the amount of **\$146,364** for the Retirement System and **\$43,049** for the VEBA consisting of a gain on sale and dividends netted against management fees.*

#### **DRA CAPITAL CALLS**

*DRA requested a capital call of our commitment to the Growth and Income Fund IX in the amount of **\$ 254,490** for the Retirement Plan and **\$ 74,556** for the VEBA on 2/14/20 for the purpose of funding current commitments.*

#### **SUMMIT PARTNERS DISTRIBUTIONS**

*Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$325,082** for the Retirement System and **\$81,270** for the VEBA on 1/23/20.*

*Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$302,035** for the Retirement System and **\$83,899** for the VEBA on 1/22/20.*

#### **SUMMIT PARTNERS CAPITAL CALLS**

*Summit Partners Credit Fund III, L.P. requested a capital call of 9.72 % of our commitment to the Funds in the amount of **\$875,048** for the Retirement Plan and **\$243,069** for the VEBA on 2/11/20. With these installments, **CAAERS** will have funded 56.60 % of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.*

## ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$464,000** for the Retirement Plan and **\$116,000** for VEBA on 12/21/20 to fund investments. With these installments, **CAAERS** will have funded 7.7 % of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

## CONSTITUTION CAPITAL PARTNERS

Ironsides Direct Investment Fund V issued a distribution in the amount of **\$407,551** for the Retirement System and **\$135,850** for the VEBA on 1/31/20.

## INVESTMENT CONSULTANT RFP

Seven consulting firms replied to the RFP. The Summary sheet and submissions were sent to IPC members on February 7<sup>th</sup>. Review and discussion of the proposals is slated for the March 3 IPC meeting.

## STAFF OPERATIONS/UPDATE

The Pension Analyst processed 47 Estimates, 3 Final Calculations, 2 deceased calculations, 12 non vested and 4 payout calculations and conducted 4 pre sessions.

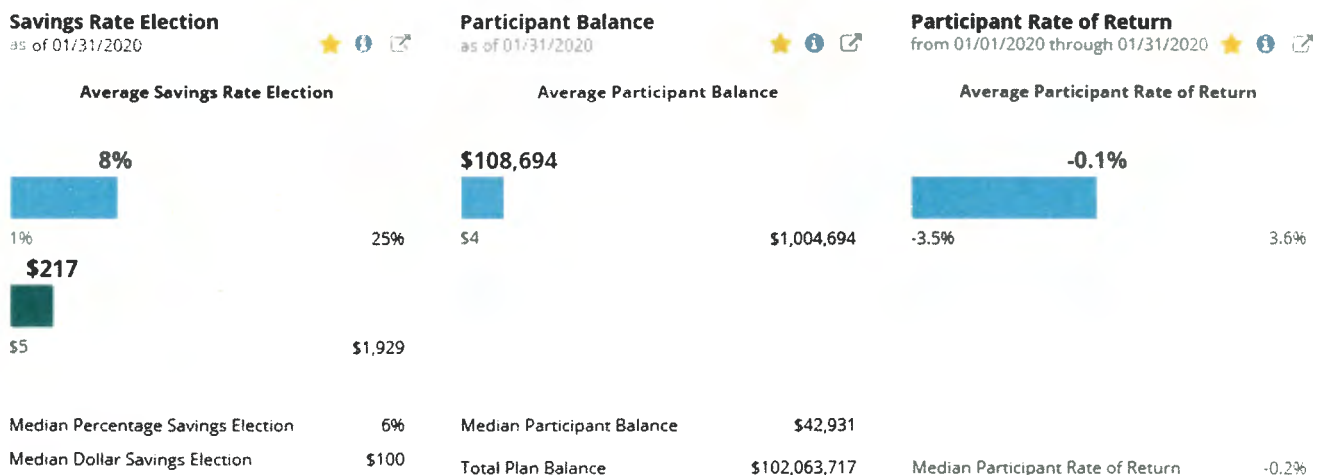
Annual reminder letters were sent to 37 non-vested former employees regarding their contribution balances. This list continues to grow as we no longer “force out” the payment of those funds upon termination. Interest stops accruing as of the termination date.

The calculations for the Minimum Benefit (aka Poverty Level) Increases were completed in January. Increases were applicable to 94 retirees resulting in a total annual increase of approximately \$ 23,000.

