

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
May 21, 2020**

B

The meeting was called to order by Board Chair Person, Jeremy Flack, at 8:37 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX*), Flack(*Via TX*), Hastie(*via TX*), Horning(*Via TX, 9:56 a.m. depart*), Lynch(*Via TX*), Monroe(*Via TX*), Peariso(*Via TX*), Schreier(*Via TX*)
Members Absent: Nerdrum
Staff Present: Buffone(*via TX*), Gustafson(*via TX*), Hollabaugh(*Via TX*), Orcutt(*via TX*)
Others: Michael VanOverbeke, Legal Counsel(*via TX*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 April 16, 2020 Regular Board Meeting

B-2 April 16, 2020 Closed Session

B-3 May 5, 2020 Special-Call Board Meeting

It was **moved** by DiGiovanni and **seconded** by Schreier to approve the April 16, 2020 Regular Board Meeting minutes, April 16, 2020 Closed Session Minutes and the May 5, 2020 Special-Call Board Meeting Minutes.
Approved

C. CONSENT AGENDA - None

D. ACTION ITEMS

D-1 Annual Disability Re-Examinations

Ms. Orcutt submitted a memo indicating 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.

Per the policy amendment approved on July 21, 2011, the Re-Exam policy states:

*The Retirement Board shall review the files of all disability retirees twice a year to determine which retirees must undergo a medical re-examination by the Board's Medical Director. **The files shall be reviewed each May for disability retirements that commenced or had a re-examination in the prior year January through June time frame, and each November for disability retirements that commenced or had a re-examination in the prior year July through December timeframe.***

The following would qualify for a medical re-examination per the Board's policy:

DISABILITY RETIREE	DATE BOARD GRANTED DISABILITY	DATE OF LAST RE-EXAMINATION	EXECUTIVE DIRECTOR'S RECOMMENDATION FOR RE-EXAMINATION
Jason Gold	February 17, 2017	7/24/2019	Yes
Anthony Fischer	July 22, 2016	5/22/2019	Yes

It was **moved** by DiGiovanni and **seconded** by Monroe to direct the disability re-examination of Jason Gold and Anthony Fischer consistent with the Board's Disability Retirement Procedures.

Approved

E. DISCUSSION ITEMS

E-1 Direct Deposit for Pension Benefit

Ms. Orcutt updated the Board regarding Retirees who are currently receiving their pension benefit via a mailed check. Some have decided to switch to direct deposit as a result of the delayed mail service due to the COVID-19 Pandemic. Ms. Orcutt then suggested to eliminate the option for mailed checks for future retirees and that prospectively all will be set up with direct deposit.

It was **moved** by Horning and **seconded** by Peariso to require all future retirees to enroll in direct deposit for their pension benefit.

Approved

E-2 Investment Consultant RFP Status

Ms. Orcutt reminded the Board of the RFP schedule and discussed with the Board how to proceed given the current Pandemic situation. The Board discussed the number of finalists and the time it would take to interview each firm. The Board would prefer to interview the firms in person. It was decided to discuss further at the June Board meeting, tentatively scheduling the interviews for either July or August 2020 at an offsite location where social distancing could be managed.

It was **moved** by Monroe and **seconded** by DiGiovanni to further review the RFP schedule at the June Board meeting and to tentatively schedule the RFP Interviews for July 2020.

Approved

E-3 COVID-19 Financial Recovery Plan

Mr. Horning informed the Board that City Council had adopted the FY 2021 Budget although it was prepared pre-covid. The City has developed a COVID-19 Financial Recovery Plan to adjust the budget due to financial impacts from the crisis. With this plan, the City has decided to suspend the supplemental funding of the VEBA contributions for the remainder of FY 2020 and for FY 2021. Mr. DiGiovanni suggested that the Board discuss this with Meketa Investment Group to re-evaluate the asset allocation.

E-4 Proposed Board Calendar for Remainder of 2020

Ms. Orcutt presented the Board calendar for the remainder of the 2020 year as items have been rescheduled due to the pandemic. The Board decided to cancel the Board Retreat for 2020 due to the uncertainty of the pandemic and discussed the Fall MAPERS conference. As of now, the conference is still scheduled, and members may register. After further discussion, the Board decided to approve those interested in registering and if the event does get cancelled, reimbursements will be issued.

It was **moved** by Hastie and **seconded** by Peariso to approve any interested Staff or Board Member to attend the Fall MAPERS conference.

