

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 20, 2007**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:38 a.m.

ROLL CALL

Members Present: Boonstra, Carter, Crawford (8:50), Heatley, Kahan, Nerdrum, Pollock (8:45),
Sylvester
Members Absent: Fraser
Staff Present: Kluczynski, Powell, Refalo
Others: Michael VanOverbeke, Legal Counsel
Jeff Rentschler, City Retiree

AUDIENCE COMMENTS

Mr. Rentschler stated that later on the agenda, he would like to make comments regarding Items D-3, Post-Retirement Benefit Increase Language Changes, and E-1, Real Estate Purchase. The Board agreed.

A. APPROVAL OF REVISED AGENDA

Mr. Powell stated that the following items have been added or revised since the distribution of the agenda packet:

- C-3 Authorization for Payment of Invoices – New invoices added to resolution
- C-5 Authorization for Conference/Training – Mr. Crawford and Ms. Sylvester added to resolution
- G-5 20-Year Performance Chart submitted by Schwartz Investment Counsel

It was **moved** by Kahan and **seconded** by Heatley to approve the agenda as revised.

Approved as revised

B. APPROVAL OF MINUTES

B-1 August 16, 2007 Regular Board Meeting Minutes

It was **moved** by Heatley and **seconded** by Kahan to approve the August 16, 2007 regular Board Meeting minutes as presented.

Approved

C. CONSENT AGENDA

It was **moved** by Boonstra and **seconded** by Nerdrum to approve the following Consent Agenda:

Preliminary Retirement Resolutions - None

Final Retirement Resolutions

C-1 Approval of the Application for Service Retirement of Richard Bigham

WHEREAS, Richard Bigham (Participant) has submitted an application for a service retirement to the Board of Trustees requesting an effective retirement date of August 5, 2007, and

WHEREAS, said Participant has been credited with 25 years and 11 months of service credit, and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for a service retirement as established pursuant to the provisions of the Retirement System and applicable collective bargaining agreement, and

WHEREAS, said Participant has provided all necessary data and certificates/forms to the Board of Trustees, and

WHEREAS, the Board of Trustees has provided all necessary personal and financial data to the Board of Trustees' actuary who has completed all necessary reports relating to Participant, and

WHEREAS, said Participant has elected to receive an Option II, 100% Joint & Survivor (Pop-Up) form of benefit (and nominated Margaret Bigham, wife, as option beneficiary), and

WHEREAS, said Participant has requested no annuity withdrawal under the provisions of the Retirement System and collective bargaining agreement, therefore be it

RESOLVED, that a service retirement is hereby granted to **Richard Bigham** (Participant), effective August 5, 2007, and further

RESOLVED, that benefits be paid consistent with the foregoing, and further

RESOLVED, that copies of this resolution be forwarded to said Participant and the appropriate City representatives.

C-2 Approval of the Application for Early/Service Retirement of Stephen Bruneau

WHEREAS, **Stephen Bruneau** (Participant) has submitted an application for an early/service retirement to the Board of Trustees requesting an effective retirement date of August 16, 2007, and

WHEREAS, said Participant has been credited with 23 years of service credit, and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for an early/service retirement as established pursuant to the provisions of the Retirement System and applicable collective bargaining agreement, and

WHEREAS, said Participant has provided all necessary data and certificates/forms to the Board of Trustees, and

WHEREAS, the Board of Trustees has provided all necessary personal and financial data to the Board of Trustees' actuary who has completed all necessary reports relating to Participant, and

WHEREAS, said Participant has elected to receive an Option III, 50% Joint & Survivor with pop-up form of benefit (and nominated Stephanie Bruneau, wife, as option beneficiary), and

WHEREAS, said Participant has requested no annuity withdrawal under the provisions of the Retirement System and collective bargaining agreement, therefore be it

RESOLVED, that an early/service retirement is hereby granted to **Stephen Bruneau** (Participant), effective August 16, 2007, and further

RESOLVED, that benefits be paid consistent with the foregoing, and further

RESOLVED, that copies of this resolution be forwarded to said Participant and the appropriate City representatives.

