

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

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:34 a.m.

ROLL CALL

Members Present: 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*), Schreier(*Via TX, Ann Arbor, MI*)
Members Absent: DiGiovanni, Peariso
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 Nerdrum to approve the agenda as submitted.

Approved

B. APPROVAL OF MINUTES

B-1 February 18, 2021 Regular Board Meeting

It was **moved** by Schreier and **seconded** by Hastie to approve the February 18, 2021 Regular Board Meeting minutes.

Approved

C. CONSENT AGENDA - None

D. ACTION ITEMS

D-1 Proposed April 15, 2021 Board Retreat Agenda

The Board reviewed the proposed April 15, 2021 Board Retreat agenda and agreed to approve.

It was **moved** by Hastie and **seconded** by Monroe to approve the April 15, 2021 Board Retreat Agenda as submitted.

Approved

D-2 ICMA-RC Calvert Settlement Cash Distribution Option

Ms. Orcutt informed the Board of a recent cash distribution received by ICMA-RC from a settlement of a U.S. Securities and Exchange Commission administrative proceeding against Calvert Funds. As plan fiduciary, the Board must decide on a distribution option. The Board discussed the options and decided to have Ms. Orcutt verify if the settlement was for an individual or multiple people. Once verified, Ms. Orcutt will determine the best option for distribution.

It was **moved** by Nerdrum and **seconded** by Hastie to authorize the Executive Director to make the appropriate determination upon obtaining additional information as to how

many accounts the funds were in.

Approved

E. DISCUSSION ITEMS

E-1 Medical Consultant RFP

Ms. Orcutt informed the Board of the RFP submissions. The results were reviewed and discussed at APC. APC recommends continuing services with MedSource Consulting Services. The Board agreed.

E-2 Age 50 Catch Up Process – 457 Plan

Ms. Orcutt informed the Board that staff is working with Human Resources regarding the payroll software capability to allow auto enrollment for Age 50 Catch ups. If the software allows, all eligible employees will be auto enrolled in the Age 50 Catch Up allowing for the additional \$6500 in annual contributions and notifications will be sent out.

F. REPORTS

F-1 Executive Report – March 18, 2021

CONSTITUTION CAPITAL PARTNERS

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 149,862** for the Retirement System and **\$ 49,954** for VEBA to fund current investments on 3/22/21.

SUMMIT PARTNERS CAPITAL CALLS AND DISTRIBUTIONS

Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$77,286** for the Retirement Plan and **\$19,321** for the VEBA on 3/8/21. With these installments, **CAAERS** will have funded 138.72% of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$134,555** for the Retirement System and **\$37,377** for the VEBA on 3/9/21.

BUCK CONVERSION

The test version of the ESS Calculator was released to a small group of employees on March 8. Feedback is being given to Buck to make improvements where possible. 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 74 estimates, 5 non vested calculations, 5 deceased calculations, 10 finals, 1 payout and conducted 5 pre-sessions.

