

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
January 21, 2021**

**B**

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:36 a.m.

**ROLL CALL**

Members Present: DiGiovanni(*Via TX, Ann Arbor, MI*), Flack(*Via TX, Wood County, OH*), Horning(*Via TX, Tawas City, MI*), Lynch(*Via TX, Whitmore Lake, MI*), Monroe(*Via TX, Ann Arbor, MI*), Peariso(*Via TX, Ann Arbor, MI*), Schreier(*Via TX, Ann Arbor, MI*)  
Members Absent: Hastie, 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 Schreier and **seconded** by Monroe to approve the agenda as submitted.  
**Approved**

**B. APPROVAL OF MINUTES**

**B-1 December 17, 2020 Regular Board Meeting**

It was **moved** by Schreier and **seconded** by Monroe to approve the December 17, 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	ICMA Plan #	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Jennifer Koperniak (Marston)	General	Traditional	2 Years, 11 Months	City of Hazel Park
Grant Toth	Police	Traditional	11 Years, 11 Months	Washtenaw County
Thomas Fauver	Police	Traditional	4 Years, 4 Months	Monroe County
Marc Tyler	Fire	Dual	27 Years, 11 Months	City of Lansing

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 Peariso to approve the consent agenda as submitted.

**Approved**

**D. ACTION ITEMS**

**D-1 Resolution to Invest in Artisan International Value Fund**

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 allocation to International Developed Market Equity, and

WHEREAS, a potential International equity manager, Artisan Partners, presented their investment strategies to the IPC on January 5, 2021, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with Artisan Partners so be it,

RESOLVED, that the Board of Trustees approve the investment In the Artisan International Value Fund with a commitment in the amount of approximately \$ 27 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence, if applicable, and further,

RESOLVED, that the Artisan International Value Fund be funded from the Northern Trust MSCI EAFE Index Fund.

It was **moved** by Schreier and **seconded** by Peariso to invest in the Artisan International Value Fund with a Commitment in the amount of approximately \$27 million, pending review of investment management documents by the Board's legal counsel and any recommended due diligence, if applicable.

**Approved**

**E. DISCUSSION ITEMS**

**E-1 Board Retreat Dates**

The Board discussed dates for the 2021 Board Retreat and decided to schedule on April 15, 2021.

**E-2 Trustees' Terms Expiring in 2021**

Ms. Orcutt informed the Board that Mr. Monroe, Ms. Nerdrum and Mr. Peariso's terms are expiring December 31, 2021. Mr. Peariso informed the Board that he is planning to retire in 2022 and will not be renewing his term.

**E-3 Memo to Council Regarding the Actuarial Option Factors**

The Board reviewed the memo from GRS regarding the actuarial option factors. A discussion ensued regarding the cost the changes would have to the Plan. Mr. VanOverbeke mentioned to have GRS provide clarification on the costs the changes may have on the Plan. Mr. VanOverbeke will work with Ms. Orcutt to prepare a memo to present to Council and will bring to the February Board meeting for approval.

**E-4 FY22 City Council Policy Agenda Items**

The Board did not have agenda items to add other than the Actuarial Option Factors Memo.

Ms. Orcutt informed the Board that the Retirement System has been invited to present at the February 22, 2021 City Council Work Session. Ms. Orcutt will be attending with GRS, and will be preparing a brief presentation.

**F. REPORTS**

**F-1 Executive Report – January 21, 2021**

**SVB CAPITAL CALL**

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 160,000** for the Retirement Plan and **\$ 40,000** for the VEBA on 12/23/2020 for the purpose of funding current commitments.

**SUMMIT PARTNERS CAPITAL CALLS AND DISTRIBUTIONS**

Summit Partners Credit Fund III, L.P. requested a capital call of 12.19 % of our commitment to the Funds in the amount of **\$1,096,801** for the Retirement Plan and

**\$304,668** for the VEBA on 1/11/21. With these installments, **CAAERS** will have funded 84.39% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$1,050,975** for the Retirement System and **\$291,938** for the VEBA on 12/23/20.

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$895,658** for the Retirement System and **\$248,794** for the VEBA on 12/30/20.

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$191,815** for the Retirement System and **\$47,954** for the VEBA on 12/31/20.

### **CONSTITUTION CAPITAL PARTNERS**

Ironsides Co-Investment Fund III issued a distribution in the amount of **\$ 2,757,109** for the Retirement System on 12/23/20 comprised of gains on sales netted against management fees.

### **CARLYLE DISTRIBUTION**

Carlyle Realty Fund VIII issued a distribution in the amount of **\$ 130,669** for the Retirement System and **\$ 32,665** for the VEBA on 12/28/20. The distribution was netted against additional investment funding, fees and expenses.

