

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
October 19, 2023**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:39 a.m.

ROLL CALL

Members Present: DiGiovanni, Flack, Foster, Grimes, Monroe, Praschan, Schreier
Members Absent: Lynch, Nerdrum
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel(*Via TX*)
Rich Koch, GRS(*9:55 am – 10:35am*)
Francois Pieterse, GRS(*9:55 am – 10:35am*)
Dan Merrit, Rehmann(*Via TX, 10:39 am – 10:53am*)
Roman Morrow(*9:47 a.m. depart*)
Michael Montgomery(*9:15 a.m. depart*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 September 21, 2023 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Foster to approve the September 21, 2023 Regular Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

C-1 Income Withholding Order for Support Kevin Kenneth Ernst

WHEREAS, the Board of Trustees is in receipt of a Termination of Income Withholding for Support Order dated September 30, 2023, regarding Participant Kevin Kenneth Ernst and his benefits payable from the Retirement System, and

WHEREAS, the order requests that the prior income withholding from Mr. Ernst's retirement benefits payable to the Washtenaw County Friend of the Court be terminated, and

WHEREAS, said matter has been discussed with legal counsel who has opined that the applicable terms of said court order is consistent with the provisions of the Retirement System and applicable law, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order as of November 1, 2023, acknowledges said court order is consistent with Plan provisions and applicable law, and hereby indicates that it will terminate its prior income withholding in accordance with the terms of said order from this date forward as soon as administratively feasible, and further

RESOLVED, that a copy of this resolution be immediately attached as the top sheet of the Participant's pension file and other appropriate records be kept for the Retirement System relative to this matter, and

RESOLVED, the copies of this Resolution be sent to Kevin Kenneth Ernst, the Participant; and the Washtenaw County Friend of the Court.

It was **moved** by Foster and **seconded** by Grimes to approve the consent agenda as presented.

Approved

D. EXECUTIVE SESSION – Disability Examinations Review

It was **moved** by Monroe and **seconded** by Foster to convene an Executive Session at the request of Ms. Orcutt for the purpose of discussing the Disability Examinations.

Approved

Roll call vote:

| | | |
|------------------|----------------|------------------|
| DiGiovanni – Yes | Foster – Yes | Nerdrum - Absent |
| Flack – Yes | Lynch – Absent | Praschan – Yes |
| Grimes – Yes | Monroe – Yes | Schreier – Yes |

Executive session time: 8:42 a.m. – 9:48 a.m.

E. ACTION ITEMS

E-1 Motion Regarding Disability Examinations

It was **moved** by Monroe and **seconded** by Schreier that the Board acknowledges receipt of the medical report dated September 26, 2023 from Calmeze H. Dudley, M.D., with regards to the independent medical evaluation of Roman Morrow, noting that the Board has reviewed the medical report and discussed with the applicant in closed session; noting that the doctor has concluded that he is totally and permanently incapacitated for duty in the service of the City, and that such incapacity will probably be permanent; the Board therefore grants disability retirement consistent with the Board's Disability Retirement Procedures.

Approved

It was **moved** by Monroe and **seconded** by Schreier that the Board acknowledges receipt of the medical report dated September 29, 2023 from Calmeze H. Dudley, M.D., with regards to the independent medical evaluation of Michael Montgomery, noting that the Board has reviewed the medical report and discussed with the applicant in closed session; requesting that the Executive Director contact Consulting Physicians, the Board's medical director and arrange for the medical record submitted October 19, 2023 be reviewed by a physician.

Approved

E-2 Resolution to Transfer Management Responsibilities for 401(a) Executive Plan

Effective October 20, 2023, the City has approved the transfer of day-to-day management responsibilities in connection with the 401(a) Executive plan to the Retirement System.

It was **moved** by Grimes and **seconded** by Foster to accept the transfer of the day-to-day management responsibilities for the 401(a) Executive plan.

Approved

E-3 Letters of Recommendation to appoint Tony DiGiovanni and Jordan Schreier Citizen Trustees

It was **moved** by Foster and **seconded** by Praschan to approve the letter of recommendation to reappoint Tony DiGiovanni as Citizen Trustee for the term January 1, 2024 – December 31, 2026, and the letter be forwarded to the Mayor's Office for consideration.

Approved

It was **moved** by Foster and **seconded** by Praschan to approve the letter of recommendation to reappoint Jordan Schreier as Citizen Trustee for the term January 1, 2024 – December 31, 2026, and the letter be forwarded to the Mayor's Office for consideration.

Approved

E-4 401 Expenses to be paid from Forfeitures for Quarter End 9/30/23

The Board reviewed the Quarter End 9/30/23 expenses to be paid from forfeitures and agreed to approved.

