

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
February 18, 2021**

**B**

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:33 a.m.

**ROLL CALL**

Members Present: DiGiovanni(*Via TX, Ann Arbor, MI*), Flack(*Via TX, Wood County, OH*), Hastie(*Via TX, Ann Arbor, MI*), Horning(*Via TX, Tawas City, MI*), Lynch(*Via TX, Dexter, MI*), Monroe(*Via TX, Green Oak Twp., MI*), Nerdrum(*Via TX, Ann Arbor, MI*), Peariso(*Via TX, Ann Arbor, MI*), Schreier(*Via TX, Ann Arbor, MI*)

Members Absent: None

Staff Present: Buffone(*via TX*), Gustafson(*via TX*), Hollabaugh(*Via TX*), Orcutt(*via TX*)

Others: Michael VanOverbeke, Legal Counsel(*via TX*)  
Henry Jaung, Meketa Investment Group(*via TX, 10:24 a.m. depart*)

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**B. APPROVAL OF MINUTES**

**B-1 January 21, 2021 Regular Board Meeting**

It was **moved** by Nerdrum and **seconded** by DiGiovanni to approve the January 21, 2021 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
Karen Channey	General	Dual	17 Years, 7 Months	Wayne County
Ronald Stumpmier	General	Dual	5 Years, 10 Months	Monroe 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.

It was **moved** by Monroe and **seconded** by Nerdrum to approve the consent agenda as submitted.

**Approved**

**D. ACTION ITEMS**

**D-1 Notice of Disability Application**

Ms. Orcutt informed the Board that a Disability Retirement Application was received from the Department Head. Staff has contacted the Employee to review the disability procedure, informing the employee of the application and what is needed to move forward with the disability process. The employee refuses to comply with the procedure.

It was **moved** by Monroe and **seconded** by Peariso to acknowledge receipt of the disability application from the department head, noting that the Board has attempted to contact the employee and obtain the complete documents necessary to move forward with the process, the employee has refused to comply, therefore the Board will notify the department head.

**Approved**

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

It was **moved** by Schreier and **seconded** by Hastie to retain the existing Board Officers for the 2021 term:

Board Chairperson: Jeremy Flack  
Vice-Chairperson: Alexa Nerdrum  
Secretary: David Monroe

**Approved**

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

It was **moved** by Schreier and **seconded** by DiGiovanni to appoint the Committee as follows:

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

**Approved**

#### **D-4 Proposed FY 2021-2022 Expenditure Budget**

Ms. Orcutt presented and reviewed the proposed expenditure budget for Fiscal Year 2021-2022.

It was **moved** by Nerdrum and **seconded** by DiGiovanni to approve the 2021-22 Expenditure Budget as presented.

**Approved**

#### **D-5 Memo to Council Regarding Option Factors**

Mr. VanOverbeke provided a drafted memo to Council regarding the factors used for the optional forms of benefits. The Board further discussed and decided to revise the memo adding a request for the City and Unions to consider updating the mortality tables used for determining the optional forms of benefits.

It was **moved** by Nerdrum and **seconded** by Peariso to approve the letter as revised.

**Approved**

### **E. DISCUSSION ITEMS**

#### **E-1 PRESENTATION: Meketa FYE 2020 Investment Review**

Mr. Jaung provided a 2020 review of the Market Values and the Equity Market. As of December 31, 2020, the balance of the Funds was \$578,805,261 for ERS. Fiscal Year to Date performance was 15.3% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

### **BOARD RECESS**

The Board was called to recess at 9:31 a.m. for the purpose of holding the VEBA Board meeting to continue the Investment Review for VEBA.

**Meeting recessed at 9:31 a.m.**

*The meeting was reconvened at 9:54 a.m.*

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

The Board discussed topics for the upcoming retreat. It was decided to include the following on the agenda: Investment Topics – 1) Overall investment environment (provided by an economist) and 2) Risk Mitigation Strategies, allowing an hour for each. Legal Topic: DC Plans Best Practices/Discuss ICMA review. Staff will draft an agenda and present at the March Board meeting.