### **BUCK CONVERSION**

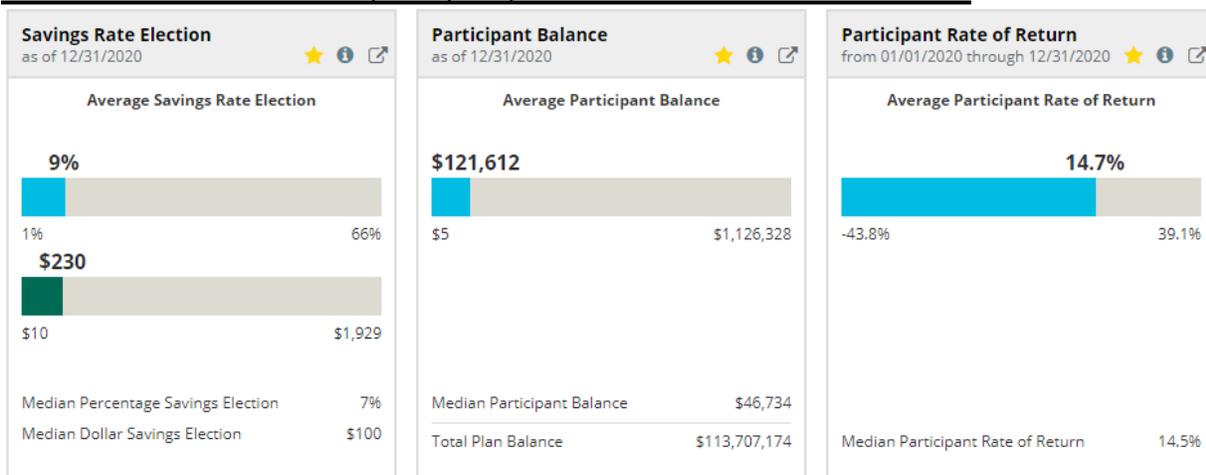
Staff is currently working with Buck to fine tune the test version of the ESS Calculator to release to a small group of employees for testing. Zoom calls are held at least once weekly to walk through issues, test “fixes” and train on navigating the new production site.

### **STAFF OPERATIONS/UPDATE**

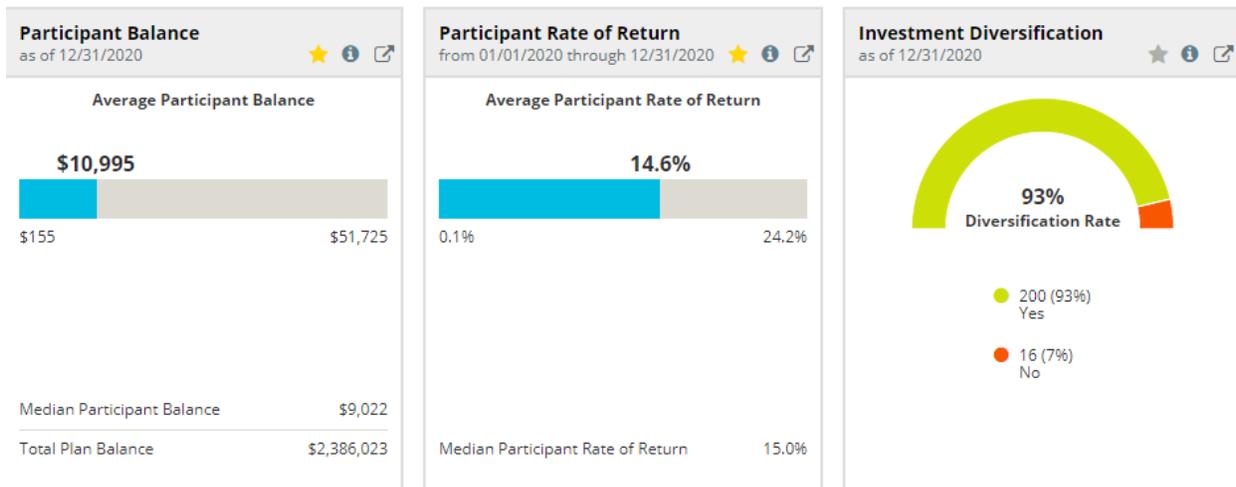
The Pension Analyst processed 57 estimates, 1 non vested calculation, 3 deceased calculations, 3 Final calculations and conducted 4 pre-sessions. Many of the estimates above are for testing the new Buck site. Dan is also working on new calculations (11) as a result of the AAPOA retro pay that was issued in December.