Resolutions:

C-3 Authorization For Payment of Invoices (\$ 27,981.89)

WHEREAS, The Board of Trustees is vested with the general administration, management and operation of the Retirement System; and

WHEREAS, Section 13(4) of Public Act 314 of 1965, as amended, provides that an investment fiduciary may use a portion of the income of the system to defray the costs of investing, managing, and protecting the assets of the system, may retain services necessary for the conduct of the affairs of the system, and may pay reasonable compensation for those services; 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, the Board of Trustees has previously approved a resolution at its regular meeting of June 19, 1997 to have accounts payable services provided through its custodian bank, The Northern Trust Company; and

WHEREAS, the Board is of the opinion that prompt payment to service providers for services rendered is appropriate and in the best interest of the plan; therefore be it

RESOLVED, that the Board of Trustees' custodial bank, The Northern Trust Company, is authorized and directed to provide payment to the following vendors and providers of service in the amount as indicated upon receipt by the Board of appropriate invoices or as required by lease agreements, subject to (a) review and approval of said invoices and lease agreements by appropriate Board representatives and (b) payment authorization signed by Nancy Sylvester/Chairperson, Chris Heatley/Vice-Chairperson, or Jeffrey Kahan/Secretary, and Willie J. Powell/Executive Director.

	PAYEE	AMOUNT	DESCRIPTION
1	301 E. Liberty LLC	4,875.98	Office Lease <i>(including monthly escalation fee)</i>
2	Republic Parking System	375.00	Monthly Parking Fee
3	Gray & Company	7,750.00	Investment Consultant Retainer – August 2007
4	SBC / AT&T	230.16	Monthly Telephone Service - 7/14/07 – 8/13/07
5	Arbor Springs Water Co., Inc.	19.75	Monthly Water Service
6	AT&T	82.85	Monthly Toll-Free Telephone Service
7	Qwest	24.09	Monthly Long-Distance Telephone Service
8	Heitman Real Estate Investment	5,872.94	Investment Mgmt. Fees – April-June 2007
9	Borders, Inc.	28.00	Pioneering Portfolio Mgmt Publication
10	Judith Refalo	13.44	Travel reimbursement – Investment Basics Conf.
11	NCPERS	150.00	2008 Annual Membership Renewal
12	301 E. Liberty LLC	87.48	Monthly Electric Charge – 8/06/07 - 9/04/07
13	Republic Parking System	75.60	Monthly Parking Validation Fee
14	Gabriel, Roeder, Smith & Company	7,250.00	Actuarial/consulting services – July-September 2007
15	Transition Imaging, LLC	1,099.50	1998 Retirement & VEBA Board Packets
16	Staples Business Advantage	47.10	Miscellaneous Office Supplies

C-4 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
Jodi Dyer	General	4 Years, 3 Months	Monroe County Employees' Retirement System

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-5 Authorization for Conference/Training – Opal Financial Group 10th Annual Alternative Investing Summit, December 2-4, 2007 – Powell, Crawford, Sylvester

RE: Authorization for Conference/Training (\$ 6,540.00 (ESTIMATED))

WHEREAS, the Board of Trustees (Board) of the City of Ann Arbor Employees' Retirement System (Retirement System) is vested with the authority and fiduciary responsibility for the 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, the Board of Trustees acknowledges that the Retirement System has evolved in complexity such that the circumstances 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 requires continuing education, training, and oversight of its advisors, and

WHEREAS, it is necessary, appropriate and incumbent upon Board trustees and/or Retirement System staff, from time to time, to participate in continuing education, training, and/or conduct due diligence trips in relation to their oversight of Retirement System advisors to ensure that Retirement System participants receive the best possible service, benefit and representation from these responsible persons, and

WHEREAS, Willie Powell, Tom Crawford, and Nancy Sylvester have requested the Board of Trustees' authorization for conference/training in Laguna Niguel, California, at Retirement System expense, estimated at \$6,540.00, to attend Opal Financial Group's 10th Annual Alternative Investing Summit, to participate in continuing education in their responsibility as Retirement System Staff and Trustees, and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Willie Powell, Tom Crawford, and Nancy Sylvester to travel to Laguna Niguel, California, at Retirement System expense, estimated at \$6,540.00, to attend Opal Financial Group's 10th Annual Alternative Investing Summit, to participate in continuing education in their responsibility as Retirement System Staff and Trustees, and

FURTHER RESOLVED, that Willie Powell, Tom Crawford, and Nancy Sylvester comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

Consent agenda approved as revised

D. ACTION ITEMS

D-1 Proposed Executive Director's Goals & Objectives

Mr. Boonstra stated that the proposed goals and objectives for fiscal year 2007-2008 are being submitted by the Administrative Policy Committee for the Board's approval:

1. Engage and complete a Fiduciary Audit of the Retirement & VEBA Systems and make recommendation to retain a firm to perform the audit
2. Develop a comprehensive, operational Disaster Recovery Plan
3. Conduct RFIs for Actuarial Services & Investment Consultant
4. Conduct assessment of office roles, responsibilities, and efficiencies as it relates to staff
5. Coordinate lease vs. buy

Mr. Powell asked the Board to allocate \$50,000 for the fiduciary audit, which is the first item on the list. The Board agreed to Mr. Powell's request.