## **F. REPORTS**

### **F-1 Executive Report – February 18, 2021** **CONSTITUTION CAPITAL PARTNERS**

*Ironsides Co-Investment Fund III issued a distribution in the amount of **\$146,202** for the Retirement System on 1/20/21 comprised of sales proceeds less management fees.*

*Ironsides Co-Investment Fund III issued a distribution in the amount of **\$109,671** for the Retirement System on 2/11/21 comprised of realized gains netted against interest.*

*Ironsides Partnership Fund III issued a distribution in the amount of **\$ 1,517,603** for the Retirement System on 2/3/21 comprised of gains on sales netted against a call for investments and management fees.*

### **WELLINGTON TALF DISTRIBUTION**

*The Wellington TALF Fund issued a distribution in the amount of **\$ 1,337,203** for the Retirement System on 1/21/21. The return of capital was netted against fees, expenses and a 5% hold back.*

### **ARBORETUM CAPITAL CALLS**

*Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$400,000** for the Retirement Plan and **\$100,000** for VEBA on 2/9/21 to fund investments. With these installments, **CAAERS** will have funded 28.5 % of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.*

### **DRA DISTRIBUTIONS**

*DRA issued a distribution from the Growth and Income Fund X on 2/12/21 in the amount of **\$32,790** for the Retirement System and **\$ 21,860** for the VEBA consisting of cash flows from operations netted against management fees.*

*DRA issued a distribution from the Growth and Income Fund IX on 2/12/21 in the amount of **\$156,409** for the Retirement System and **\$ 46.003** for the VEBA consisting of cash flows from operations netted against management fees.*

### **SUMMIT PARTNERS CAPITAL CALLS**

*Summit Partners Credit Fund III, L.P. requested a capital call in the amount of **\$449,315** for the Retirement Plan and **\$124,810** for the VEBA on 2/22/21. With these installments, **CAAERS** will have funded 89.38% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.*

### **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. The remaining item is the ability to access Accrued Benefit Statements on the ESS. Buck estimates this should be completed by 2/12/21. Zoom calls are held at least once weekly to walk through issues, test “fixes” and train on navigating the new production site.*

At the Board's request, an estimate was obtained from GRS (see attached email) for the cost of the pension administration system they offer to clients.

### **CONDO DUES – 2021**

The monthly association dues have increased significantly from previous years, going from \$1.95/sqft (\$273 per month) to \$3.26/sqft (\$456 per month). ED requested a budget breakdown from Oxford Companies, the management firm for the complex. The line items that went up significantly were snow removal and landscaping. They are also placing 10% of the operating budget into a reserve account.

There will be an association meeting scheduled in the near future to discuss the budget, overall health of the building, and any maintenance items pertaining to the association. ED plans to attend and will provide an update to the Board.

### **STAFF OPERATIONS/UPDATE**

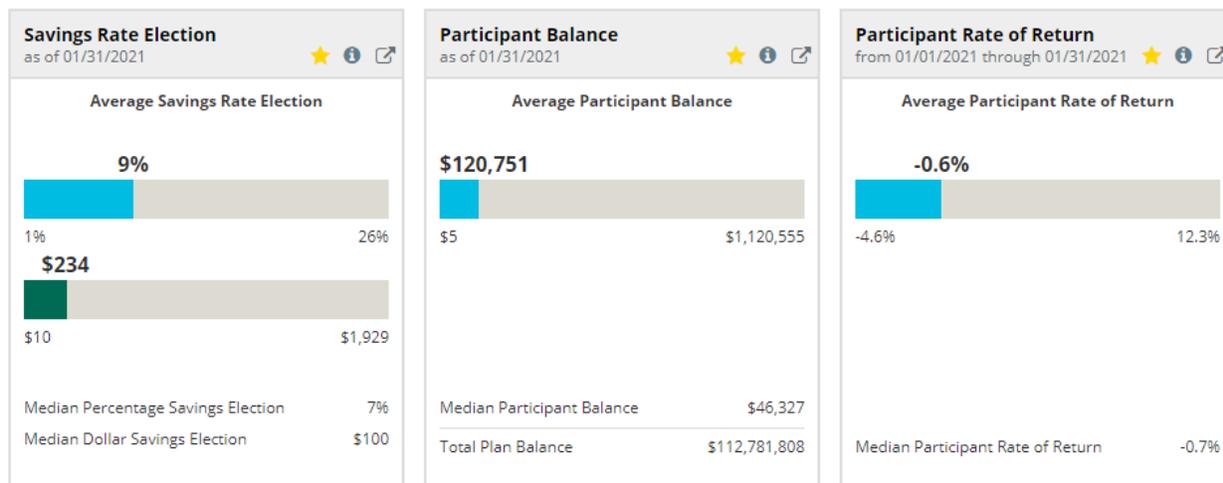
The Pension Analyst processed 43 estimates, 3 non vested calculations, 11 deceased calculations, 7 finals, 1 deferred, 3 payouts and conducted 5 pre-sessions.

