

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
February 19, 2009**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:33 a.m.

ROLL CALL

Members Present: Crawford, Flack, Hescheles, Kahan, Nerdrum, Sylvester
Members Absent: Fraser, Heatley, Kaur
Staff Present: Kluczynski, Powell, Refalo
Others: Michael VanOverbeke, Legal Counsel
David Diephuis, City Resident

AUDIENCE COMMENTS

Mr. Diephuis commented on recent lowered interest rates on high yield funds, and asked the Board if this takes the attractiveness off the high yield investments that the Board has recently approved, and is there any way the Board could improve its process to streamline the decision making process when trying to invest in attractive investment like this without having to waste three or four months with a shorter term bank investment. Mr. Hescheles provided a brief explanation of the current high yield bond situation.

A. APPROVAL OF REVISED AGENDA

Ms. Sylvester noted that item C-9 has been revised due to additional invoices received since distribution of the Board packet, and the Executive Session at the end of the meeting has been cancelled.

It was **moved** by Crawford and **seconded** by Nerdrum to approve the agenda as revised.

Approved

B. APPROVAL OF MINUTES

B-1 January 15, 2009 Regular Board Meeting Minutes

It was **moved** by Nerdrum and **seconded** by Kahan to approve the January 15, 2009 regular Board Meeting minutes as presented.

Approved

C. CONSENT AGENDA

It was **moved** by Crawford and **seconded** by Hescheles to approve the following Consent Agenda:

Preliminary Retirement Resolutions

C-1 Preliminary Approval for Early/Service Retirement for Karen Fletcher

WHEREAS, the Board of Trustees is in receipt of an application for early/service retirement from **Karen Fletcher (Applicant)**, dated January 12, 2009, and

WHEREAS, it appears, based on preliminary information provided, that said Applicant meets the eligibility requirements of the Retirement System and any applicable collective bargaining agreement, therefore be it

RESOLVED, that said application for early/service retirement of **Karen Fletcher** is preliminarily approved subject to the adoption by the Board of a resolution approving the calculations of the actuary, and further

RESOLVED, that upon receipt of all required certificates/forms completed by said Applicant and following said Applicant's last date on the active payroll, a retirement calculation will be completed based upon the certified numbers from the City of Ann Arbor Finance Department, and further

RESOLVED, that the Board's actuarial program certified by the Board's actuary shall perform the retirement calculation and employer transfer to the retiree reserve fund to the Board of Trustees as soon as possible, and further

RESOLVED, that upon receipt of the retirement calculations completed by the Board's actuarial software, the Board of Trustees will consider adoption of a resolution approving payments of the applicable benefit amounts.

C-2 Preliminary Approval for Service Retirement for Christine Parlett

WHEREAS, the Board of Trustees is in receipt of an application for retirement from **Christine Parlett (Applicant)**, dated January 20, 2009, and

WHEREAS, it appears, based on preliminary information provided, that said Applicant meets the eligibility requirements of the Retirement System and any applicable collective bargaining agreement, therefore be it

RESOLVED, that said application for service retirement of **Christine Parlett** is preliminarily approved subject to the adoption by the Board of a resolution approving the calculations of the actuary, and further

RESOLVED, that upon receipt of all required certificates/forms completed by said Applicant and following said Applicant's last date on the active payroll, a retirement calculation will be completed based upon the certified numbers from the City of Ann Arbor Finance Department, and further

RESOLVED, that the Board's actuarial program certified by the Board's actuary shall perform the retirement calculation and employer transfer to the retiree reserve fund to the Board of Trustees as soon as possible, and further

RESOLVED, that upon receipt of the retirement calculations completed by the Board's actuarial software, the Board of Trustees will consider adoption of a resolution approving payments of the applicable benefit amounts.

