

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
June 17, 2021**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:35 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX, Ann Arbor, MI*), Flack(*Via TX, Wood County, OH*), Hastie(*Via TX, Ann Arbor, MI*), Lynch(*Via TX, Dexter, MI*), Monroe(*Via TX, Ann Arbor, MI*), Peariso(*Via TX, Ann Arbor, MI*), Praschan(*Via TX, Saline, MI*), Schreier(*Via TX, Ann Arbor, MI*)
Members Absent: Nerdrum
Staff Present: Buffone(*via TX*), Gustafson(*Via TX*), Hollabaugh(*Via TX*), Orcutt(*Via TX*)
Others: VanOverbeke, Legal Counsel(*via TX*)
Henry Jaung, Meketa(*via TX*)
Keith Beaudoin, Meketa(*Via TX*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 May 20, 2021 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Hastie to approve the May 20, 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	Plan	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Steven Gerhart	City Administrator	Dual	2 Years, 7.5 Months 3 Years, 7.5 Months 6 Years, 3 Months	City of Dearborn & Grosse Pointe Woods

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 Schreier and **seconded** by Hastie to approve the consent agenda as submitted.

Approved

D. ACTION ITEMS

D-1 FY 2021 Proposed Budget Re-Allocations

Ms. Orcutt presented the FY 2021 proposed budget re-allocations informing the Board that funds have been re-allocated due to maintenance costs such as the backflow replacement.

It was **moved** by Peariso and **seconded** by Hastie to approve the FY 2021 proposed budget re-allocations as submitted.

Approved

D-2 Motion Regarding Disability Re-Examination Review

Ms. Orcutt has reviewed the medical report and it is consistent with the Physician's decision. Ms. Orcutt informed the Board that the Physician has concluded that Mr. Gold's condition renders him mentally or physically totally incapacitated from performing the customary duties of his City employment held at the time of his disability, and that such incapacity will probably be permanent.

It was **moved** by Peariso and **seconded** by Monroe that the Board acknowledges receipt of the medical report date June 10, 2021 from Allen L. Babcock, M.D. with regards to the independent medical evaluation of Jason Gold, 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 the disability retirement consistent with the Board's Disability Retirement Procedures.

Approved

D-3 2021 Fall MAPERS Conference – September 18-21, Bay City
DoubleTree

Ms. Orcutt informed the Board of the upcoming Fall MAPERS Conference. Ms. Orcutt requested that any Board members interested in attending should notify the Retirement Office.

It was **moved** by Monroe and **seconded** by Praschan to approve any interested Staff or Board Member to attend the Fall MAPERS Conference.

Approved

E. DISCUSSION ITEMS

E-1 Discussion on Asset Allocation

Henry Jaung and Keith Beaudoin from Meketa were present to discuss the asset allocation and related liquidity stress tests. The Board agreed with the suggested changes to the asset allocation. Meketa will revise the IPS to reflect the changes made.

E-2 Assumed Rate of Return Discussion (6.90% - 6.80%)

Ms. Orcutt informed the Board of the selection of actuarial assumptions and parameters noting the resolution made last fiscal year to lower the assumed rate of return from 7.0% to 6.5% over a 5-year period and that the Board will annually review the reduction. Meketa agreed that lowering the assumed rate of return to 6.80% is prudent and in the best interest of the System.

It was **moved** by Hastie and **seconded** by DiGiovanni to approve the 6.80% assumed rate of return.

Approved

E-3 Proposed Board Calendar for Remainder of 2021

Ms. Orcutt presented the Board calendar for the remainder of the 2021 year. The Board reviewed and agreed with the remaining task items.

E-4 Notice of Disability Application

Ms. Orcutt informed the Board that a Disability Retirement Application was received from an Employee. Staff will be scheduling the initial exam.

E-5 DC Plan Due Diligence Review

Mr. Schreier stated the need for a DC Plan due diligence review. The Board agreed and discussed the process and next steps ultimately deciding to hire a consultant to assist with the DC Plans RFP. The Board also discussed timing and decided to begin this process in the late fall.