It was **moved** by Heatley and **seconded** by Carter to approve the proposed Executive Director Goals & Objectives for FY 2007-2008, including the allocation of \$50,000 to conduct a fiduciary audit

of the Systems.

Approved

D-2 Proposed Duty-Death Ordinance Language Changes

Mr. Powell stated that staff has not yet received the drafted Ordinance language from the City Attorney's Office as anticipated for this meeting. Mr. VanOverbeke suggested that the Board refer this item back to the APC, so that he and Ms. Fales from the City Attorney's Office could both be present to discuss the proposed language. The Board agreed.

It was **moved** by Boonstra and **seconded** by Pollock to refer this item back to the APC and place it on their next agenda for a meeting with Mr. VanOverbeke and Ms. Fales from the City Attorney's Office.

Approved

D-3 Proposed Post-Retirement Benefit Increase Language Changes

Mr. Powell stated that staff has not yet received the drafted Ordinance language from the City Attorney's Office as anticipated for this meeting. The Board decided to also send this item back to the APC for a future meeting with Mr. VanOverbeke and Ms. Fales.

It was **moved** by Boonstra and **seconded** by Pollock to refer this item back to the APC and place it on their next agenda for a meeting with Mr. VanOverbeke and Ms. Fales from the City Attorney's Office.

Approved

E. DISCUSSION ITEMS

E-1 Real Estate Purchase

Mr. Kahan stated that he has asked Mr. Powell to provide a brief summary of what has been happening since the last SPC meeting, and Mr. Powell was also asked to provide a comparison chart to look at the various options. Mr. Powell stated that he has prepared a rough draft of information that he had planned to present to the Special Projects Committee on October 2nd, which he distributed to the Trustees for discussion. Mr. Powell reviewed the information, which included comparisons of the City's proposal to rent at the City Center building versus buying its own office space. After review, Mr. Powell noted that in the long run, the System would benefit more from purchasing its own space over a 15-year period.

Mr. Kahan stated that the 15-year comparison is very helpful, but would like an additional comparison done for a 30-year time frame. Mr. Kahan also suggested that Gray & Company take a look at this document to be sure that these assumptions are reasonable.

It was **moved** by Pollock and **seconded** by Heatley to refer this issue back to the Special Projects Committee for further review and investigation.

Approved

F. REPORTS

F-1 Executive Report – September 20, 2007

EXPIRATION OF TRUSTEE TERM

The General Member Term of Nancy Sylvester, Board Chairperson, will be expiring on December 31, 2007. No other Trustee term is expiring in 2007. Please refer to the 2007 Election Schedule on the

following side of this report.

UPDATE – JEFFREY HARMON

Mr. Harmon came to the Pension Office on August 24, 2007 to sign the necessary paperwork for his duty-disability retirement. His effective date of retirement is retroactive to June 25, 2007 per the Board's Disability Policy. Since Mr. Harmon is in receipt of Worker's Compensation payments, his pension payments will be coordinated with his Worker's Compensation payments as per the AFSCME contract which states: "*The Worker's Compensation and pension benefits paid to an employee or retiree shall be coordinated so that the amount of pension paid to that person shall be reduced by the amount of the Worker's Compensation payments. Upon termination of the period for payment of Worker's Disability Compensation, arising on account of his/her City employment, the employee or retiree shall again receive his/her full periodic pension payments.*" Staff is working with the Human Resources Department to determine the offset amount.

"ME-TOO" FOR THE SPECIAL RETIREMENT WINDOW RETIREES

The Chief Financial Officer of the City stated last week that the City will be challenging the Board's legal counsel's interpretation that the lump sum payments made by the City to the Window Retirees represent a change in the rate of pay and consequently they are entitled to a change in their retirement benefits. The following is taken from a memorandum that the Board directed to the City Administrator on November 27, 2006. The memorandum is titled *Lump Sum Payment to the Window Retirees*:

The lump sum payment made by the City to the Window Retirees reflects increases in Compensation and represents a change in the rate of pay such that they are entitled to a change in their retirement benefits.