Approved

F. REPORTS

F-1 Executive Report – May 21, 2020

SUMMIT PARTNERS CAPITAL CALLS

Summit Partners Credit Fund III, L.P. requested a capital call of .48 % of our commitment to the Funds in the amount of **\$43,340** for the Retirement Plan and **\$12,039** for the VEBA on 5/5/20. With these installments, **CAAERS** will have funded 66.86% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$45,478** for the Retirement Plan and **\$11,370** for the VEBA on 5/15/20. With these installments, **CAAERS** will have funded 135.38% of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.

SVB CAPITAL CALL

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 232,000** for the Retirement Plan and **\$ 58,000** for the VEBA on May 20, 2020 for the purpose of funding current commitments.

INVESTMENT CONSULTANT RFP

The status of the finalist interviews will be discussed at the May Board meeting.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 29 Estimates, 1 Final Calculation, 2 deceased calculations, 1 deferred calc, 2 non-vested payouts and conducted 3 pre sessions.

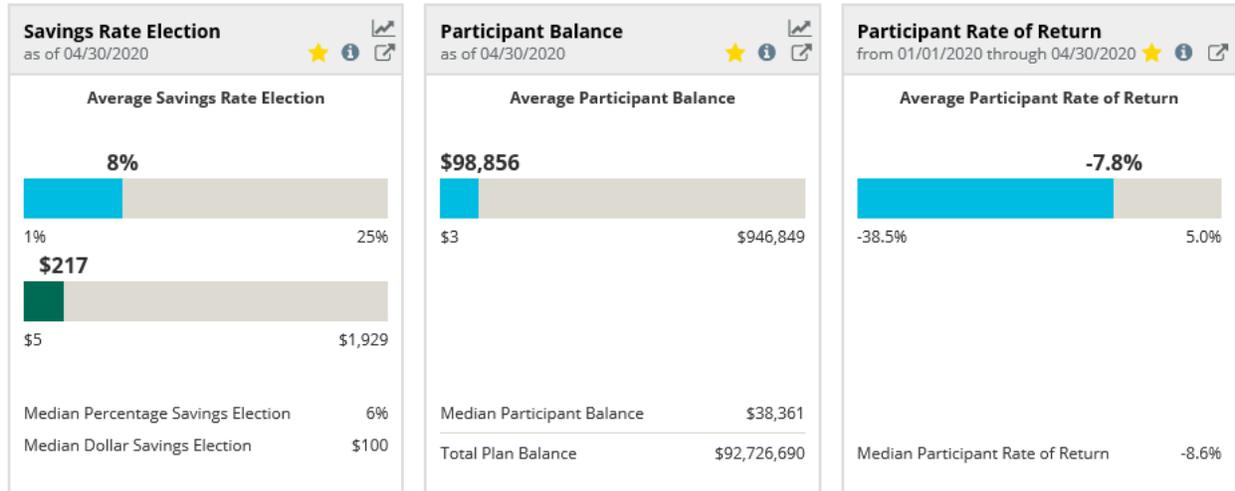
The Pension Analyst worked with ED to finalize the “Traditional Plan” Training Presentation to roll out to employees. A practice session was done via zoom on May 4th. The team provided feedback and made minor revisions to the talking points. Staff aims to reach out to City employees and conduct the initial “class” by the end of the month or beginning of June. Based on feedback for demand and alternate times, additional sessions will be scheduled. The Dual Plan Training Presentation is in progress as well.

On April 20, letters were sent to the 62 retirees that still receive a check in the mail encouraging them to switch to direct deposit. Despite some retirees having delays in receiving their payments, only 3 have converted.

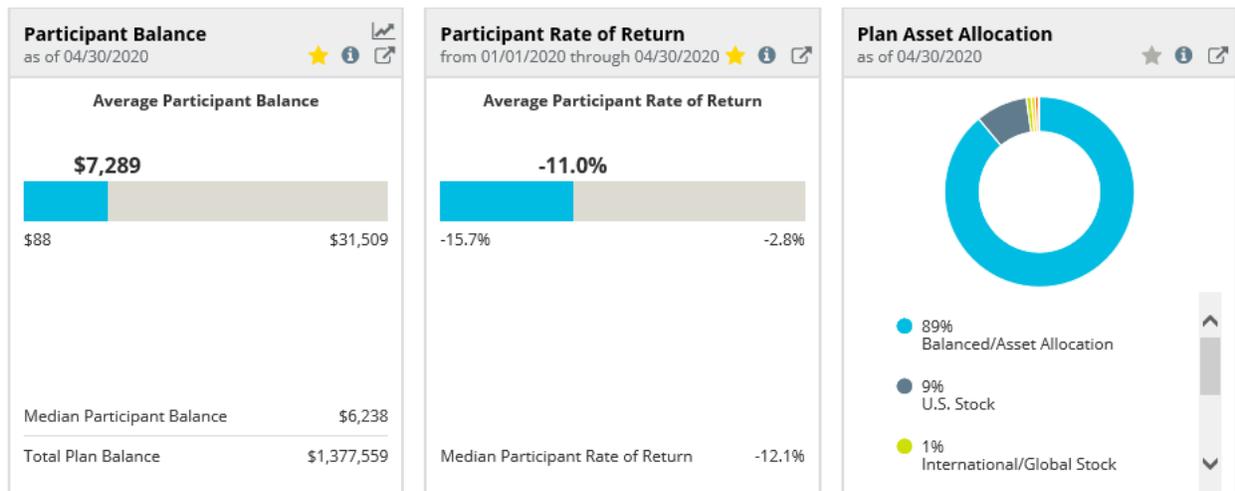
ED and Staff continue to work remotely as the stay at home order was extended until 5/28. Dan has gone in only as needed to accommodate employees without access to a computer. The mail is checked weekly at minimum.