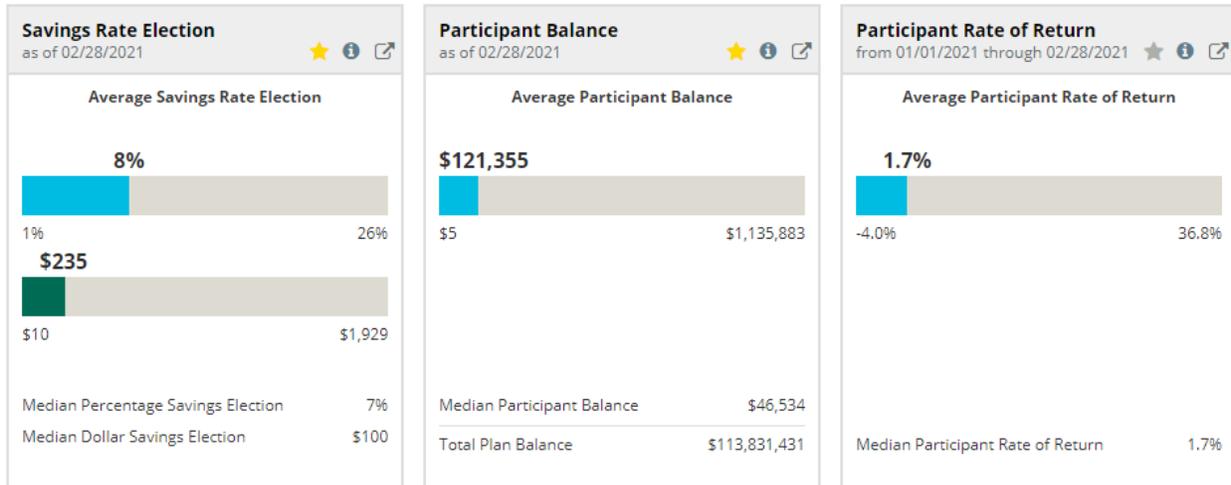
OTHER

The Board further discussed the status of Buck’s software. Staff is continuing to document and track time spent on updating the system. Mr. VanOverbeke is working

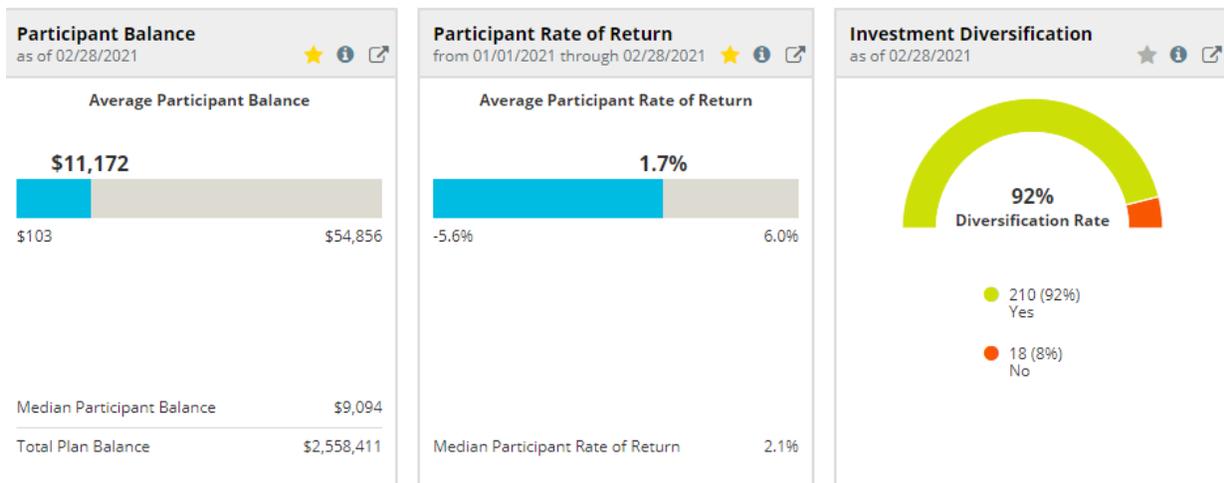
with Ms. Orcutt to review the contract and determine the damages. Once reviewed, Mr. VanOverbeke will present a recommendation to the Board.

F-2 Executive Report – ICMA-RC Update

457 Balance at 3/9/21 - \$112,686,788 – Statistics as of 2/28/21



401 Balance at 3/9/21 = \$ 2,558,149 – Statistics as of 2/28/21



Current Items/Education:

- Dan Stewart will be conducting virtual appointments on March 9/10.
- Gina John conducted virtual appointments and a webinar on February 25th and 26th. 15 employees (including Staff) attended the webinar, 14 had virtual one-on-one appointments.

Other Items:

Employees can now receive a wellness credit for having an individual appointment with Dan Stewart or Gina John from ICMA. The representative will send an email to each employee after meeting confirming their visit which the employee can submit to the Wellness Committee. One credit will be allowed per year.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended February 28, 2020

Maria Buffone, Accountant, submitted the Financial Report for the month ended February 28, 2021 to the Board of Trustees:

2/28/2021 Asset Value (Preliminary)	\$583,591,536
1/31/2021 Asset Value (Audited by Northern)	\$577,146,047
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$4,933,010
Percent Gain <Loss>	0.8%
March 17, 2021 Asset Value	\$593,903,436

F-4 Investment Policy Committee Minutes – March 2, 2021

Following are the Investment Policy Committee minutes from the meeting convened at 3:05 p.m. on March 2, 2021:

Member(s) Present: DiGiovanni(via TX, Ann Arbor, MI), Hastie(via TX, Ann Arbor, MI, 3:55 p.m. depart), Monroe(via TX, Ann Arbor, MI)

Member(s) Absent: Flack, 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
John Harris(via TX), Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF JANUARY 31, 2021

Mr. Jaung gave an economic and market update reviewing market returns, volatility, S&P500 and the impact of the pandemic.

