

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
October 15, 2015**

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

ROLL CALL

Members Present: Clark, Crawford, DiGiovanni, Hastie, Monroe, Nerdrum (8:50 a.m.)
 Members Absent: Flack, Heusel, Lynch
 Staff Present: Kluczynski, Walker
 Others: Michael VanOverbeke, Legal Counsel
 Larry Langer, Buck Consultants
 Dan Levin, Buck Consultants

AUDIENCE COMMENTS – None

A. APPROVAL OF AGENDA

It was **moved** by Clark and **seconded** by Hastie to approve the agenda as presented.
Approved

B. APPROVAL OF MINUTES – September 17, 2015

It was **moved** by Monroe and **seconded** by Clark to approve the September 17, 2015 Board Meeting minutes as submitted.
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
Robyn Gillen	Police	1 year, 6 months	Pittsfield Charter 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.

C-2 DRO Resolution – Consent Judgment of Divorce – Ronald Cummings v. Margie Cummings

WHEREAS, the Board of Trustees is in receipt of an entered Consent Judgment of Divorce dated March 4, 2015, in the referenced domestic relations matter, and

WHEREAS, the Consent Judgment of Divorce provides in relevant part as follows:

City of Ann Arbor Employees' Retirement System. Plaintiff RONALD LIN CUMMINGS is awarded one-hundred percent (100%) of his accrued pension benefit under the City of Ann Arbor plan (The Northern Trust Company) as of the date of the Judgment. The pension is "in pay" status and all retirement subsidies and/or supplements, post-retirement cost-of-living adjustments and all ancillary benefits paid from the plan are awarded to Plaintiff. Plaintiff will continue to name Defendant as the beneficiary on the pension indefinitely. Plaintiff shall provide proof to Defendant upon her request in writing that she remains the beneficiary on his City of Ann Arbor Employees' Retirement System.

and

WHEREAS, pursuant to the foregoing provisions of the Consent Judgment of Divorce, Margie P. Cummings is not entitled to any portion of Ronald Lin Cummings's monthly benefits payable from the Retirement System, and

WHEREAS, absent an additional award, order or Judgment of the Court, Ms. Cummings will continue to be considered as Mr. Cummings's survivor beneficiary for purposes of the Option III form of benefit, and

WHEREAS, said matter having been discussed with Legal Counsel who has opined that the terms of the Consent Judgment of Divorce are consistent with applicable law, therefore be it

RESOLVED, that the Board of Trustees acknowledges receipt of said Judgment and will pay future pension benefits consistent with it, and further

RESOLVED, that copies of this Resolution be sent to Ronald Lin Cummings, the Participant; Susan V. Brown, Esq., attorney for the Participant; Margie P. Cummings, the Participant's former spouse; and Leah Stempky, Esq., attorney for the Participant's former spouse.

It was **moved** by Hastie and **seconded** by Monroe to approve the consent agenda as presented.

Approved

D. EXECUTIVE SESSION – Disability Application / Medical Report

It was **moved** by Hastie and **seconded** by Clark to convene an Executive Session for the purpose of a continued review of the medical disability application for Lynn Hart.

Approved

Roll call vote:

Clark - Yes	Flack - Yes	Lynch - Absent
Crawford - Yes	Hastie - Yes	Monroe - Yes
DiGiovanni - Yes	Heusel – Yes	Nerdrum - Yes

At this point in the meeting, Ms. Kluczynski excused herself from attending the closed session.

Disability session time: 8:44 a.m. – 9:03 a.m.

E. ACTION ITEMS

E-1 Motion Regarding Disability Application / Medical Report

It was **moved** by Clark and **seconded** by Hastie that in light of the discussion held in closed session, to acknowledge receipt of the medical report from Allen Babcock, M.D. dated August 24, 2015, with regards to the independent medical evaluation of disability applicant Lynn Hart, to further acknowledge receipt of the additional supplemental information that the Board had requested at its last meeting from the City, and to grant the non-duty disability retirement application subject to the re-examination provisions of the Board’s disability retirement procedures.

Approved

E-2 FAC Recalculation Policy

Mr. Monroe stated that he is still waiting for the Police Union’s comments regarding the policy, and they are meeting this evening with this topic on their agenda, so he would like to postpone this item until the November Board meeting. Mr. Monroe asked Mr. VanOverbeke to clarify that an arbitrator has the ability to supersede the Ordinance provisions, and Mr. VanOverbeke stated that collective bargaining agreements and anything that arrives out of the collective bargaining process does supersede the expressed Plan provisions. Mr. Clark stated that the AFSCME and, he believes, the TEAMSTERS are in favor of the proposed language. Mr. Monroe, at the request of the Union has requested to table consideration of this to the November meeting and as a courtesy, the Board will grant his request.