Be advised that we are going to recalculate the Window Retirees' FAC's by taking the rate of pay that was originally used for their FAC and multiplying it by 2.5%, 5% or 7.5% depending upon their years of service at the time of retirement. Consequently, the recalculation will affect their monthly benefit.

If you have any objection to the above please let us know by written correspondence by December 8, 2006.

The Board never received written or an oral objection by December 8, 2006. Staff has scheduled a meeting with the Human Resource Director, Chief Financial Officer of the City, and the Board's Chairperson on Wednesday September 19, 2007 at 8:30 a.m. to discuss the City's objection to legal counsel's interpretation that the lump sum payments made by the City to the Window Retirees are rate of pay increases. Staff had planned to have all the Window Retirees recalculation done by the end of September. However, the Executive Director and Chief Financial Officer agreed that it would be better to get the interpretation matter settled before going forward with the Window recalculations.

Mr. Powell distributed a memorandum from Carol Schuler, Human Resources Manager, as well as copies of the AFSCME Memorandum of Understanding (MOU) regarding the Special Retirement Window. Mr. Powell stated that he recently held a meeting with Ms. Schuler, Mr. Crawford, Ms. Sylvester, and Ms. Refalo to discuss the Me-Too provision for the Window retirees, and it was revealed that after the arbitration hearing which took place sometime in December with an opinion coming out early last spring, the arbitrator ruled that a retroactive rate of pay schedule did not have to be created. The issue is whether or not this was a rate of pay increase, and according to the AFSCME MOU, the Window retirees would not be eligible for a recalculation of his or her benefit.

Mr. Powell stated that last November, the Board had directed him to send a memorandum directly to the City Administrator asking him if there was an objection to staff recalculating the Window retirees'

FAC's by taking the rate of pay that was originally used for their FAC and multiplying it by 2.5%, 5%, or 7.5% depending on their years of service at the time of retirement, which would affect their monthly benefit. Mr. Powell stated that the Retirement Office never received correspondence or objection by December 8, 2006 from the Administrator, so the staff recently proceeded as if it were going to be a rate of pay increase and was about to make those calculations for completion by the end of this month. When questions arose recently about this issue, the calculations were put on hold, because now the City is responding and wants to discuss the rate of pay issue, for which they are saying that it was not a rate of pay change. Ms. Sylvester asked Ms. Schuler to put that in writing to the Board and the Board would make a decision to stand by its prior motion to proceed with the Window recalculations.

Mr. Heatley asked how many retirees are involved in this issue, and Mr. Powell stated there are 45 AFSCME retirees who retired under the Window. Mr. VanOverbeke gave a brief history of this issue, and noted the following language from the MOU, "if the member, after his or her retirement, receives a retroactive payment which is based on a rate of pay increase.." Mr. VanOverbeke stated that the retroactive payment is based upon a percentage multiplied by the rate of pay to give you the lump sum payment. Ms. Schuler's memo refers to a "wage increase" rather than "rate of pay" increase, which leaves the Board in the middle of a challenge between the City and the Collective Bargaining Unit. Mr. VanOverbeke stated that if the retirees want to challenge this, they should challenge it with the City, and the Board is almost being forced to make an interpretation because the parties aren't willing to say, "this is what it is".

Ms. Sylvester stated that this Board has already approved the recalculations be completed using a rate of pay change. Mr. Crawford stated that when he made the motion last November, he did not feel that the Board was making a determination whether it was a rate of pay, and he feels that there is still not enough information to answer this question, and further interpretation is still needed before making a decision. Ms. Sylvester stated that as a result of the recent meeting, it was very clear that "rate of pay" was a key term, and that the memo that she asked be provided to the Board from Human Resources should say "rate of pay" as opposed to "wage", which is a broad term and subject to interpretation. Mr. Pollock asked if this is the Board's decision to make, and Mr. VanOverbeke stated that it is the Board's responsibility to interpret the Plan documents, so to the extent that there is no clarification from the employer, the Board is vested with the authority to interpret that term. In making a decision in trying to interpret that term, the Board very often will look to outside information from the employer or arbitrator, in this instance, rather than just leaping and making a determination the Board did request information from the City, and made the determination at that point in time to back into that number rather than using a rate of pay schedule. At that point in time, the understanding was that the City was fine with that determination, so the Board's interpretation was consistent with what the City was agreeing to.