EXECUTIVE SUMMARY

The ERS returned -0.7% for the month of January and 14.4% Fiscal YTD. The VEBA returned -0.6% for the month of January and 14.2% Fiscal YTD. \$5.4 million from Tse Capital and \$1.4 million from the now terminated Wellington TALF program in the ERS was redeemed in January. The rebalancing of the international equity aggregate resulted in equal weight between Artisan, WCM and NT EAFE in the ERS.

Rebalancing in the VEBA took place during the first week of February. The international equity aggregate will be equally distributed between Artisan and WCM. A redemption of \$3 million from WCM will be redeemed in early March and the proceeds will be rebalanced at that time.

RETIREMENT SYSTEM

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

January 31, 2021 Performance Update: As of January 31, 2021, the balance of the Funds was \$578,091,679 for ERS. Fiscal Year to Date performance was 14.4% for ERS net of fees.

Fossil Fuel Exposure Monitoring: Exposures were identified in the Northern Trust 1000, Northern Trust S&P400, Northern Trust MSCI EAFE, DFA, GQG, Rhumblin HEDI, Northern Trust Barclays Aggregate, 4 Northern Trust 1-5yr Credit, and Sky Harbor

Broad High Yield.

As of December 31, 2020, approximately 2.2% or 198 total securities were invested in fossil fuels, excluding overlapping securities. Within this exposure, approximately 1.4% of the total Retirement System is invested in the Carbon Underground 200 Companies.

VEBA

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

January 31, 2021 Performance Update: As of January 31, 2021, the balance of the Funds was \$222,079,137 for VEBA. Fiscal Year to Date performance was 14.2% for VEBA net of fees.

Meketa also recommended to rebalance the VEBA cash once the WCM redemption is received. The Committee agreed and made the following motion:

It was **moved** by DiGiovanni and **seconded** by Monroe to rebalance VEBA cash by adding \$1 million to Artisan and \$2 million to Aggregate Bonds from the WCM redemption.

Approved

2021 CAPITAL MARKET EXPECTATIONS

Capital Markets expectations are the inputs needed to conduct MVO which is the traditional starting point for determining asset allocation. Consultants generally set them once a year. Long-term expectations are set for a variety of asset classes for returns, standard deviation and correlations.

Meketa's first step is to develop a 10-year forecast based on fundamental models based on the most important factors that drive returns for that asset class. The common components are income, growth and valuation. The next step would be to combine the 10-year forecast with projections for years 11-20 for each asset class. The final step would include IPC reviewing the output and adjusting as needed.

INVESTING IN A LOW RATE ENVIRONMENT: THE "BARBELL" APPROACH

Meketa presented the "Barbell" approach to the IPC. With declining interest rates and the expectation that they will remain fairly low, it will be more difficult than ever for institutional investors to achieve their target returns. The lower expected return across asset classes argues for a "barbell approach" to portfolio structuring. This means owning higher-risk assets such as equities along with hedges such as long Treasuries and other Risk Mitigating Strategies. The barbell approach effectively "crowds out" assets with expected returns in the middle that tend to be correlated with higher risk assets.

FINALIZE BOARD RETREAT TOPICS

Meketa will be presenting on the following two topics at the 2021 Board Retreat: Risk Mitigating Strategy and Global Economic Outlook.

ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Monroe to adjourn the meeting at

5:13 p.m.

Meeting adjourned at 5:13 p.m.

F-5 Administrative Policy Committee Minutes – March 10, 2021

Following are the Administrative Policy Committee minutes from the meeting convened at 3:06 p.m. on March 10, 2021:

Committee Members Present: Lynch(3:20 p.m. arrival, via TX, Dexter, MI), Monroe(Via TX, Ann Arbor, MI), Peariso(Via TX, Ann Arbor, MI), Schreier(Via TX, Ann Arbor, MI)

Members Absent: None

Other Trustees Present: None

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

Others Present: None

REVIEW OF MEDICAL DIRECTOR RFP RESPONSES

Three firms submitted responses to the RFP; MedSource, MMRO, and IME. The Committee reviewed the responses and discussed the specifics of each. After discussion it was agreed that the RFP responses were comparable to each other and nothing stood out that would cause the Committee to make a switch from the current provider. Staff mentioned that MedSource is very responsive and there have been no issues with scheduling appointments and timeliness of reports. After further review the Committee agreed to continue services with MedSource.