E-3 Presentation: Actuarial Valuation for FY June 30, 2015

Mr. Langer from Buck Consultants was present to review the drafted Actuarial Valuation for fiscal year June 30, 2015. In summary, the following language was included in the presentation:

Events during fiscal year ended June 30, 2015 which impacted the June 30, 2015 Actuarial Valuation results:

- Results of this valuation deviated from last year’s valuation due to many legitimate reasons:

- Market value returns of 4.22% compared to 7% assumed
- Payroll increased by 1.7% compared to 3.5% assumed
- Individual salary increases were lower than expected
- Overall, the above events resulted in the funded status being higher than anticipated and employer contributions to be lower than anticipated based on the June 30, 2014 projections.

The funded ratio increased this past year from 82.88% to 86.17%. It was projected to increase to 86.00%. Net actuarial experience resulted in the funded ratio increasing more than projected in last year's valuation.

The employer normal cost contribution increased from last year as a direct result of an increase in payroll. The amortization payment for unfunded actuarial accrued liability decreased as the unfunded actuarial accrued liability decreased from \$90 million to \$74 million. The actuarial employer contribution decreased from last year due to better than expected investment experience.

Ms. Nerdrum stated that it would be nice to see the additional amount that is being contributed under the current policy over and above what is calculated in the report. Mr. Langer stated that it is in the projection and the cover letter, but there are places to add further information, they can certainly put that in the final version of the projection. After further discussion, it was decided to change the contribution titles in the report to Minimum Required Policy and Minimum Funding Plan indicated on the "Contribution Amount under Current and Alternative Amortization" chart.

Key Takeaways:

- Results of this valuation deviated from last years valuation due to many legitimate reasons:
 - The City contributed \$13,091,474 under the Funding Plan, which was \$764,256 more than the \$12,327,218 contribution determined under the Minimum Required Policy
 - Market value returns of 4.22% compared to 7% assumed
 - Payroll increased by 1.7% compared to 3.5% assumed
 - Individual salary increases were lower than expected
- Overall, the above events resulted in the funded ratio being higher than anticipated and the Minimum Required Policy contribution to be lower than anticipated based on the June 30, 2014 projections.
- Based on the results of this valuation, we project that the ERS will achieve 100% funding in 2028. This date will vary from valuation to valuation.

It was **moved** by Crawford and **seconded** by Hastie to accept the Actuarial Report as drafted with changes in language on the contributions.

Approved

F. DISCUSSION ITEMS

F-1 New Trustee Committee Appointments

It was **moved** by Clark and **seconded** by Crawford to approve the appointments of Tony DiGiovanni to the Investment Policy Committee and Julie Lynch to the Administrative Policy Committee.

Approved

F-2 2015 Board Election Schedule

- October 8: Election notices will be sent for electronic posting on A2 Central, A2 News, and Ultipro. The election notice will indicate the deadline for Declarations of Candidacy, which will be 5:00 p.m., November 13, 2015.
- November 13: 5:00 p.m. deadline for Declarations of Candidacy.
- November 17: Notices announcing election candidates will be distributed as indicated above.
- November 20: Request General & Police employee listing from the Human Resources Department.
- December 4: Deliver ballots and election materials to City Clerk's office & outlying areas.
- December 9 & 10: Election dates.
- December 17: Board certification of elected candidates followed by a general announcement to all employees via electronic formats.

G. REPORTS

G-1 Executive Report – October 15, 2015

SUMMIT PARTNERS CREDIT FUND

On October 16, 2015, capital calls of **\$295,868** from the Retirement System and **\$73,967** from the VEBA are requested for Summit Partners Credit Fund II, L.P. (the "Fund"). With this call, we will have funded 26.9% of our total commitment to Summit Partners Credit Fund II, L.P.

AEW VEBA FUND

9-30-2015 Preliminary Results with inception 3rd Q 2013:

Investor Net Asset Value	\$5,472,968
Investor Inception-to-Date IRR - Net	11.17%
Investor Inception-to-Date Multiple - Net	1.21x

AEW RETIREMENT SYSTEM PENSION

9-30-2015 Preliminary Results with inception 3rd Q 2013:

Investor Net Asset Value	\$21,891,872
Investor Inception-to-Date IRR - Net	11.17%
Investor Inception-to-Date Multiple - Net	1.21x

NEW MANAGER

Northern Trust will be providing investment management agreements and other paperwork for the new VEBA investment in the blended short term corporate credit/treasury securities fund selected by the IPC at its October meeting under the authority delegated to the Committee by the Board to determine the best use of the \$4 million in excess cash in the VEBA.

ACTUARIAL VALUATION PROGRESS

The valuations will be presented October 15 for the Board to review and approve.

AUDIT AND FINANCIAL STATEMENTS

We have been provided with draft statements for both the Retirement System and the VEBA from the auditor, and staff is reviewing.

STAFF ACTIVITY

For August, September, and October through the 8th there were 38 persons requesting estimates, some with multiple dates requested.