Mr. VanOverbeke stated that now the City has submitted a letter stating that it was not a rate of pay, and the Board is not interpreting anymore because the City's position is clear. The Union has the ability to grieve or challenge it, the retirees have an ability to challenge it, but they are challenging the City's determination at that point, and not necessarily the Board's. Mr. Heatley stated that the Board is being stuck in a very difficult position, and ultimately, even if the Board makes a decision, the City is going to challenge any decision that is made, why wouldn't the Board elicit legal counsel to make a decision on behalf of the Board and give an opinion. Mr. Heatley stated that the most troubling thing about this issue is that the Board made a decision in November 2006, ten months ago, and now it receives a letter dated September 19, 2007 stating that they don't agree with the decision the Board made ten months ago, and how is the Board supposed to function and make decisions after giving the City the opportunity to give us their opinion, they didn't respond, so we made a decision ten months ago to move forward on this and this isn't the first time that this has happened. Mr. Crawford noted that arbitrations were going on at that time in November and December and clarification wasn't issued until April 2007, four or five months after the letter was sent to the City, and this should have been dealt with in April or May of this year. Ms. Sylvester stated that the memo that was sent to the Board is vague and subject to grave interpretation.

Ms. Carter stated that she is also uncomfortable with the memo as it is written, and if it clearly stated that this was not a rate of pay increase, then the Board would not be able to apply it, but she does not want to get in the middle of something between the City and the Union, so maybe the Board should ask Mr. Powell to write a memo back indicating that the Board appreciates their memo and some of the Trustees were confused because the language says “wage increase”, and would like this to be clarified to say if the City considers this a rate of pay or not. After receiving a response, the Board could be better prepared to make a decision. The Board agreed.

It was **moved** by Boonstra and **seconded** by Carter to direct Mr. Powell to send a memorandum to Ms. Schuler, Human Resources Manager, to request clarification regarding the term “wage increase” rather than “rate of pay increase” in her recent memorandum, and request a response prior to the October Board meeting.

Approved

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2007

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended August 31, 2007, to the Board of Trustees:

8/31/2007 Asset Value (Preliminary)	\$443,722,138
7/31/2007 Asset Value (Audited by Northern)	\$436,883,535
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$21,921,975
Percent Gain <Loss>	5.1%
September 19, 2007 Asset Value	\$452,931,844

F-3 Investment Policy Committee Report – No Report

F-4 Administrative Policy Committee Report – September 5, 2007

Following are the Administrative/Personnel Policy Committee minutes from the meeting convened at 8:45 a.m. on September 5, 2007:

Committee Members Present: Boonstra, Crawford, Sylvester
Members Absent: Carter, Heatley
Other Trustees Present: Pollock
Staff Present: Jarskey, Kluczynski, Powell, Refalo
Others Present: None

EXECUTIVE DIRECTOR’S PROPOSED GOALS & OBJECTIVES

Mr. Boonstra submitted a revised list of goals and objectives for Mr. Powell, which included responses and suggestions from other Board Members. One goal on the list was referred to the IPC Committees (Evaluate using futures, options, etc. as a form of investment portfolio insurance), and the list was revised and finalized as follows for recommendation to the Board of Trustees:

- Engage and complete a Fiduciary Audit of the Retirement & VEBA Systems and make recommendation to retain a firm to perform the audit
- Develop a comprehensive, operational Disaster Recovery Plan
- Conduct RFIs for Actuarial Services & Investment Consultant
- Conduct assessment of office roles, responsibilities, and efficiencies as it relates to staff
- Coordinate lease vs. buy

It was **moved** by Crawford and **seconded** by Sylvester to approve and recommend the revised proposed goals and objectives for Mr. Powell to the Board of Trustees at the September 20, 2007 Board meeting.

Approved

BOARD GOVERNANCE POLICIES

Mr. Boonstra reviewed his suggestions for changes to the Governance Policies, and asked if others have had an opportunity to look over the document. Ms. Sylvester stated she had not, and Mr. Crawford stated he had read it when it was first submitted in the spring. The Committee agreed on Mr. Boonstra's additions, and it was decided that Ms. Kluczynski would revise the document to include and highlight the changes, and resubmit the document to the Committee members by email as soon as possible so that everyone has another opportunity to review the document before the October 2nd APC meeting, in order for the Committee to recommend the proposed Policy to the Board at its regular meeting in October.