It was ***moved*** by Schreier and ***seconded*** by Peariso to recommend to the Board to retain services with MedSource.

Approved

ICMA UPDATE

Wellness Credits: The City will be providing a wellness credit for employees who participate in one-on-one consultations once a year.

Recent Onsite Education: ICMA is providing regular onsite education. Last month's webinar and one-on-one consultations were well attended.

Age 50 Catch Up: There continues to be confusion with employees on whether the age 50 catch up is automatic or if employees are required to complete a form to sign up. Currently the process is to complete a form provided by Pension staff which is then forwarded to HR/Payroll so the code can be updated allowing for the additional contributions. The Committee discussed both options, auto enrolling everyone at age 50 or completing the form and continuing to educate employees on the process. Before deciding, the Committee would like to confirm with ICMA which reports are available on the deferral data downloaded by HR monthly. Staff will verify with ICMA.

BUCK ADMINISTRATIVE SOFTWARE UPDATE

Ms. Orcutt updated the Committee on the status of the Buck software. The Employee Self Service (ESS) website was sent out to a test group of employees for feedback. Staff is working with Buck to improve the ESS site based upon the feedback.

GRS has provided some information regarding their software to Staff. Ms. Orcutt and GRS will share at the Board Retreat if time permits.

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 later in the Spring. Updates can be provided regarding the Age 50 catch up, post-Covid office accessibility, and the employee self-service site. The Committee agreed to keep the newsletter on the agenda to revisit as more information becomes available regarding the pandemic.

PENSION BILLING PROCEDURE

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. The new system is now in place and is working great.

RECENT FOIA REQUEST/RESPONSE

A recent FOIA request was submitted to the Retirement Office and a response was provided which included a listing of retirees, retirement dates, hire dates and gross pension amounts.

OTHER

Recently there has been an employee who reached out to schedule an in person final appointment to retire only to cancel at the last minute. This has now occurred three times. The employee states they do not have access to complete the forms electronically which is why the in-office appointments were made. Mr. Gustafson has sent PDFs of the paperwork and scheduled a Teams appointment later this week with the employee and the union head to assist with completing the retirement paperwork.

ADJOURNMENT

It was ***moved*** by Schreier and ***seconded*** by Peariso to adjourn the meeting at 4:00 p.m.
Meeting adjourned at 4:00 p.m.

F-6 Audit Committee Minutes – None.

F-7 Legal Report

Mr. VanOverbeke updated the Board regarding the Open Meetings Act. He is waiting to hear if there will be any changes to the Act and will update the Board when he knows more. Mr. Horning informed the Board that Washtenaw County extended their emergency order through December 31, 2021 which would allow the Board to continue meeting virtually as needed.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 April 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	DTE Energy	\$115.72	Electric Service 1/15/2021 - 2/12/2021
2	DTE Energy	\$121.89	Gas Service 1/15/2021 - 2/12/2021
3	West Arbor Condo Association	\$1,139.36	Updated Sign, Condo Association Dues Jan & Feb 2021
4	RNA Facilities	\$260.00	Office Cleaning 2/10/2021
5	American Express	\$8.46	USPS: Stamps for Deferred Statements
6	Applied Imaging	\$25.10	Printing Services 2/2021
7	Culligan	\$12.00	Water Service 3/2021
8	IRM	\$105.18	Investment Management Fee Q3 2020 remainder
9	IRM	\$3,538.70	Investment Management Fee Q4 2020
10	Meketa	\$10,000.00	Investment Consulting Fee 2/2021
11	West Arbor Condo Association	\$456.00	Condo Association Dues 3/2021
12	Robertson Morrison	\$230.00	Quarterly AC/Heat/Filter Inspection
	Total	\$16,012.41	

G-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Union	Years of Service	Department/Service Area
Brian Rogers	Age & Service	March 26, 2021	General	Teamsters	19 Years, 4 Months	Public Services
Aldo Iannelli	Age & Service	March 27, 2021	General	AFSCME	30 Years, 5.5 Months	Community Services
Jeffrey Pelzel	Age & Service	April 14, 2021	Fire	Fire	30 Years, 3 Months	Safety Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Monroe to adjourn the meeting at 9:18 a.m.
Meeting adjourned at 9:18 a.m.

Wendy Orcutt

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