F-2 Executive Report – ICMA-RC Update

457 Balance at 5/14/20 = \$ 91,257,153 – Statistics as of 4/30/20



401 Balance at 5/14/20 = \$ 1,382,377 – Statistics as of 4/30/20



Current Items/Education:

- Dan Stewart conducted virtual appointments with 14 participants during May 5th and 6th.
- Nancy Lange will be conducting a webinar in lieu of speaking at the annual retiree luncheon which was cancelled. The topics will be the recent market volatility and Medicare. A reminder to register was sent on May 12th.

Other Items:

Roth Codes Update – The deduction codes are now all set up in the UltiPro payroll system and the update to roll all codes into the annual max is near completion. Once done ICMA will update the website to allow these deductions.

COVID-19 - A resolution will be brought to Council for approval in June to allow COVID Related Distributions (CRD's)

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended April 30, 2020

Maria Buffone, Accountant, submitted the Financial Report for the month ended April 30, 2020 to the Board of Trustees:

4/30/2020 Asset Value (Preliminary)	\$490,875,543
3/31/2020 Asset Value (Audited by Northern)	\$471,764,352
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$33,793,011)
Percent Gain <Loss>	-6.3%
May 20, 2020 Asset Value	\$492,525,222

F-4 Investment Policy Committee Minutes – May 5, 2020

Following are the Investment Policy Committee minutes from the meeting convened at 3:08 p.m. on May 5, 2020:

*Member(s) Present: DiGiovanni(via TX), Flack(via TX), Hastie(via TX), Monroe(via TX)
Member(s) Absent: Horning
Other Trustees Present: None
Staff Present: Buffone(via TX), Gustafson(via TX), Hollabaugh(via TX), Orcutt(via TX)
Others Present: Henry Jaung(via TX), Meketa Investment Group
Keith Beaudoin(via TX), Meketa Investment Group*

ICMA-RC PLAN INVESTMENT REVIEW FOR QUARTER END 3/31/2020

Ms. Orcutt presented the ICMA-RC quarterly report. The Committee reviewed the report and plan to have ICMA present to the Board at a later date.

ECONOMY AND MARKET UPDATE DATA AS OF APRIL 24, 2020

Mr. Beaudoin provided a brief update regarding the current market conditions implicating to be prepared to rebalance and take advantage of the age-old wisdom “buy low, sell high”. Meketa will continue to monitor the situation and communicate frequently.

EXECUTIVE SUMMARY OF RECENT ACTIVITIES

Mr. Jaung provided an executive summary of recent activity stating that Meketa and the System have been very active the past few months, before and during the Covid-19 crisis.

SUMMARY OF TALF DECISIONS

Mr. Jaung informed the Committee the current status of the Wellington and Payden TALF decisions. Both investments have been approved by the Board and Meketa is opting for the fee option with performance based₅ feature.

HEXAVEST RE-ORGANIZATION UPDATE

Mr. Jaung updated the Committee regarding the re-organization of Hexavest due to poor performance. The Hexavest Investment Team was recently restructured, decreasing the size of the team and streamlining the investment decision-making process. Meketa will be placing Hexavest "on-watch".

Q1 2020 ERS PERFORMANCE UPDATE WITH ESTIMATES THROUGH 4/29/2020

As of March 31, 2020, the balance of the Funds were \$464,239,780 for ERS. Fiscal Year to Date performance was -11.1% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

Q1 2020 VEBA PERFORMANCE UPDATE WITH ESTIMATES THROUGH 4/29/2020

As of March 31, 2020, the balance of the Funds were \$170,459,317 for VEBA. Fiscal Year to Date performance was -13.8% for VEBA net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

FOSSIL FUEL EXPOSURE MONITORING

Mr. Jaung informed the Committee that as of March 31, 2020, approximately 1.4% or 188 total securities were invested in fossil fuels, excluding overlapping securities. With this exposure, approximately 0.5% of the total Retirement System is invested in the Carbon Underground 200 Companies.