It was **moved** by Schreier and **seconded** by Monroe to approve to the Quarter End 9/30/23 Forfeiture expenses as submitted.

Approved

E-5 457 Expenses to be paid from Admin Allowance for FYE 6/30/2023

The Board reviewed the Quarter End 9/30/23 expenses to be paid from Admin Allowance and agreed to approved.

It was **moved** by Monroe and **seconded** by Schreier to approve to the Quarter End 9/30/23 Admin Allowance expenses as submitted.

Approved

E-6 PRESENTATION: FYE June 30, 2023 Actuarial Valuation

Mr. Koch was present to review the drafted Actuarial Valuation for fiscal year ending June 30, 2023. The funded ratio is 83.35% as of this valuation date. The aggregate experience during 2023 was more favorable than assumed due to a gain from higher than assumed recognized investment return, partially offset by retirees living longer than anticipated and minimum benefits increasing by more than anticipated.

Highlights

The 2023 valuation reflects changes in the following assumptions:

- Pay increase rates, retirement rates, withdrawal rates, disability rates and mortality rates
 - Resulted in a \$6.6 million increase in the actuarial accrued liability and a \$0.8 million increase in the actuarially determined contribution.

The 2023 valuation reflects the changes in the following methods:

- Set corridor (80%) around Actuarial Assets, incorporate layered amortization at 15 years

Looking ahead

Contribution rates should trend toward the long-term cost (normal cost) of the benefits over time.

- Rate will decrease more quickly toward the new hire accrual rate for General, less so for Police or Fire
- Experience gains/losses will always serve to deviate contributions from pure normal cost

Asset smoothing helps reduce the volatility of the employer contributions.

- Funding value of assets = 97.3% of market value
- Remaining phase-in of past market gains/losses from previous valuations

Ann Arbor has prudent funding policy.

- Use of level dollar amortization rare among open public sector defined benefit plans

It was **moved** by Monroe and **seconded** by Schreier to approve to the June 30, 2023 Actuarial Valuations as presented.

Approved

BOARD RECESS

The Board was called to recess at 10:23 a.m. for the purpose of holding the VEBA Board meeting to continue the Valuation updates for VEBA.

Meeting recessed at 10:23 a.m.

The meeting was reconvened at 10:48 a.m.

E-7 PRESENTATION: Audited Financial Statements

Dan Clark was present from Rehmann to present the FYE June 30, 2023 Financial Statements.

It was **moved** by Monroe and **seconded** by Schreier to accept the Retirement System & VEBA Financial Statements for June 30, 2023.

Approved

E-8 Innovest Communication Piece to Participants

Ms. Orcutt informed the Board that Innovest had prepared a FAQ sheet for participants regarding the transition. Mr. Schreier suggested one revision, the Board agreed.

F. DISCUSSION ITEMS

F-1 Status Update on Record Keeper Conversion

Ms. Orcutt provided an update of the status of the record keeper conversion noting that the transition is on track and that Voya was onsite this week for educational seminars.

Ms. Orcutt also updated the Board regarding Northern Trust fees. Northern Trust reiterated that they will be switching to a non-fixed fee for the benefit payments for all clients but overall a savings will be recognized due to the reduction in custodial fees on investment accounts.

G. REPORTS

G-1 Executive Report – October 19, 2023

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund X on 9/20/23 in the amount of **\$126,084** for the Retirement System and **\$37,084** for the VEBA consisting of gain on sale and return of capital.

CARLYLE DISTRIBUTION

Carlyle Realty Fund VIII issued a distribution in the amount of \$ 194,123 for the Retirement System and \$48,530 for the VEBA on 9/29/23. The distribution was netted against fees and expenses.

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Partnership Fund III, L.P. issued a distribution in the amount of **\$ 457,972** for the Retirement System on 10/5/23.

SUMMIT PARTNERS CAPITAL CALLS AND DISTRIBUTIONS

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$837,394** for the Retirement System and **\$232,610** for the VEBA on 10/4/23.

BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$ 480,757** for the Retirement System and **\$ 139,158** for the VEBA on 10/19/23.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$291,000** for the Retirement Plan and **\$97,000** for VEBA on 10/26/23 to fund

investments and pay management fees. With these installments, **CAAERS** will have funded 10.4% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

PENSION ADMINISTRATION SOFTWARE CONVERSION

The final updates (listed below) have been completed as of 10/5/23. Staff will continue to test and review the calculations as well as the Reference Guide drafted by Milliman. The new target date to roll out to employees is November 1

1. Added a warning to the Bi-Weekly Pension Transmittal log file to indicate when a member's bargaining unit is missing.
2. Suppressed Pre-SSNRA and Post-SSNRA benefits for those with non-integer Social Security Normal Retirement Ages (SSNRA) retiring on or after the integer age of their SSNRA.
3. Updated the calculation display on main and details for current and future benefit CAPs.
4. Fixed the bug where the initial partial payroll payment being calculated is not included in 60 month Final Average Compensation (FAC) calculation for 12/31 dates of termination.