The audit of the roster of those eligible for a Deferred Retirement is complete. The resulting list has 113 former employees who are entitled to a benefit.

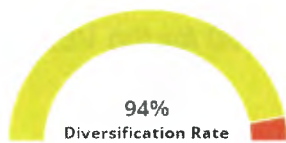
## G-2 Executive Report – ICMA-RC Update

### 457 Balance at 2/12/20 = \$104,999,576 – Statistics as of 1/31/20



**401 Balance at 2/12/20 = \$ 1,406,252 – Statistics as of 1/31/20**

**Investment Diversification**  
as of 01/31/2020



- 169 (94%)  
Yes
- 11 (6%)  
No

**Participant Balance**  
as of 01/31/2020

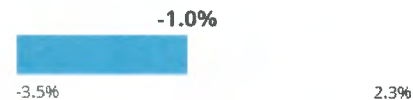
Average Participant Balance



Median Participant Balance \$6,061  
Total Plan Balance \$1,329,953

**Participant Rate of Return**  
from 01/01/2020 through 01/31/2020

Average Participant Rate of Return



Median Participant Rate of Return -1.1%

**Current Items/Education:**

- ICMA-RC was onsite January 21-23 for individual consultations as well as two Lunch & Learns “Your Saving & Investing Goals” and “Build Your Investment Portfolio”. Please see the next page for responses to the follow up surveys.
- ICMA-RC is incorporating the edits from ED and Staff into a customized slide presentation for Dual Plan members covering both the 401 and the 457.

**Follow Up Items:**

- Roth Codes Update – This is targeted for completion by 3/31/2020.
- Committee Charters adding the ICMA specific duties are in process

**G-3 City of Ann Arbor Employees’ Retirement System Preliminary Report for the Month Ended January 31, 2020**

Maria Buffone, Accountant, submitted the Financial Report for the month ended January 31, 2020 to the Board of Trustees:

1/31/2020 Asset Value (Preliminary)	\$531,608,735
12/31/2019 Asset Value (Audited by Northern)	\$535,788,495
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$(1,261,192)
Percent Gain <Loss>	-0.2%
<b>February 19, 2020 Asset Value</b>	<b>\$536,739,258</b>

**G-4 Investment Policy Committee Minutes – February 4, 2020**

Following are the Investment Policy Committee minutes from the meeting convened at 3:12 p.m. on February 4, 2020:

Member(s) Present: Crawford (3:18 p.m. arrival), DiGiovanni, Flack, Hastie  
 Member(s) Absent: Monroe  
 Other Trustees Present: None  
 Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt  
 Others Present: Henry Jaung, Meketa Investment Group (4:50 p.m. departure)  
 Keith Beaudoin, Meketa Investment Group (4:50 p.m. departure)

**PERFORMANCE REVIEW VEBA THROUGH 12/31/2019 FOR ERS AND VEBA,  
INCLUDING ACT 314**

As of December 31, 2019, the balance of the Funds were \$537,378,221 for ERS. Fiscal Year to Date performance was 5.8% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

As of December 31, 2019, the balance of the Funds were \$197,958,638 for VEBA. Fiscal Year to Date performance was 6.3% for VEBA net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

**FOSSIL FUEL EXPOSURE (ERS AND VEBA)**

Mr. Jaung presented a Fossil Fuel Exposure Update for the ERS and VEBA on their exposure to investments in companies that are invested in fossil fuels and/or the Carbon Underground 200. The analysis included all public securities managers. The Committee agreed that this update was informative and would like Meketa to continue to provide these updates on a quarterly basis.

**UPDATE ON THE NEW RHUMLINE HEDI TRANSITION**

Mr. Jaung updated the Committee regarding the Rhumblin HEDI transition. There will be two separate accounts, the Retirement System and VEBA. The final fee will be 7.5 basis points and the transition will be a transfer-in-kind from the current NT R1000 Index Fund.

**EDUCATION SESSION ON INFRASTRUCTURE INVESTING AND NEW POTENTIAL  
INVESTMENT IN RENEWABLE ENERGY, BLACK ROCK GLOBAL RENEWABLE  
POWER FUND III**

Mr. Jaung and Mr. Beaudoin presented information regarding the new potential in Infrastructure Investing. Infrastructure represents a fairly new asset class in the U.S. and Infrastructure assets are structured to provide a stable, predictable, long-term cash flow stream to investors. The Committee reviewed the types of infrastructure, strategic objectives of an Infrastructure Allocation and the select Meketa Conviction Infrastructure Managers. The Committee expressed interest in perusing the Infrastructure market specifically in the BlackRock Global Renewable Power Fund III. Meketa will schedule BlackRock to present at the March IPC meeting.