POVERTY INCREASE DISCUSSION

Ms. Jarskey distributed the information that the Committee had asked for at the July APC meeting, which included names and information for retirees/beneficiaries who are currently receiving an annual poverty increase in order to find out who may be receiving an increase for other reasons, such as withdrawing their contributions upon retirement, or who may be the recipient of the Option 3 benefit which leaves them with 50% of a spouse's benefit, both of which lowers their annual benefit. After a lengthy discussion of the various scenarios, it was decided that staff would find out from legal counsel if any changes to the Poverty Increase process would require changes to the Ordinance language, and if not, the Committee will discuss how to change the current process to benefit only those retirees/beneficiaries that the Poverty Increase was meant for, such as those that have been retired for many years and were never brought up to the poverty level.

ADJOURNMENT

It was **moved** by Sylvester and **seconded** by Crawford to adjourn the meeting at 11:39 a.m.

Meeting adjourned at 11:39 a.m.

F-5 Special Projects Committee Report – No Report

F-6 Audit Committee Report – August 23, 2007

Following are the Audit Committee minutes from the meeting convened at 4:12 p.m. on August 23, 2007:

Committee Members Present:	Crawford, Nerdrum, Pollock, Sylvester
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Jarskey, Powell
Others Present:	None

REVIEW CHARTER

The Committee discussed the Charter for the Audit Committee as included in the proposed Board Governance Policy currently being reviewed by the Administrative Policy Committee. The Committee briefly discussed the amount of members it should consist of, and it was decided to change the proposed language to state that there shall be a minimum of four members instead of five, still encouraging any other Trustees to join if they desire. The Committee further discussed and revised various language changes to the proposed Charter (see revised charter, attached).

It was **moved** by Crawford and **seconded** by Sylvester to submit the revised Audit Committee

Charter language to the Administrative Policy Committee for inclusion in the proposed Board Governance Policy.

Approved

OBJECTIVES FOR THE YEAR

The Committee discussed the many objectives it has for the upcoming year. The Committee decided that the main objective is to fully understand the influences and implications to the Plan in a clear and concise fashion.

SUMMARY/SYNOPSIS OF KEY ACTUARIAL ITEMS

It was determined that this issue was included in the review of the Charter language.

TIMELINE

The Committee directed Mr. Powell to request that Mr. Armstrong of Gabriel, Roeder, Smith & Company provide a training presentation generically explaining the actuarial report and reporting process; if there is a cost to that, perhaps Ms. Nerdrum will be able to provide a training instead. A discussion ensued regarding whether to periodically have an audit performed by a separate firm. Mr. Powell noted that this would be included in a fiduciary audit that he has suggested in his goals and objectives. The Committee decided to add the language, "Engage a Periodic Fiduciary Plan Audit" to the Charter (6c).

The Committee decided to hold the next AAC meeting for Tuesday, September 18th at 4:00 p.m., and include meeting with the auditor for the purpose of learning the scope of the audit.

ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Crawford to adjourn the meeting at 6:00 p.m.
Meeting adjourned at 6:00 p.m.

F-7 Legal Report – No Report

G. INFORMATION

G-1 Communications Memorandum

The Communications Memorandum was received and filed.

G-2 October Planning Calendar

The October Planning Calendar was received and filed.

G-3 Vendor Contacts - None

G-4 Status of Pending Projects Report

The Status of Pending Projects Report was received and filed.

G-5 20-Year Performance Chart – Schwartz Investment Counsel

Mr. Kahan had requested this information from Mr. Schwartz during the recent Manager Forum on September 11, 2007. The 20-Year Performance Chart from Schwartz Investment Counsel was received and filed.

H. TRUSTEE COMMENTS

Mr. Heatley asked about the status of this year's Actuary Report, and Mr. Powell stated that all of the demographic information has been submitted to Gabriel, Roeder, Smith & Company, but none of the financial data has been submitted because it is still being reconciled and balanced. Once the financial data has been submitted, Mr. Powell will contact Mr. Armstrong to find out how long it will take to receive the full report back from them.

Mr. Kahan asked about the status of the temporary employee buy-back project, and Mr. Powell stated that the target date for that project is November 15, 2007 because by that time the audit and actuary projects should be taken care of and staff will be able to devote more time toward the buy-back project.

I. ADJOURNMENT

It was **moved** by Pollock and **seconded** by Heatley to adjourn the meeting at 9:59 a.m.
Meeting adjourned at 9:59 a.m.

**Willie J. Powell, Executive Director
City of Ann Arbor Employees' Retirement System**