## **F-2 Executive Report – ICMA-RC Update**

### **457 Balance at 1/13/21= \$ 115,182,122 – Statistics as of 12/31/20**



**401 Balance at 1/13/21 = \$ 2,432,347 – Statistics as of 12/31/20**



**Current Items/Education:**

- Gina John held virtual appointments with 22 employees during December 14/15
- Dan Stewart will conduct virtual appointments and a webinar during January 21/22.
- ED met with the ICMA team on 1/13 to discuss increasing new enrollments in the 457 Plan.

**Other Items:**

COVID-19 – To date, 14 employees have requested a CRD from the 457 Plan totaling \$415,000.

Ms. Orcutt informed the Board that ICMA-RC is working to update their website to inform employees that enrollment into Vantagebroker, the Self Directed Brokerage Option is no longer available.

Mr. VanOverbeke posed a question regarding the average participant rate of return statistic in the 457. Ms. Orcutt will follow up with ICMA on this matter.

**F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended December 31, 2020**

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

12/31/2020 Asset Value (Preliminary)	\$583,868,802
11/30/2020 Asset Value (Audited by Northern)	\$568,311,547
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$71,961,480
Percent Gain <Loss>	13.4%
<b>January 20, 2021 Asset Value</b>	<b>\$584,850,382</b>

**F-4 Investment Policy Committee Minutes – January 5, 2021**

Following are the Investment Policy Committee minutes from the meeting convened at 3:03 p.m. on January 5, 2021:

Member(s) Present: DiGiovanni(via TX, Ann Arbor, MI), Hastie(via TX, Ann Arbor, MI),

Member(s) Absent: *Horning(via TX, Tawas City, MI), Monroe(via TX, Ann Arbor, MI)*  
Other Trustees Present: *Flack*  
*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*  
*John Harris(via TX), Meketa Investment Group*  
*John Hock(via TX, 3:21 – 4:09 PM), Altrinsic*  
*Robert Lang(via TX), Altrinsic*  
*Ed Omata(via TX, 4:10 – 5:00 PM) Artisan*  
*David Samra(via TX, 4:10 – 5:00 PM) Artisan*

### **RETIREMENT SYSTEM**

Act 314 Compliance Review: *Mr. Jaung reviewed the Act 314 Compliance, stating that all investments are currently in compliance.*

November 30, 2020 Investment Review: *As of November 30, 2020, the balance of the Funds was \$565,284,902 for ERS. Fiscal Year to Date performance was 11.0% for ERS net of fees.*

### **VEBA**

Act 314 Compliance Review: *Mr. Jaung reviewed the Act 314 Compliance, stating that all investments are currently in compliance.*

November 30, 2020 Investment Review: *As of November 30, 2020, the balance of the Funds was \$216,009,862 for VEBA. Fiscal Year to Date performance was 11.3% for VEBA net of fees.*

### **UPDATES ON TSE CAPITAL AND TALF RETURN OF CAPITAL**

*Mr. Jaung informed the Committee that the funds from the Tse Capital redemption are expected soon. Meketa will update staff and the funds will remain in cash until further discussion at the next IPC meeting. The TALF funds return will also remain in cash until the allocation has been discussed and decided.*

### **PRESENTATIONS: ALTRINSIC AND ARTISAN:**

*John Hock and Robert Lang from Altrinsic were present to discuss the firm. The following was discussed in their presentation:*

- *Investment Process*
- *Portfolio Construction and Risk Summary*
- *Performance Review*
- *Benefits to partnering with Altrinsic*

*David Samra and Ed Omata from Artisan were present to discuss their firm. The following was discussed in their presentation:*

- *Firm Overview*
- *Investment Philosophy and Process*

- *Portfolio Statistics*

*The Committee discussed both presentations further and decided to make the following motions:*

*It was **moved** by DiGiovanni and **seconded** by Horning to recommend to the Board of Trustees to invest approximately \$27 Million into the Artisan International Value Fund, matching the amount in the WCM fund at time of funding.*

**Approved**

*It was **moved** by DiGiovanni and **seconded** by Horning to terminate Hexavest from VEBA and recommend to the Board of Trustees to invest approximately \$13 Million into the Artisan International Value Fund, to be funded with the \$10 Million from the Hexavest redemption and approximately \$3 Million from WCM.*

**Approved**

### **ADJOURNMENT**

*It was **moved** by DiGiovanni and **seconded** by Monroe to adjourn the meeting at 5:45 p.m.  
**Meeting adjourned at 5:45 p.m.***

### **F-5 Administrative Policy Committee Minutes – January 12, 2021**

*Following are the Administrative Policy Committee minutes from the meeting convened at 3:12 p.m. on January 12, 2021:*

*Committee Members Present: Monroe(Via TX, Green Oak Twp., MI), Peariso(Via TX, Pittsfield Township, MI), Schreier(Via TX, Ann Arbor, MI)*  
*Members Absent: Lynch*  
*Other Trustees Present: None*  
*Staff Present: Buffone(Via TX, 3:37 arrival), Gustafson(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)*  
*Others Present: None*