It was **moved** by Monroe and **seconded** by Peariso to authorize the APC to issue an RFI/RFP for an investment consultant to conduct the 401/457 DC Plans RFP.

Approved

E-6 Conference Room Equipment Upgrade – Cost Estimate

A cost estimate was provided from Staff regarding the cost of upgrading the conference room equipment to include video conference capabilities. The Board agreed that the conference room is in need an equipment upgrade.

F. REPORTS

F-1 Executive Report – June 17, 2021

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$184,000** for the Retirement Plan and **\$46,000** for VEBA on 6/2/21 to fund investments and management fees. With these installments, **CAAERS** will have funded 30.8 % of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

SVB DISTRIBUTION

SVB Fund VIII issue a distribution in the amount of **\$ 328,000** for the Retirement Plan and **\$ 82,000** for the VEBA on 6/4/21 consisting of gains on sales and return of capital.

DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund VIII on 5/27/21 in the amount of **\$629,630** for the Retirement System and **\$ 185,185** for the VEBA consisting of gains on sales and return of capital(unrecalable).

DRA issued a distribution from the Growth and Income Fund IX on 6/10/21 in the amount of **\$253,716** for the Retirement System and **\$ 74,622** for the VEBA consisting of a gain on sale, dividends and return of capital(unrecalable).

BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$347,482** for the Retirement Plan and **\$140,305** for the VEBA on 6/14/21. Total commitments to this fund are \$8,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

BlackRock Global Renewable Power Infrastructure Fund III issued a distribution in the amount of **\$166,032** for the Retirement Plan and **\$62,263** for the VEBA on 6/14/21.

BUCK CONVERSION

Staff continues to have weekly calls and email communications with Buck. Maria has spent significant time working with Buck to resolve the Reserve Transfer issues. The remaining outstanding issues are:

- * Buyback calc – In Progress
- * Reserve transfer not balancing to 0 – In Progress

* Estimate difference between ESS and Admin site – In Progress

Dan recorded training videos for the ESS site and employees will be notified this week that the site is ready to use.

FYE AUDIT UPDATE

Yeo & Yeo will be onsite August 26 and 27 to conduct the annual audit.

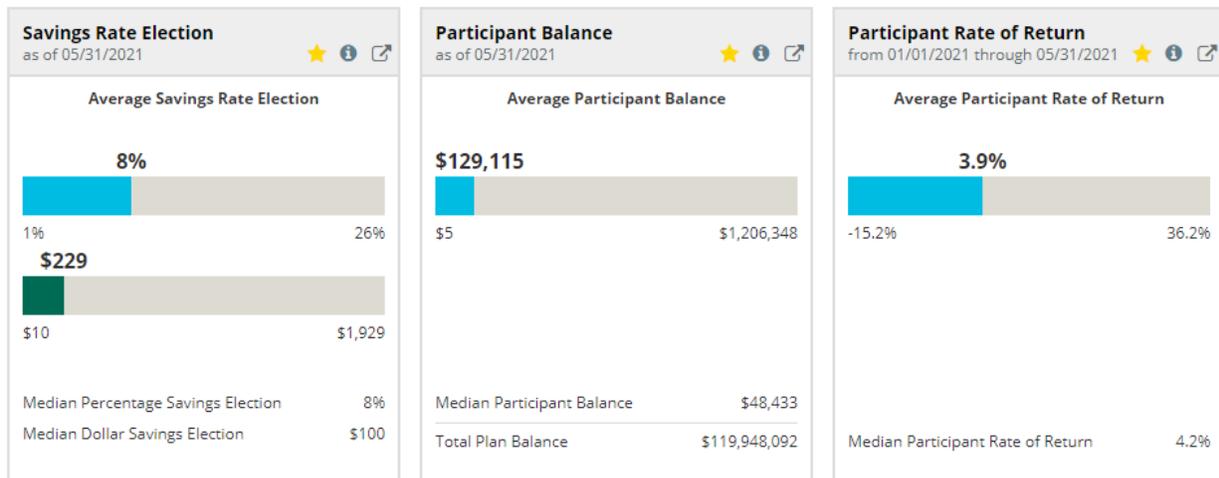
STAFF OPERATIONS/UPDATE

The Pension Analyst processed 34 estimates, 1 non-vested calculation, 6 deceased calculations, 4 finals, 4 precessions, and 1 payout.