C-3 Preliminary Approval for Early/Service Retirement for James A. Wilson

WHEREAS, the Board of Trustees is in receipt of an application for early/service retirement from **James A. Wilson (Applicant)**, dated January 23, 2009, and

WHEREAS, it appears, based on preliminary information provided, that said Applicant meets the eligibility requirements of the Retirement System and any applicable collective bargaining agreement, therefore be it

RESOLVED, that said application for early/service retirement of **James A. Wilson** is preliminarily approved subject to the adoption by the Board of a resolution approving the calculations of the actuary, and further

RESOLVED, that upon receipt of all required certificates/forms completed by said Applicant and following said Applicant's last date on the active payroll, a retirement calculation will be completed based upon the certified numbers from the City of Ann Arbor Finance Department, and further

RESOLVED, that the Board's actuarial program certified by the Board's actuary shall perform the retirement calculation and employer transfer to the retiree reserve fund to the Board of Trustees as soon as possible, and further

RESOLVED, that upon receipt of the retirement calculations completed by the Board's actuarial software, the Board of Trustees will consider adoption of a resolution approving payments of the applicable benefit amounts.

Final Retirement Resolutions

C-4 Approval of Service Retirement for Nancy Broxholm

WHEREAS, Nancy Broxholm (Participant) has submitted an application for a service retirement to the Board of Trustees requesting an effective retirement date of December 26, 2008, and

WHEREAS, said Participant has been credited with 28 years and 7 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 David Broxholm, husband, 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 **Nancy Broxholm** (Participant), effective December 26, 2008, 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-5 Approval of Service Retirement for Laurie Foondle

WHEREAS, Laurie Foondle (Participant) has submitted an application for a service retirement to the Board of Trustees requesting an effective retirement date of January 3, 2009, and

WHEREAS, said Participant has been credited with 32 years and 7.5 months of service credit (*which includes 2 years and 5.5 months reciprocal 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 III, 50% Joint & Survivor (Pop-Up) form of benefit (and nominated Kristian Foondle, husband, 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 **Laurie Foondle** (Participant), effective January 3, 2009, 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-6 Approval of Deferred/Service Retirement for George Markus

WHEREAS, **George Markus** (Participant) has submitted an application for a deferred retirement to the Board of Trustees requesting an effective retirement date of February 1, 2009, and

WHEREAS, said Participant has been credited with 13 years and 7 months of service credit, and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for a deferred 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 Mary Lou Markus, 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 deferred retirement is hereby granted to **George Markus** (Participant), effective February 1, 2009, 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-7 Approval of Service Retirement for Henry Wilson

WHEREAS, Henry Wilson (Participant) has submitted an application for a service retirement to the Board of Trustees requesting an effective retirement date of January 4, 2009, and

WHEREAS, said Participant has been credited with 26 years and 4.5 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 the Straight-Life Option – Terminating at Death, 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 **Henry Wilson** (Participant), effective January 4, 2009, 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-8 Approval of Deferred/Service Retirement for Susan Salmeron

WHEREAS, Susan Salmeron (Participant) has submitted an application for a deferred retirement to the Board of Trustees requesting an effective retirement date of March 1, 2009, and

WHEREAS, said Participant has been credited with 11 years and 2 months of service credit, and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for a deferred 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 the Straight-Life Option - Terminating at Death form of benefit, 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 deferred retirement is hereby granted to **Susan Salmeron** (Participant), effective March 1, 2009, 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-9 Authorization For Payment of Invoices (\$ 131,696.84)

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	Coverall North America, Inc.	112.00	Office Cleaning Services for January 2009
2	Comcast	75.85	Monthly Cable Fee
3	Staples Business Advantage	156.80	Miscellaneous Office Supplies
4	Bradford & Marzec, Inc.	38,456.58	Investment Mgmt. Fees–October-December 2008
5	Independence Investments	36,804.95	Investment Mgmt. Fees–October-December 2008
6	Loomis, Sayles & Company	31,636.29	Investment Mgmt. Fees–October-December 2008
7	Rhumblin Advisers	2,904.26	Investment Mgmt. Fees–October-December 2008
8	Schwartz Investment Counsel	12,063.00	Investment Mgmt. Fees–October-December 2008
9	AT&T	107.37	Monthly Toll-Free Telephone Service
10	Staples Business Advantage	232.09	Miscellaneous Office Supplies
11	Earl of Sandwich	249.26	Annual Board Retreat – 2/3/09
12	Transition Imaging, LLC	461.50	Digital Imaging Services – Invoice #1172
13	Transition Imaging, LLC	237.00	Digital Imaging Services – Invoice #1173
14	Robertson Morrison, Inc.	1,065.00	Reception area thermostat/ductwork modifications
15	Borders, Inc.	48.29	Retirement publications
16	DTE Energy	180.62	Monthly Electric Fee
17	Gray & Company	6,905.98	Investment Consultant Retainer – January 2009
	TOTAL	131,696.84	