As of March 31, 2020, approximately 1.1% or 128 total securities were invested in fossil fuels, excluding overlapping securities. Within this exposure, approximately 0.3% of the total VEBA plan is invested in the Carbon Underground 200 Companies.

ADJOURNMENT

It was ***moved*** by Flack and ***seconded*** by DiGiovanni to adjourn the meeting at 4:27 p.m.
Meeting adjourned at 4:27 p.m.

F-5 Administrative Policy Committee Minutes – May 19, 2020

Following are the Administrative Policy Committee minutes from the meeting convened at 2:11 p.m. on May 19, 2020:

Committee Members Present:	Lynch(Via TX), Monroe(Via TX), Peariso(Via TX), Schreier(Via TX)
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Buffone(Via TX), Gustafson(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)
Others Present:	None

ANNUITY WITHDRAWAL FORM UPDATE

Ms. Orcutt informed the Committee of the recent update to the Secure Act. Legal Counsel has reviewed the act and has provided an updated form with the Secure Act revisions for

the Retirement System. Staff has updated the withdrawal packets with the updated forms.

BUSINESS CREDIT CARD DISCUSSION

Ms. Orcutt informed the Committee of recent billing issues due to mailing delays during the COVID-19 pandemic. A Business Credit Card would allow the Retirement System to pay invoices in a timely manner as well make future education travel registration more effective. The Committee agreed this would be beneficial for the Retirement System.

ICMA VERBAL UPDATE

Ms. Orcutt provided the following ICMA updates:

Secure Act: There has been a revisions to the Secure Act which legal notified Staff and provided a revised withdrawal from reflecting the Secure Act revisions. There are some changes that will need to be made to the ordinance regarding the RMD. ICMA will provide a new plan document

CARES Act: Interim CFO, Matt Horning has prepared a resolution regarding the allowance of the CRD. The resolution will be presented at the 6/15/2020 City Council Meeting for approval. Jason Ashline from ICMA has provided sample forms for the CRD.

Roth Codes and Annual Max: Payroll is working on finalizing the Roth codes and will notify Ms. Orcutt once complete. Staff will then inform ICMA of the new codes to have the website reflect the correct information. These codes will eliminate the need for manual tracking.

Recent Training Opportunities: ICMA Representative Dan Stewart will be providing additional virtual meetings in late June.

Cadet Issues: Police Cadets are placed in the Dual plan while in the academy. Once they have successfully completed the academy, they are then placed in the Traditional plan. This has created administrative issues with ICMA as those employees then have a small balance remaining in the Dual Plan until termination. Staff is working to find a better resolution for this issue.

Ms. Orcutt also informed the Committee that ICMA is tentatively scheduled to present a plan review in August.

TRAINING PROGRAM UPDATE

Ms. Orcutt informed the Committee that Staff has put together a Dual Plan and Traditional Plan Employee Educational Webinar. Staff is prepared to have the Webinar live next week. MS. Orcutt will be meeting with John Fournier before presenting the Webinar to ensure there are no issues.

ADJOURNMENT

It was ***moved*** by Peariso and ***seconded*** by Schreier to adjourn the meeting at 2:54 p.m.
Meeting adjourned at 2:54 p.m.

F-7 Legal Report – None.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 June Planning Calendar

G-3 Record of Paid Invoices

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

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Allstar Alarm	\$90.00	Fire Alarm System Monitoring 5/1/2020-7/31/2020
2	Maria Buffone	\$65.00	Bloomberg Bulk LEI Subscription
3	Buck	\$1,825.28	Monthly Hosting Fees 3/2020
4	DTE Gas	\$74.44	Gas Usage 3/13/2020-4/13/2020
5	DTE Electric	\$106.43	Electric Usage 3/13/2020-4/13/2020
6	Rhumblin HEDI	\$3,254.00	Investment Management Fee 2/29/2020-3/31/2020
7	Loomis	\$20,153.80	Investment Management Fee 1/1/2020-3/31/2020
	Total	\$25,568.95	

G-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Michael Whitehead	Age & Service	February 21, 2020	General	14 Years, 5 Months	Public Services
Amy Ellinger	Age & Service	May 26, 2020	Police	25 Years	Safety Services
Jacqueline Steinaway	Age & Service	June 13, 2020	General	31 Years, 10 Months	Financial & Administrative

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Hastie to adjourn the meeting at 9:26 a.m.
Meeting adjourned at 9:26 a.m.

Wendy Orcutt

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