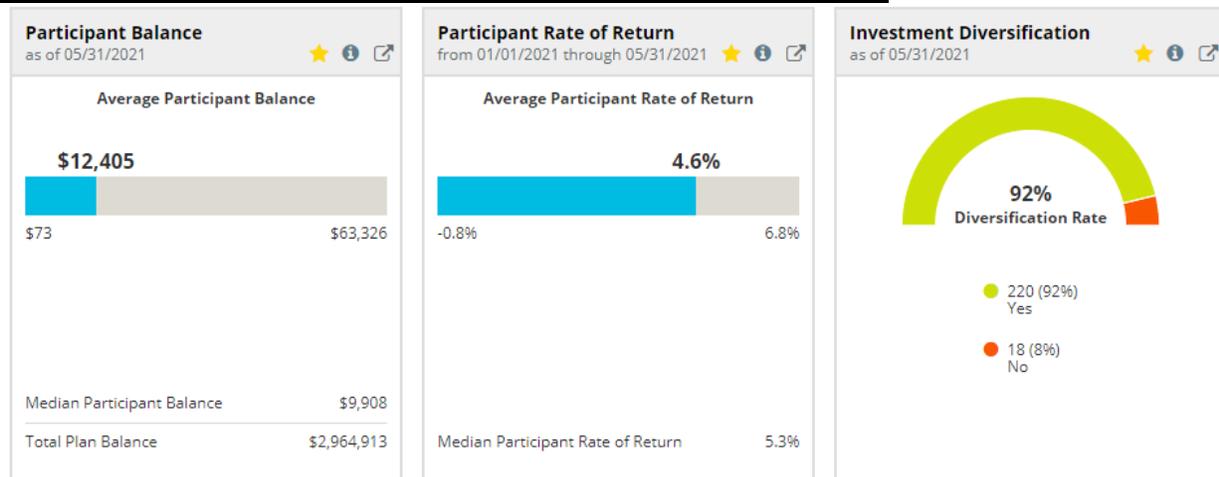
Projects: Pension Analyst recorded 2 tutorial videos to roll out with the announcement to employees regarding the ESS calculator and also began work on the Census Data for FYE.

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 6/9/21 - \$120,529,292 – Statistics as of 5/31/21



401 Balance at 6/9/21 = \$3,025,889 – Statistics as of 5/31/21



Current Items/Education:

- Dan Stewart conducted 14 virtual appointments and 15 people attended the webinar during May 18th and 19th.
- Gina John will be conducting virtual appointments and hosting a webinar June 23rd and June 24th.

Other Items:

An announcement was made to employees via A2 news regarding the Age 50 Catch Up code change. HR/Payroll is on track for the conversion later this month. They will be creating and verifying the reports next week and will forward to Pension for a cross reference to ensure all eligible employees were captured.

MissionSquare Name Change/Rebrand - Staff is sending out a flyer and FAQ sheet in the next A2 News & Notes. In the coming months, Staff will be auditing all retirement office resources (website, newsletter, forms etc.) and incorporating the name change.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended May 31, 2021

Maria Buffone, Accountant, submitted the Financial Report for the month ended May 31, 2021 to the Board of Trustees:

5/31/2021 Asset Value (Preliminary)	\$615,441,991
4/30/2021 Asset Value (Audited by Northern)	\$611,235,899
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$45,773,453
Percent Gain <Loss>	7.8%
June 16, 2021 Asset Value	\$621,665,251