Annual reminder letters were sent to 51 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.

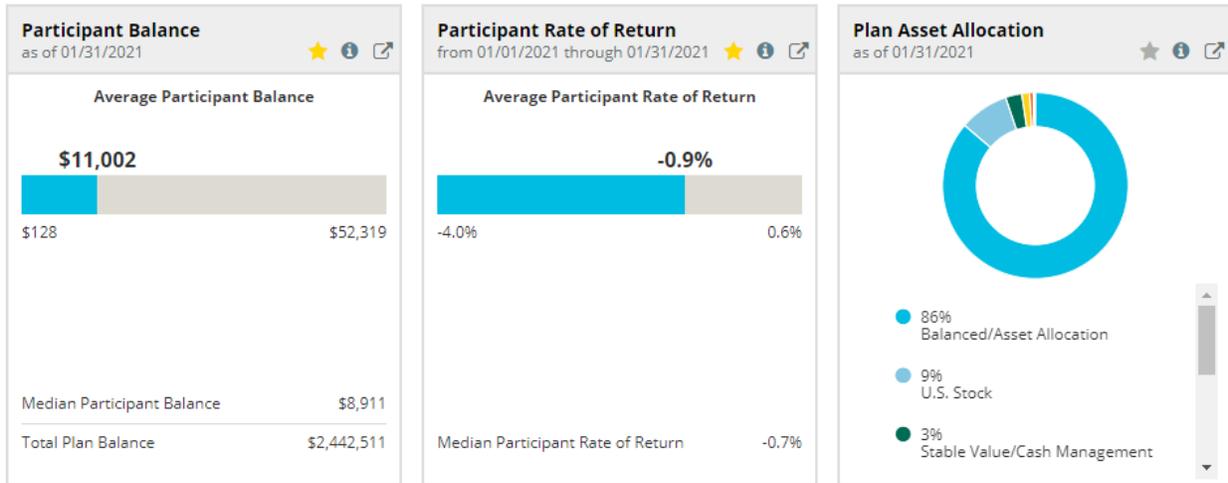
The calculations for the Minimum Benefit (aka Poverty Level) Increases were completed in February. Increases were applicable to 87 retirees resulting in a total annual increase of approximately \$ 6,500.

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

### **457 Balance at 2/11/21 - \$117,173,331 – Statistics as of 1/31/21**



**401 Balance at 2/11/21 = \$ 2,577,964 – Statistics as of 1/31/21**



**Current Items/Education:**

- Dan Stewart held virtual appointments with 19 employees during January 21/22. 20 employees registered for the 457 webinar on the 21<sup>st</sup>.
- A note regarding the Self-Directed Brokerage was ran in the latest A2 news.
- Gina John will be conduction virtual appointments and a webinar on February 25/26.

