

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
February 16, 2017**

The meeting was called to order by David Monroe, Secretary, at 8:39 a.m.

ROLL CALL

Members Present: Clark, Crawford, DiGiovanni, Flack (*via tx, dep @ 9:50*), Hastie, Heusel, Lynch, Monroe
 Members Absent: Nerdrum
 Staff Present: Kluczynski, Orcutt
 Others: Michael VanOverbeke, Legal Counsel
 Henry Jaung, Meketa Investment Group
 Jason Gold, City Employee

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 January 19, 2017 Regular Board Meeting

It was **moved** by Hastie and **seconded** by DiGiovanni to approve the January 19, 2017 Regular 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
Craig Lee	Police	5 years	City of Tecumseh

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 Revised Decision of Examining Physician Form

Per recent Ordinance changes, one section of the form was revised to indicate the following language:

“The member is mentally or physically totally incapacitated from performing the customary duties of the Member’s City employment held at the time of disability”

C-3 EDRO Certification/Resolution – Gregory A. Berry v. Patricia Berry

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated February 6, 2017, wherein Patricia Berry, the Alternate Payee, is awarded certain rights to the benefits of Gregory A. Berry, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant’s retirement benefits payable from the Retirement System which is subject to either the Participant or the Alternate Payee making an application for the same, and

WHEREAS, the payments from the plan to the Alternate Payee shall begin when the Participant commences benefits from the Retirement System, unless the Alternate Payee elects to receive benefits at any time after the Participant reaches his earliest retirement date, and

WHEREAS, the Board’s policy is to require that the cost for the actuary’s calculations are to be borne by the parties to the domestic relations proceedings, and the order provides that the parties agree to share any such costs, and that the Alternate Payee’s share shall be in proportion to her share of the Participant’s retirement allowance awarded to her under the EDRO, and

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

RESOLVED, that the Board acknowledges receipt of said court order and will administer benefits consistent with said order upon application of either the Participant or the Alternate Payee, 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 retained by the Retirement System relative to this matter, and further

RESOLVED, that copies of this resolution be sent to Gregory A. Berry, the Participant; Brian M. Ellison, Esq., attorney for the Participant; Patricia Berry, the Alternate Payee; LaVonne Bannister-Jackson, Esq., attorney for the Alternate Payee; and the Board's Actuary.

It was **moved** by Hastie and **seconded** by Crawford to approve the Consent Agenda as submitted.

Approved

D. EXECUTIVE SESSION – Disability Applications / Medical Reviews (2)

It was **moved** by Heusel and **seconded** by Crawford to convene an Executive Session for the purpose of reviewing the medical disability re-examination reports for Jason Gold and Mark Cozart.

Approved

Roll call vote:

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

Mr. Gold departed the meeting during the closed session. Disability session time: 8:40 a.m. – 8:52 a.m.

It was **moved** by Crawford and **seconded** by Clark to acknowledge receipt of the medical examination report from Allen L. Babcock, M.D. dated January 18, 2017, as well as the Decision of Examining Physician Form and incident reports with respect to duty-disability retirement applicant Jason Gold; the Board noting the doctor has provided the certification that the member is physically and totally incapacitated for duty in the service of the City in the same or similar position held at the time of disability, and that such incapacity will probably be permanent, therefore the Board granting the duty-disability retirement to Mr. Gold.

Approved

It was **moved** by Clark and **seconded** by DiGiovanni to acknowledge receipt of the medical examination report from Antoine E. Geffrard, M.D. dated February 7, 2017 as well as the Decision of Examining Physician Form with respect to non-duty disability retirement applicant Mark Cozart; the Board noting the doctor has provided the certification that the member is physically and totally incapacitated for duty in the service of the City in the same or similar position held at the time of disability, and that such incapacity will probably be permanent, therefore the Board granting the non-duty disability retirement to Mr. Cozart.

Approved

E. ACTION ITEMS

E-1 Election of Board Officers (Chairperson, Vice-Chairperson, Secretary)

It was **moved** by Crawford and **seconded** by Clark to retain the existing Board Officers for the 2017 term:

Board Chairperson: Jeremy Flack, Fire Trustee
Vic-Chairperson: Alexa Nerdrum, Citizen Trustee
Secretary: David Monroe, Police Trustee

Approved

E-2 Appointment of Board Committees

Mr. Crawford stated that he would like to be appointed to the Investment Policy Committee, and may not be able to regularly attend many of the Administrative Policy meetings, but will remain on that Committee as well. Committees appointed as follows:

- Investment Policy Committee: *Hastie/Chair, Clark, Crawford, DiGiovanni, Flack, Monroe*
- Administrative Policy Committee: *Monroe/Chair, Crawford, Heusel, Lynch*
- Audit Committee: *Nerdrum/Chair, Clark, Crawford, Monroe*

A brief discussion ensued regarding quorum numbers at Committee meetings, and Mr. VanOverbeke suggested revisiting the APC charter to review the current structure for possible updates. It was decided that this item be placed on the March 14th APC meeting agenda.