F-4 Investment Policy Committee Minutes – June 7, 2021

Following are the Investment Policy Committee minutes from the meeting convened at 2:43 p.m. on June 7, 2021:

Member(s) Present: DiGiovanni(via TX, Ann Arbor, MI, 2:45 PM arrival), Flack(via TX, Ann Arbor, MI, 2:56 PM – 3:26 PM depart), Hastie(via TX, Ann Arbor, MI), Monroe(via TX, Ann Arbor, MI) Praschan(via TX, Saline, MI)

Member(s) Absent: None

Other Trustees Present: None

Staff Present: Buffone(via TX), Hollabaugh(via TX), Orcutt(via TX)

*Others Present: Henry Jaung(via TX), Meketa Investment Group
Keith Beaudoin(via TX), Meketa Investment Group*

ECONOMIC AND MARKET UPDATE DATA AS OF APRIL 30, 2021

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

EXECUTIVE SUMMARY

The returns across all trailing time periods for the ERS and VEBA ending April 2021 have outperformed the 60/40 benchmarks and are significantly above the discount rate. Public equities continued their impressive run in April and have been the biggest driver of returns in the Fiscal Year. The Private Equity portfolio continues to deliver stellar performance with IRRs ranging from 24% to 60% across five funds.

RETIREMENT SYSTEM

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

April 30, 2021 Performance Update: As of April 30, 2021, the balance of the Funds was \$614,414,319 for ERS. Fiscal Year to Date performance was 23.4% for ERS net of fees.

Mr. Jaung discussed Fossil Fuel Exposure Monitoring stating that as of March 31, 2021 approximately 2.2% or 203 total securities were invested in fossil fuels, excluding overlapping securities. Within the exposure, approximately 1.6% 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.

April 30, 2021 Performance Update: As of April 30, 2021, the balance of the Funds was \$238,108,511 for VEBA. Fiscal Year to Date performance was 22.2% for VEBA net of fees.

Mr. Jaung discussed Fossil Fuel Exposure Monitoring stating that as of March 31, 2021 approximately 1.4% or 154 total securities were invested in fossil fuels, excluding overlapping securities. Within the exposure, approximately 1.0% of the total Retirement System is invested in the Carbon Underground 200 Companies.

ASSET ALLOCATION REVIEW

Meketa presented asset allocation policy options for the Committee to review. The Committee reviewed and discussed the risk analysis as well. Meketa provided stress testing scenarios along with a liquidity analysis for each of the policy options. The Committee further discussed the liquidity analysis reviewing the alternative options, preferring Alternative B. It was also discussed that there would be a need to update the IPS to accommodate the proposed changes. Meketa will provide an update and present at the June Board meeting.

It was ***moved*** by DiGiovanni and ***seconded*** by Flack to recommend the Alternative B Asset Allocation option to the Board at the June 2021 meeting.

Approved

ADJOURNMENT

It was ***moved*** by Flack and ***seconded*** by Monroe to adjourn the meeting at 4:33 p.m.

Meeting adjourned at 4:33 p.m.

Following are the Administrative Policy Committee minutes from the meeting convened at 1:07 p.m. on June 8, 2021:

Committee Members Present: Lynch(via TX, Whitmore Lake, MI), Monroe(Via TX, Ann Arbor, MI), Peariso(Via TX, Ann Arbor, MI), Praschan(Via TX, Saline, 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

ICMA ITEMS

Age 50 Process Map: Ms. Orcutt provided the Age 50 process map for review.

Upcoming Education: Ms. Orcutt informed the Committee of upcoming consultations and webinars for the month.

Wellness Credit Follow Up: Staff will be following up with ICMA regarding attendance tracking for webinars to allow for future wellness credits.

BUCK SOFTWARE

ESS Disclaimer Language: The Committee reviewed the disclaimer provided by Buck and agreed to keep as is.