**Other Items:**

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

**F-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:

1/31/2021 Asset Value (Preliminary)	\$576,786,446
12/31/2020 Asset Value (Audited by Northern)	\$583,868,804
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$(4,245,195)
Percent Gain <Loss>	-0.7%
<b>February 17, 2021 Asset Value</b>	<b>\$593,109,802</b>

**F-4 Investment Policy Committee Minutes – February 2, 2021**

Following are the Investment Policy Committee minutes from the meeting convened at 3:04 p.m. on February 2, 2021:

Member(s) Present: DiGiovanni(via TX, Ann Arbor, MI), Flack(via TX, Ann Arbor, MI, 3:20 p.m. arrival), Hastie(via TX, Ann Arbor, MI, 3:55 p.m. depart), Horning(via TX, Tawas City, MI), Monroe(via TX, Green Oak<sub>6</sub>Twp., MI)

Member(s) Absent: None  
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  
John Harris(via TX), Meketa Investment Group

## **PERFORMANCE REVIEW THROUGH YEAR END 2020**

### **RETIREMENT SYSTEM:**

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

December 31, 2020 Investment Review: As of December 31, 2020, the balance of the Funds was \$578,805,261 for ERS. Fiscal Year to Date performance was 15.3% 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.

December 31, 2020 Investment Review: As of December 31, 2020, the balance of the Funds was \$223,058,589 for VEBA. Fiscal Year to Date performance was 14.9% for VEBA net of fees.

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

Mr. Jaung informed the Committee that during January 2021 the redemption of \$5.4 million from Tse Capital was complete and \$1.4 million from the now terminated Wellington TALF program was received in cash in the ERS. Payden also returned \$398,000 of its TALF assets to the VEBA.

## **CURRENT CASH BALANCES IN THE ERS AND VEBA & RECOMMENDATIONS ON RE-BALANCING EXCESS CASH**

The ERS will have approximately \$4 million left in cash after the April 2021 benefit payments. Meketa recommended to keep the cash intact.

VEBA cash will be approximately \$4 million after the Artisan purchase of \$3 million. Meketa recommended reducing cash down to \$1 million by adding \$2 million to the Russell 1000 Index Fund and \$1 million to the DFA Emerging Markets Value Fund. \$3 million from WCM will be redeemed in March to equal weight WCM and Artisan. At that time the cash will be replenished with the redemption proceeds.

It was **moved** by Flack and **seconded** by DiGiovanni to rebalance VEBA cash by adding \$2 million to the Russell 1000 Index Fund and \$1 million to the DFA Emerging Markets Value Fund.

**Approved**

**UPDATE & SUMMARY OF THE NEW INTERNATIONAL EQUITY AGGREGATE  
STRUCTURE WITH ARTISAN**

*In the ERS, the trade date redemptions were January 29, 2021 with 50% to be liquidated from the NT EAFE Index, or approximately \$28 million and will be used to purchase Artisan.*

*In the VEBA, the Artisan purchase trade date will be on February 4, 2021 with the settlement on February 5, 2021. This will be the full Hexavest position, plus \$4 million from the cash in VEBA, for a total of approximately \$14 million.*

**BOARD RETREAT TOPICS**

*Mr. Jaung suggested the following topics for the upcoming Board Retreat: Risk Mitigating Strategy, Asset Allocation and Economist presentation. The Committee agreed with the topics, time permitting and will forward any other ideas to Meketa after the Board meeting.*

**ICMA-RC Q2 2020 PLAN INVESTMENT REPORT**

*Ms. Orcutt provided an ICMA-RC update for Q2 2020. ICMA-RC provided the Committee with an explanation of the Vantagepoint Investment Advisors due diligence process and feedback on certain funds that were lagging for Q2 2020.*

**ADJOURNMENT**

*It was **moved** by DiGiovanni and **seconded** by Monroe to adjourn the meeting at 4:38 p.m.  
**Meeting adjourned at 4:38 p.m.***

**F-5 Administrative Policy Committee Minutes – February 9, 2021**

*Following are the Administrative Policy Committee minutes from the meeting convened at 3:08 p.m. on February 9, 2021:*

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

**UPDATE ON MEDICAL CONSULTANT RFP**

*Ms. Orcutt has received one response for the RFP thus far and is expecting responses from at least two other firms.*

**ICMA UPDATE**

*A reminder was sent to all employees regarding the self-directed brokerage option no longer accepting new participants. The January virtual one-on-one sessions were well attended, and the webinars continue to be offered for educational purposes.*

## **BUCK ADMINISTRATIVE SOFTWARE UPDATE**

Ms. Orcutt updated the Committee on the status of the Buck software. Buck slowly continues to work on updating the software. Staff's main concern is to get the Employee Self Service Website updated as soon as possible. Buck is aware this is high priority. Buck sends a daily email every morning with status updates on outstanding issues that need resolution. Also, Staff meets with Buck weekly to ensure tasks are being completed accurately.