FYE/AUDIT UPDATE

Annual Valuation drafts were received on October 6 and will be reviewed at Audit Committee on the 12th. GRS will present at the October Board meeting.

Drafts of the Financial Statements were received on 9/20. Maria and ED met with Rehmann on 9/29 to review the edits and approve the final drafts. After discussion at the 10/12 Audit Committee, Rehmann will be presenting at the October Board meeting.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with HR and Legal on 9/20 and 9/25 to discuss the provisions of the 401 Executive Plan Document provisions.

ED met with Legal on 10/2 to discuss a personnel matter.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 24 estimates, 1 final calculation, 3 deceased calcs, 1 deferred, and conducted 4 pre-sessions.

G-2 Executive Report – MissionSquare (ICMA) Update

457 PLAN

Balance at 10/11/23 - \$ 103,693,000
Admin Allowance Balance = \$ 22,578

401A PLAN

Balance at 9/11/23 – \$ 5,371,000

Forfeiture Balance = \$ 430,117

Current Items/Education:

The large increase in the forfeiture amount is due to the “sweep” of all termed participants. Staff discovered MSQ was only processing these funds when a participant withdrew their funds versus as of date of termination.

G-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended September 30, 2023

Maria Buffone, Accountant, submitted the Financial Report for the month ended September 30, 2023 to the Board of Trustees:

| | |
|--|----------------------|
| 9/30/2023 Asset Value (Preliminary) | \$591,694,125 |
| 8/31/2023 Asset Value (Audited by Northern) | \$608,002,325 |
| Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements) | \$36,190,697 |
| Percent Gain <Loss> | 6.3% |
| October 18, 2023 Asset Value | \$589,796,205 |

G-4 Investment Policy Committee Minutes – None

G-5 Administrative Policy Committee Minutes – September 26, 2023

Following are the Administrative Policy Committee minutes from the meeting convened at 1:07 p.m. on September 26, 2023:

*Committee Members Present: Lynch, Monroe, Praschan, Schreier
Members Absent: None
Other Trustees Present: Grimes(Via TX)
Staff Present: Gustafson(Via TX), Hollabaugh, Orcutt
Others Present: Gregory Anderson, VOYA(Via TX)(1:32 PM depart)
Joe Harrell, VOYA(Via TX)(1:32 PM depart)*

REVIEW VOYA FINAL DRAFT COMMUNICATION TO PARTICIPANTS

The Committee reviewed the drafted communication to participants with Greg Anderson and Joe Harrell from Voya. Mr. Monroe and Mr. Schreier suggested a few edits. Voya will revise the draft and send to Staff by the end of the week. Mr. Monroe also suggested that an explanation of why the transition to Voya is happening needs to be included as an introduction when distributing the communication. Ms. Orcutt will work with Voya on this language.

Ms. Orcutt informed the Committee that Voya will be onsite to provide educational webinars about the transition from MissionSquare in October.

MISSIONSQUARE UPDATE – FORFEITURE STATUS

The Committee discussed the process of forfeitures once an employee separates from service. Ms. Orcutt has discussed with legal and has informed MissionSquare to process at the date of termination.

OVERPAYMENT OF BENEFITS

Ms. Orcutt informed the Committee of a recent overpayment of benefits for a retiree due to their Post Social Security Normal Retirement Age (SSNRA) benefit commencement. Staff has informed the retiree and have set up a payment plan for repayment.

Mr. Schreier informed the Committee of a recent change in the law regarding overpayments and suggested Staff contact legal for clarification and possible update to the Correction of Errors policy.

REVIEW EXISTING RFP/RFI POLICY

Mr. Monroe suggested revising the policy to add the record keeper as well as offer flexibility for future RFP/RFI's.

OCTOBER MEETING DATE

The Committee reviewed schedules and decided to meet October 17th at 3:00 PM.

ADJOURNMENT

It was ***moved*** by Lynch and ***seconded*** by Schreier to adjourn the meeting at 2:00 p.m.
Meeting adjourned at 2:00 p.m.