Announcement of ESS site and Tutorial Videos: Mr. Gustafson has prepared instructional videos for employees needed for the updated ESS site. Staff will be sending out an announcement to all employees to inform them on the status of the ESS site.

UPDATE ON RE-EXAMINATION OF DISABILITY RETIRANT

Ms. Orcutt informed the Committee of a disability retirant who is due for a reexam. Staff has been unable to contact the retirant via phone, email and regular mail to schedule the exam. Staff will be sending a certified letter informing the retirant of the need to comply to the reexam policy and the possible pause on pension benefits until scheduled.

OTHER

Ms. Orcutt informed the Committee of an Alternate Payee who recently had their benefit amount adjusted now that the Participant has retired. The Alternate Payee is unhappy with the amount of increase in benefit as she misunderstood the amount she was entitled to. Staff is drafting a letter to the Alternate Payee with an explanation of the calculations to clarify.

INTERIM OFFICE OPENING DISCUSSION

City Hall Dates: The City will be open to the public on July 6th.

Scheduling: The Retirement System will be open to the public on July 6th by appointment only until further notice.

Announcements: The Retirement System website will be updated to reflect the July 6th public opening date and appointment policy. The City has provided signage and safety guidelines that Staff will use for opening.

Meetings: Meetings may continue to be virtual through the end of the Washtenaw County Emergency Order, however, meetings may be in person if following local safety guidelines as Committees/Boards permit.

ADJOURNMENT

It was **moved** by Lynch and **seconded** by Peariso to adjourn the meeting at 1:58 p.m.
Meeting adjourned at 1:58 p.m.

F-6 Audit Committee Minutes – June 10, 2021

Following are the Audit Committee minutes from the meeting convened at 3:03 p.m. on June 10, 2021:

Committee Members Present: Monroe(Via TX, Brighton, MI, 3:20 pm depart),
Nerdrum(Via TX, Pinckney, MI), Praschan(Via TX. Saline, MI),
Members Absent: None
Other Trustees Present: None
Staff Present: Buffone(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)
Others Present: Kyle Spade, IT(Via TX)

REVIEW OF ACTUARIAL ASSUMPTIONS

The Committee reviewed the actuarial assumptions memo. Ms. Nerdrum requested to add the date of the last experience study and to have Meketa add a brief commentary on the assumption rate of return. Staff will revise the memo and will present to the Board for approval.

RFP DRAFT: PENSION ADMINISTRATION SOFTWARE

The Committee reviewed the RFP draft and made revisions. Staff will incorporate these edits and prepare the RFP to be sent out later this month.

ADJOURNMENT

It was **moved** by Praschan and **seconded** by Nerdrum to adjourn the meeting at 3:36 p.m.

Meeting adjourned at 3:36 p.m.

F-7 Legal Report – None.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 July 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	American Express	\$656.78	Account Credit Correction: 11/28/20 Statement (ATT & Stamps)
2	DTE	\$44.37	Gas Service 4/15/2021 – 5/31/2021
3	DTE	\$85.58	Electric Service 4/15/2021 – 5/31/2021
4	Gabriel, Roeder & Smith	\$2,425.00	67/68 GASB Q2 2021 Fee
5	Gabriel, Roeder & Smith	\$6,700.00	Pension Valuation Q2 2021 Fee
6	Meketa	\$10,000.00	Investment Consultant Fee 5/2021
7	West Arbor Condo Association	\$456.00	Condo Association Fee 6/2021
Total		\$20,367.73	

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
Brett Paddock	Age & Service	July 10, 2021	Police	AAPOA	25 Years, 1 Month	Safety Services
Craig Lee	Age & Service	July 16, 2021	Police	COAM	20 Years, 8.5 Months	Safety Services
Christopher Leadbetter	Age & Service	July 12, 2021	Fire	FIRE	25 Years, 4.5 Months	Safety Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Nerdrum to adjourn the meeting at 10:17 a.m.
Meeting adjourned at 10:17 a.m.

Wendy Orcutt

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