### **DRAFTED MEDICAL CONSULTANT RFP**

*The Committee reviewed and revised the draft of the Medical Consultant RFP. The Committee decided to issue the RFP later this month.*

*It was moved by Schreier and seconded by Peariso to approve the Medical Consultant RFP as revised and issue in January 2021.*

**APPROVED**

### **ICMA UPDATE**

*Ms. Orcutt provided an ICMA update informing the Committee that the maximum caps now seem to be working, there have not been any recent employee overages.*

*Ms. Orcutt is working with ICMA on providing employees further education for the 457. Mr. Peariso mentioned the City's Wellness program previously provided credit towards financial wellness programs. Staff will look into this with HR as an option for 2021.*

*There has been an inquiry regarding the Self-directed brokerage fund from an employee. The ICMA website still lists this as an available option. Staff is working with ICMA to*

make corrections to the website to prevent future confusion as this fund is no longer an option.

**BUCK ADMINISTRATIVE SOFTWARE STATUS UPDATE**

Ms. Orcutt informed the Committee that the conversion to the Buck software is still in progress. There continues to be issues with the software. Staff is testing and continuously working with Buck to make corrections. Staff will be working closely with IT, legal and Buck to move forward with this process. Once the issues with the ESS calculator are resolved, the link will be sent to a small group of employees for continued testing.

**ADJOURNMENT**

It was **moved** by Peariso and **seconded** by Schreier to adjourn the meeting at 3:53 p.m.  
**Meeting adjourned at 3:53 p.m.**

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

**F-7 Legal Report**

Mr. VanOverbeke informed the Board of the legislative update on PA 254. Virtual meetings may continue during the COVID-19 pandemic through March 31, 2021.

Mr. VanOverbeke also informed the Board of a securities class action lawsuit claiming violations of the federal securities laws by JPMorgan Chase & Co. and certain of its former and current executives. Mr. VanOverbeke recommended the Board file for the appointment of the Retirement System as Lead Plaintiff. The Board further discussed and agreed.

It was **moved** by Horning and **seconded** by Monroe to hereby ratify the Board Chair’s authorization for the filing of a motion for the appointment of the Retirement System as Lead Plaintiff in the JPMorgan Chase & Co Securities Class Action.

**Approved**

Mr. Schreier abstained.

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

**G-1 Communications Memorandum**

**G-2 February 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	AMEX: AT&T	\$612.78	Phone Service
2	AMEX: Kroger	\$44.00	Stamps to mail Deferred Benefit Statements
3	NCPERS	\$260.00	Membership Renewal 2021
4	VanOverbeke, Timmony & Michaud	\$7,959.60	Legal Services 7/1/2020 - 9/30/2020
5	DTE Energy	\$109.78	Electric 11/12/2020 - 12/14/2020
6	DTE Energy	\$96.84	Gas 11/12/2020 - 12/14/2020
7	Allstar Alarm	\$284.33	Alarm Monitoring 12/22/2020 - 4/30/2021, New Line Install
8	Applied Imaging	\$14.63	Printing services 12/2020
9	Hexavest	\$12,647.94	Investment Management Fee 10/2020 - 12/23/2020
10	Meketa Investment Group	\$10,000.00	Investment Consulting Fee 12/2020
	<b>Total</b>	<b>\$32,029.90</b>	

**G-4 Retirement Report**

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Jamie Adkins	Age & Service	January 16, 2021	Police	25 Years, 3.5 Months	Safety Services
Craig Sidelinger	Disability	November 22, 2020	Fire	20 Years, 8.5 Months	Safety Services
Karen Rachwal	EDRO Recipient	February 1, 2021	General	N/A	N/A
Douglas McCartney	Age & Service	January 23, 2021	Police	23 Years, 1.5 Months	Safety Services
Daniel Smith	Age & Service	February 6, 2021	General	12 Years, 7.5 Months	City Administration
Jennifer Sartori	Age & Service	February 17, 2021	Police	25 Years, 1 Month	Safety Services
Karl Shuler	Age & Service	February 11, 2021	General	28 Years, 9.5 Months	Public Services
William Clock	Age & Service	January 16, 2021	Police	25 Years	Safety Services

**G-5 Analysis of Page Views on Retirement System Website**

**H. TRUSTEE COMMENTS / SUGGESTIONS**

**I. ADJOURNMENT**

It was **moved** by Schreier and **seconded** by DiGiovanni to adjourn the meeting at 9:45 a.m.  
**Meeting adjourned at 9:45 a.m.**

*Wendy Orcutt*

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