**TOPICS FOR 2020, INCLUDING ASSET ALLOCATION STUDY AND PACING  
STUDY**

Meketa will plan to further discuss Asset Allocation, expected returns and the Pacing Study at the March IPC meeting.

**UPDATE ON THE INVESTMENT CONSULTANT RFP**

Ms. Orcutt provided an update on the RFP Process for the Committee stating that the entry closing date was February 3, 2020. One proposal has been disqualified due to an incomplete submission. Staff will provide the IPC with a summary and highlights of the submissions and the Committee will discuss further at the March IPC meeting. It was

also decided to schedule an early start to the March IPC meeting beginning at 2:00 p.m.

**CONTINUATION OF THE MID CAP ACTIVE MANAGER DISCUSSION**

*This item was postponed due to time constraints.*

**ICMA-RC PLAN INVESTMENT REPORT FOR QUARTER END 12/31/2019**

*This item was postponed due to time constraints and will be reviewed at the February Board Meeting.*

**OTHER**

*Mr. Savage from The Seminole Companies, was present for a brief moment to introduce himself to the Committee.*

**ADJOURNMENT**

*It was **moved** by Crawford and **seconded** by Flack to adjourn the meeting at 5:08 p.m.  
**Meeting adjourned at 5:08 p.m.***

**G-5 Administrative Policy Committee Minutes – None.**

**G-6 Audit Committee Minutes – None.**

**G-7 Legal Report – None.**

**H. INFORMATION (Received & Filed)**

**H-1 Communications Memorandum**

**H-2 March Planning Calendar**

**H-3 Record of Paid Invoices**

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

	<b><u>PAYEE</u></b>	<b><u>AMOUNT</u></b>	<b><u>DESCRIPTION</u></b>
1	MAPERS	\$200.00	W. Orcutt & J. Peariso Reg. Fee 1-Day Seminar 3/6/20
2	Buck	\$1,583.33	Monthly Hosting Fee 12/2019
3	Loomis Sayles	\$30,046.11	Investment Mgmt. Fee Q4 10/1/2019-12/31/2019
4	Laura Hollabaugh	\$234.69	Petty Cash Reimbursement
5	DTE	\$105.60	Gas 12/13/19-1/13/2020
6	DTE	\$148.31	Electric 12/13/19-1/13/2020
7	Meketa Investment Group	\$10,000.00	Investment Mgmt. Fee 1/2020
8	MedSource Services	\$950.00	Disability Exam: M. Whitehead 1/21/2020
9	Laura Hollabaugh	\$313.65	USPS Order: Stamped Envelopes Box/500
10	Allstar Alarm	\$90.00	Fire Alarm Monitoring 2/1/2020-4/30/2020
11	Culligan	\$30.49	Water Service 2/2020
12	AT&T	\$555.18	Phone Service 12/26/19-1/25/2020
13	Income Research Management	\$4,273.85	Investment Mgmt. Fee Q4 10/1/2019-12/31/2019
14	Applied Imaging	\$46.61	Printing Services 1/2020



15	Buck	\$1,583.33	Monthly Hosting Fee 1/2020
16	Dan Gustafson	\$100.00	MAPERS Registration Fee 1-Day Seminar 3/6/2020
17	VanOverbeke, Michaud & Timmony	\$4,972.80	Legal Services 11/1/2019 - 12/31/2019
<b>Total</b>		<b>\$55,233.95</b>	

H-4 Retirement Report – None.

H-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

Ms. Orcutt and Mr. Crawford discussed the Agenda items for the Council Session scheduled in March. In addition to the Actuarial presentation, Mr. Crawford informed the Board that the Investment Opportunity in Renewable Energy should be mentioned as well as to be prepared to discuss a DROP program.

J. ADJOURNMENT

It was **moved** by Crawford and **seconded** by Hastie to adjourn the meeting at 11:02 a.m.  
Meeting adjourned at 11:02 a.m.

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