TRUSTEE ELECTIONS

The police and general elected trustee positions expire 12-31-2015. The election schedule will list the relevant deadlines for the candidates and the election process. If the candidacy declarations result in multiple candidates for the general trustee, the manager at the Wheeler Center will be consulted regarding election locations and timing at that facility as well as City Hall.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended September 30, 2015

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended September 30, 2015 to the Board of Trustees:

9/30/2015 Asset Value (Preliminary)	\$451,676,278
8/31/2015 Asset Value (Audited by Northern)	\$459,949,234
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$9,000,268)
Percent Gain <Loss>	-1.9%
October 14, 2015 Asset Value	\$ 456,584,866

G-3 Investment Policy Committee Minutes – October 6, 2015

Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on October 6, 2015:

Member(s) Present: Clark, Flack, Hastie, Monroe
Member(s) Absent: None
Other Trustees Present: DiGiovanni
Staff Present: Kluczynski, Walker
Others Present: Henry Jaung, Meketa Investment Group

SEPTEMBER 30, 2015 INTERIM INVESTMENT REVIEW

Mr. Jaung reviewed the Capital Markets Outlook and the Act 314 Compliance Review, stating that the System is well in compliance in all areas. Mr. Jaung also reviewed the investment performance, stating that as of August 31, 2015, the market value was \$458.3 million, down \$15.8 million from June 30th.

NOVEMBER IPC MEETING

With election day occurring on November 3rd this year, the Committee will look at an

alternate day during the first week of November to hold the next meeting.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Clark to adjourn the meeting at 5:17 p.m.
Meeting adjourned at 5:17 p.m.

G-4 Administrative Policy Committee Minutes – October 13, 2015

Following are the Administrative Policy Committee minutes from the meeting convened at 3:07 p.m. on October 13, 2015:

Committee Members Present:	Crawford, Monroe
Members Absent:	Heusel
Other Trustees Present:	Lynch
Staff Present:	Jarskey, Kluczynski, Walker
Others Present:	None

FAC RECALCULATION POLICY DISCUSSION (CONTINUED)

The Committee continued their discussion regarding the revised FAC Recalculation Policy, and specific arbitration cases involved. Mr. Monroe stated that this item is on the October 15th Board agenda for further discussion, where the various comments from the Collective Bargaining Units will be shared before final approval of the proposed policy.

LEGAL RFP UPDATE

Ms. Walker provided a brief update on the various references received for the three legal candidate firms who replied to the recent RFP, and that interview questions have been sent to the Board Members for review. A special-call Board meeting has been scheduled in order to hold the three interviews on Tuesday, October 20th beginning at 9:00 a.m.

ADJOURNMENT

Meeting adjourned at 3:57 p.m.

G-5 Audit Committee Minutes – October 13, 2015

Following are the Audit Committee minutes from the meeting convened at 4:06 p.m. on October 13, 2015:

Committee Members Present:	Clark, Crawford, Monroe, Nerdrum
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Jarskey, Kluczynski, Walker
Others Present:	None

REVIEW OF DRAFTED ACTUARIAL VALUATIONS

The Committee reviewed the drafted Actuarial Valuations for both the Retirement System and VEBA for the fiscal year ended June 30, 2015. The Committee noted a minor change to the cover letter, but no suggested changes or corrections to the reports in general. A conference call was placed to Mr. Langer and Mr. Levin of Buck Consultants for clarification on certain sections regarding demographics, GASB, and OPEB.

It was **moved** by Monroe and **seconded** by Crawford to accept the Valuations as discussed and amended, and recommend approval of the reports at the October 15, 2015 regular Board

meeting.

Approved

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Clark to adjourn the meeting at 5:26 p.m.

Meeting adjourned at 5:26 p.m.

G-6 **Legal Report – No Report**

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

H-1 **Communications Memorandum**

H-2 **November Planning Calendar**

H-3 **Record of Paid Invoices**

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

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	12.04	Monthly Gas Fee dated September 11, 2015
2	DTE Energy	253.68	Monthly Electric Fee dated September 11, 2015
3	Buck Consultants	1,583.33	Monthly hosting fees – August 2015
4	AT&T	357.63	Monthly telephone service
	TOTAL	2,206.68	

H-4 **Retirement Report**

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

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Timothy Paquin	Early / Age & Service	October 26, 2015	General	23 years	Public Services Communications
Sumedh Bahl	Age & Service	November 14, 2015	General	25 years, 7 months	Community Services Administration
Phillip Smith	Age & Service	January 2, 2016	Fire	23 years, 11 months	Safety Services Fire Department

I. **TRUSTEE COMMENTS**

J. **ADJOURNMENT**

It was **moved** by Hastie and **seconded** by Monroe to adjourn the meeting at 10:26 a.m.

Meeting adjourned at 10:26 a.m.

Nancy R. Walker, Executive Director
City of Ann Arbor Employees' Retirement System