E-3 Annual Investment Review – Meketa Investment Group – Henry Jaung

Mr. Jaung of Meketa Investment Group was present to provide the investment review for the 2016 calendar year, asset allocations, alternative investments, 2017 outlook, automatic cash sweep discussion, and PA 314 regulations. Overall, Mr. Jaung indicated that both the Retirement and VEBA Systems are in good shape, and he feels good about recent investment performance and how the Funds are currently structured for the future. A discussion ensued regarding the implementation of an automatic cash sweep for the purpose of retiree benefit distributions, and the Board decided to approve the following motion:

It was **moved** by Monroe and **seconded** by Clark to approve the cash sweep from private-oriented investments, and that the Chair be authorized to sign appropriate documentation for The Northern Trust Company on behalf of the Board of Trustees.

Approved

E-4 Testimonial Resolution of Appreciation for N. Gail Jarskey

WHEREAS, N. Gail Jarskey has faithfully served the City of Ann Arbor Employees' Retirement System pursuant to applicable Retirement System provisions, and

WHEREAS, N. Gail Jarskey demonstrated a thorough and comprehensive understanding of Retirement System administration and further demonstrated a selfless commitment to serve the Board of Trustees and the members and beneficiaries of the Retirement System for 12 years and 9 months, and

WHEREAS, N. Gail Jarskey carried out her responsibilities with dedication, sincerity, scholarship, hard work and honor and provided distinguished service to the Board of Trustees and the members and beneficiaries of the Retirement System, and

WHEREAS, the Board of Trustees, the members and beneficiaries of the Retirement System, the employees and citizenry of the City of Ann Arbor owe a debt of gratitude to N. Gail Jarskey for her sacrifice and service to the Retirement System, therefore be it

RESOLVED, that the Board of Trustees, on behalf of itself and all concerned, hereby expresses its gratitude and appreciation to N. Gail Jarskey for her honorable and distinguished service to the Retirement System, and be it further

RESOLVED, that the Board of Trustees, on behalf of all the aforementioned parties, officially wishes N. Gail Jarskey well in all future endeavors.

It was **moved** by Hastie and **seconded** by Lynch to adopt the Testimonial Resolution of Appreciation for N.Gail Jarskey as presented.

Approved

F. DISCUSSION ITEMS

F-1 Proposed Agenda for City Council Working Session – March 13, 2017

Ms. Orcutt reviewed the proposed agenda for the City Council Working Session on March 13, 2017 at 7:00 p.m. The Board made no changes or corrections to the agenda at this time.

F-2 Hybrid / “Dual Plan” Update

Ms. Orcutt provided the Board with information she received from a meeting with HR and the ICMA representative earlier in the week regarding the transition of certain roles from the City over to the Retirement System. Mr. Monroe stated that he would like further information on the role of the Board of Trustees and where it comes in to play as far as the administration of the new plan, noting that the item is currently on the Retreat agenda for discussion. Mr. VanOverbeke stated that he has not received recent documents regarding the Dual Plan, but will be working with Ms. Orcutt to review everything prior to the Retreat on March 24th.

F-3 Discussion of Amortization Scenarios

Mr. Hastie discussed what Mr. Langer will be requested to review at this year’s Board Retreat in March, specifically the topic of amortization scenarios, schedules, and recommendations. Ms. Orcutt stated that she has also included a discussion regarding GASB 74/75 for the VEBA to the agenda. It was decided that the agenda be placed on the IPC and APC agendas for further discussion and appropriate time allocations.

G. REPORTS

G-1 Executive Report – February 16, 2017

DRA CAPITAL CALLS

Strategic Investors Fund VIII (SVB) requested a capital call of our commitment to the Funds in the amount of **\$ 244,725** for the Retirement Plan and **\$ 61,181** for the VEBA on February 2, 2017 for the purpose of funding current commitments. After these initial installments, AAERS will have funded 3% of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

IRONSIDES CAPITAL CALL

Ironsides Partnership Fund III requested a capital call of our commitment to the Fund in the amount of **\$ 331,871.51** on January 31, 2017 for the purpose of funding current commitments. After this installment, AAERS will have funded 23% of our total commitment of \$6,000,000.

DRA DISTRIBUTIONS

DRA distributed **\$395,852** for the Retirement System and **\$116,427** for the VEBA from the Growth and Income Fund IX on 1/20/2017 for return of capital.

FUNDING FOR BENEFIT PAYMENTS

The NT Russell 1000 fund was utilized to fund January benefit payments. ED liquidated **\$2,000,000** from the Russell 1000 with the effective date of 1/31/17.

DUAL PLAN UPDATE

ED met with Rola Ismail from ICMA and HR staff on 2/6/17 for an introduction to Rola and general debrief on the City's 401/457 Plan. HR stated they are still targeting the transfer of the Dual Plan to ERS towards the end of March. There was also discussion about eventually transferring the administration of the 457 to ERS as well. ED will follow up with Legal Counsel with questions surrounding the accounting, administration, fiduciary responsibilities, etc.

STAFF OPERATIONS

The Pension Analyst conducted 3 pre-sessions, completed 20 estimates (12 individuals requested) and completed 7 final calculations and 3 termed vested calculations.