## **DISCUSS 2021 NEWSLETTER**

Ms. Orcutt informed the Committee that staff is planning to send the newsletter in the spring but plan to postpone for a month or two in an effort to provide the most up to date information regarding office openings and the Employee Self Service website. There will not be a retiree luncheon this year due to the pandemic. The Committee agreed to keep the newsletter on the agenda to revisit as more information becomes available regarding the pandemic.

## **DISCUSS PENSION OVERPAYMENT/NEW BILLING PROCEDURE**

The deceased audit conducted by Northern Trust provides the Retirement System with updates on who has recently passed away. The recent report included a retiree who has been deceased since 2019 however, the pension benefit has continued to be paid. Staff is working to collect the overpayment of benefits.

Staff has coordinated with City IT and Finance departments to update the billing procedure using the existing software LOGOs. The system will generate invoices, provide a more effective way of tracking outstanding payments and provide employees with access to online payments.

## **DISCUSS FUTURE RETURN TO WORK POLICIES**

The Committee discussed future staff scheduling for when it is safe to return to work due to the pandemic. A possible hybrid schedule was discussed where staff would rotate working from home. Policies and procedures would need to be in place to ensure working from home is efficient as well as protocols would need to be in place for safety in the office. The Committee will continue to discuss as dates become clearer as to when returning to work is safe.

## **OTHER**

Mr. Schreier inquired on when topics for the Board Retreat were going to be decided as he would like suggest a due diligence review of the 401/457 Plans. Ms. Orcutt stated that Retreat topics are on the agenda for the February 18 Board Meeting.

## **ADJOURNMENT**

It was ***moved*** by Peariso and ***seconded*** by Schreier to adjourn the meeting at 3:44 p.m.  
**Meeting adjourned at 3:44 p.m.**

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

**F-7 Legal Report**

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

**G-1 Communications Memorandum**

**G-2 March Planning Calendar**

**G-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	American Express	\$656.78	AT&T 9/26/2020-10/25/2020 & stamps for deferred statements
2	American Express	\$611.39	AT&T Service 10/26/2020-11/25/2020
3	Culligan	\$12.00	Water Service 1/2021
4	DTE	\$114.26	Electric Service 12/15/2020 - 1/31/2021
5	DTE	\$117.21	Gas Service 12/15/2020 - 1/13/2021
6	VanOverbeke, Michaud & Timmony	\$7,682.40	Legal Services 10/1/2020 - 12/31/2020
7	Loomis Sayles	\$28,720.63	Investment Management Fee 10/1/2020 - 12/31/2020
8	Rhumblin	\$13,622.00	Investment Management Fee 10/1/2020 - 12/31/2020
9	Applied Imaging	\$29.09	1/2021 Printing Services
10	Culligan	\$12.00	Water Service 2/2021
11	GRS	\$2,425.00	GASB 67/68 Q1 2021
12	GRS	\$6,700.00	Pension Valuation Q1 2021
13	Meketa Investment Group	\$10,000.00	Investment Consulting Services 1/2021
	<b>Total</b>	<b>\$70,702.76</b>	

**G-4 Retirement Report**

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

<b>Name</b>	<b>Retirement Type</b>	<b>Effective Retirement Date</b>	<b>Group</b>	<b>Years of Service</b>	<b>Department/Service Area</b>
Lynda Rathburn	Age & Service	March 20, 2021	Fire	30 Years, 8.5 Months	Safety Services
Sandra Bird	Deferred Age & Service	April 1, 2021	General	3 Years, 8 Months	Financial & Administrative

**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