G-6 Audit Committee Minutes – October 12, 2023

Following are the Audit Committee minutes from the meeting convened at 10:00 a.m. on October 12, 2023:

| | |
|----------------------------|---|
| Committee Members Present: | Monroe(11:37 a.m. depart), Nerdrum, Praschan |
| Members Absent: | None |
| Other Trustees Present: | None |
| Staff Present: | Buffone, Gustafson, Hollabaugh, Orcutt(Via TX) |
| Others Present: | Jim Anderson, GRS(via TX, 11:12 a.m. depart) Rich Koch, GRS(Via TX, 11:12 a.m. depart) Jim Pranschke, GRS(Via TX, 11:05 a.m. depart) Francois Pieterse, GRS(Via TX, 11:12 a.m. depart) Dan Merritt, Rehmann(Via TX, 11:38 a.m. depart) Dan Clark, Rehmann(Via TX, 11:38 a.m. depart) |

REVIEW ERS & VEBA VALUATION DRAFTS FOR FYE JUNE 30, 2023

The Committee reviewed the Actuarial Valuations for the Retirement System & VEBA with Jim Anderson, Rich Koch, Francois Pieterse and Jim Pranschke from GRS.

It was **moved** by Monroe and **seconded** by Praschan to accept the Retirement System & VEBA Actuarial Valuations for June 30, 2023 as discussed and recommend approval at the October 19, 2023 regular Board Meeting.

Approved

REVIEW ERS & VEBA FINANCIAL STATEMENTS

The Committee reviewed the Financial Statements for the Retirement System & VEBA with Rehmann. The audit went smoothly and there were no findings.

It was **moved** by Praschan and **seconded** by Monroe to accept the Retirement System & VEBA Financial Statements for June 30, 2023 as discussed and recommend approval at the October 19, 2023 regular Board Meeting.

Approved

UPDATE ON MARC CONVERSION

Ms. Orcutt informed the Committee that staff is finalizing testing on the employee website which should be live in November.

ADJOURNMENT

It was **moved** by Praschan and **seconded** by Nerdrum to adjourn the meeting at 11:45 a.m.

Meeting adjourned at 11:45 a.m.

G-7 Legal Report

Mr. VanOverbeke provided an update to the Board noting that there is a revised draft of the Open Meetings Act with the House and if approved will go to the Senate. Legal will keep Staff updated.

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.

| | <u>PAYEE</u> | <u>AMOUNT</u> | <u>DESCRIPTION</u> |
|---|---------------------|----------------------|---|
| 1 | Laura Hollabaugh | \$17.80 | DTE Gas Service Reimbursement 8/12/2023-9/12/2023 |
| 2 | Laura Hollabaugh | \$185.28 | DTE Electric Reimbursement 8/12/2023-9/12/2023 |
| 3 | Jeremy Flack | \$1,046.16 | Fall MAPERS Travel Reimbursement 2023 |
| 4 | Dan Gustafson | \$982.15 | Fall MAPERS Travel Reimbursement 2023 |
| 5 | Dave Monroe | \$1,243.72 | Fall MAPERS Travel Reimbursement 2023 |
| 6 | Wendy Orcutt | \$893.75 | Fall MAPERS Travel Reimbursement 2023 |
| 7 | Allstar Alarm | \$156.00 | Fire Alarm Monitoring 11/2023-1/2024 |

| | | | |
|--------------|--------------------|--------------------|--|
| 8 | Applied Innovation | \$32.73 | Printing 9/2023 |
| 9 | GRS | \$2,750.00 | GASB 67/68 Valuation Q4 2023 |
| 10 | GRS | \$7,625.00 | Pension Valuation Q4 2023 |
| 11 | Meketa | \$10,000.00 | Investment Consulting 9/2023 |
| 12 | Mililman | \$17,777.24 | MARC Implementation, Licensure & Misc. |
| 13 | Staples | \$91.38 | Miscellaneous Office Supplies |
| 14 | American Express | \$945.88 | Kroger, MAPERS, Office Cleaning, Water |
| Total | | \$43,747.09 | |

H-4 Retirement Report

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

| Name | Retirement Type | Effective Retirement Date | Group | Union | Years of Service | Dept./Service Area |
|----------------|-----------------|---------------------------|--------|-----------|-----------------------|--------------------|
| Aimee Metzer | Age & Service | October 21, 2023 | Police | DEPCHIEFS | 25 Years | Safety Services |
| Scott Peterson | Age & Service | October 26, 2023 | Fire | FIRE | 26 Years, 2 Months | Safety Services |

H-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

Mr. DiGiovanni informed the Board that IPC did not meet in October however there was a call with Meketa. Meketa and Angelo Gordon provided a brief performance update.

J. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Schreier to adjourn the meeting at 11:03 a.m.
Meeting adjourned at 11:03 a.m.

Wendy Orcutt

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