Wendy Orcutt and Corbin Hammond met with Henry Jaung and Keith Beaudoin from Meketa on January 30, 2017 for an introduction and an in depth review of the System's portfolio.

An error was found in the Summary Annual Report subsequent to approval by the Board on 1/19. The Member Interest Credit calculation was updated for FY2016.

The Budget for Fiscal Years 18/19 was submitted to Karen Lancaster on 1/20/17.

EXPENSE REPORT INFORMATION

Effective Jan. 1, 2017, the new standard mileage rate is 53.5 cents per mile for miles driven on business or for travel. The IRS recommends standard mileage rates for business based on an annual study of the fixed and variable costs of operating an automobile, including depreciation, insurance, repairs, tires, maintenance, gas and oil.

BOARD RETREAT

The Board retreat is scheduled for Friday, March 24th at the WISD building.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31, 2017

Corbin Hammond, Accountant, submitted the Financial Report for the month ended January 31, 2017 to the Board of Trustees:

1/31/2017 Asset Value (Preliminary)	\$477,300,806
12/31/2016 Asset Value (Audited by Northern)	\$473,687,799
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$6,677,966
Percent Gain <Loss>	1.4%
February 15, 2017 Asset Value	\$482,613,075

G-3 Investment Policy Committee Minutes – No Report

G-4 Administrative Policy Committee Minutes – February 14, 2017

Following are the Administrative Policy Committee minutes from the meeting convened at 3:13 p.m. on February 14, 2017:

Committee Members Present: Crawford, Lynch, Monroe
Members Absent: Heusel

Other Trustees Present: None
 Staff Present: Gustafson, Kluczynski, Orcutt
 Others Present: None

HYBRID PLAN – STATUS UPDATE

Ms. Orcutt updated the Committee on the upcoming hybrid plan, and stated that she recently attended a meeting with ICMA and HR staff regarding the design. Ms. Orcutt stated that there is still much to discuss before the plan is transitioned to the Retirement System, but HR has estimated that it could be finalized by late March. A discussion ensued regarding the potential responsibilities of the Retirement System Board, Staff, and potentially the Investment Policy Committee, as well as what ICMA will be responsible for in regards to member investments.

The Committee discussed questions that should be brought to the Board’s legal counsel, and decided to further discuss this item at the upcoming Board meeting on February 16th when Mr. VanOverbeke is present. It was also decided that this item be placed on the Board Retreat agenda for March 24th.

PROPOSED BOARD RETREAT AGENDA

The Committee briefly reviewed the drafted Board Retreat agenda, and decided to further discuss potential topics at the upcoming Board meeting to get additional input from the Board members, Mr. VanOverbeke, and Mr. Jaung from Meketa. It was decided that staff will update the draft after the Board meeting and place it on the March 14th APC agenda before it is placed on the March 16th Retirement Board agenda for final discussion.

ADJOURNMENT

It was ***moved*** by Lynch and ***seconded*** by Monroe to adjourn the meeting at 4:08 p.m.
Meeting adjourned at 4:08 p.m.

G-5 **Audit Committee Minutes – No Report**

G-6 **Legal Report – No Report**

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

H-1 **Communications Memorandum**

H-2 **March 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	169.33	Monthly Gas Fee dated January 12, 2017
2	DTE Energy	189.94	Monthly Electric Fee dated January 12, 2017
3	Wendy Orcutt	64.95	Reimbursement for Notary Package
4	AT&T	553.19	Monthly telephone service
5	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – Feb-April 2017
6	MedSource Services/Cons. Physicians	875.00	Medical Exam and report/evaluation – J. Gold 1/18/17
7	Loomis, Sayles & Company	54,708.55	Investment management fees: 10/1/2016-12/31/2016

8	Fisher Investments	60,214.46	Investment management fees: 10/1/2016-12/31/2016
9	Income Research & Management	3,972.82	Investment management fees: 10/1/2016-12/31/2016
TOTAL		120,838.24	

H-4 Retirement Report

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

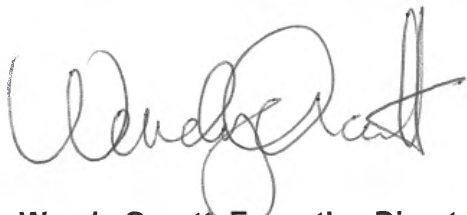
Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Mary Siefert	Deferred	February 1, 2017	General	18 years, 2 months (15 years, 6 months reciprocal credit)	Financial & Admin. Treasury Department
Merle Johnson	Age & Service	March 31, 2017	General	24 years, 6 months	Financial & Admin. Information Technology
Scott Stoner	Age & Service	March 4, 2017	Police	27 years	Safety Services Police Department
Jeffrey Kroll	Age & Service	March 11, 2017	General	29 years, 5 months	Public Services Project Management
Lawrence Schroeder	Age & Service	March 11, 2017	General	20 years, 3 months	Safety Services Police Department Community Standards

H-5 Analysis of Page Views on City Intranet / Retirement System Page

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was **moved** by Hastie and **seconded** by Clark to adjourn the meeting at 11:26 a.m.
Meeting adjourned at 11:26 a.m.



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