C-10 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
Robert Cariano	General	43 Years, 2 Months	Lansing Board of Water & Light
Keith Lussenden	General	3 Years, 6 Months	City of Dearborn
Susan McCormick	General	21 Years, 10 Months	Lansing Board of Water & Light
JoLisa McDay	General	6 Years, 1 Month	City of Detroit

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-11 Authorization for Conference/Training – 20th Annual NASP Pension and Financial Services Conference, June 10-12, 2009 – Willie Powell

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 has requested the Board of Trustees' authorization for conference/training in Atlanta, Georgia, at Retirement System expense, estimated at \$1,900.00, to attend the NASP 20th Annual Pension and Financial Services Conference, to participate in continuing education in his responsibility as Retirement System Executive Director and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Willie Powell to travel to Atlanta, Georgia, at Retirement System expense, estimated at \$1,900.00, to attend the NASP 20th Annual Pension and Financial Services Conference, to participate in continuing education in his responsibility as Retirement System Executive Director, and

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

C-12 Authorization for Conference/Training – 2009 Pension Gold User Group Conference, April 30-May 1, 2009 – N. Gail Jarskey

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, Gail Jarskey, Accountant, has requested the Board of Trustees' authorization for her travel to San Diego, California, at Retirement System expense, estimated at \$1,440.00, to attend the 2009 Pension Gold User Group Conference, to participate in continuing education in her responsibility as Retirement System Staff person, therefore be it

RESOLVED, the Board of Trustees authorizes the conference and training request of Gail Jarskey to travel to San Diego, California, at Retirement System expense, estimated at \$1,440.00 to attend the

2009 Pension Gold User Group Conference, to participate in continuing education in her responsibility as Retirement System Staff person, and

FURTHER RESOLVED, that Gail Jarskey comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

C-13 Authorization for Conference/Training – Mid-Sized Retirement & Pension Plan Management Conference, May 5-8, 2009 – Nancy Sylvester

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, Nancy Sylvester has requested the Board of Trustees' authorization for conference/training in Boston, Massachusetts, at Retirement System expense, estimated at \$2,600.00, to attend the Mid-Sized Retirement & Pension Plan Management Conference, to participate in continuing education in her responsibility as a Board Trustee and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Nancy Sylvester to travel to Boston, Massachusetts, at Retirement System expense, estimated at \$2,600.00, to attend the Mid-Sized Retirement & Pension Plan Management Conference, to participate in continuing education in her responsibility as a Board Trustee, and

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

C-14 Authorization for Conference/Training – IFEBP CAPP Part 1, March 28-29, 2009 – Jeremy Flack

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, Jeremy Flack has requested the Board of Trustees' authorization for his travel to Carlsbad, California, at Retirement System expense, estimated at \$2,575.00, to attend IFEBP's CAPP Part 1 Training, and to participate in continuing education in his responsibility as Board Trustee and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the travel request of Jeremy Flack to travel to Carlsbad, California, at Retirement System expense, estimated at \$2,575.00, to attend the IFEBP CAPP Part 1 Training, to participate in continuing education in his responsibility as a Board Trustee, and

FURTHER RESOLVED, that Jeremy Flack 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

D. ACTION ITEMS

D-1 Proposed Annual Actuarial Services Fees

Mr. Powell reviewed a revised letter from GRS dated January 16, 2008 which includes a lower fee proposal of 3%, as opposed to the previous request of 6.71%, for Actuarial Services beginning January 1, 2009 equaling \$31,800 and payable quarterly, .

It was **moved** by Nerdrum and **seconded** by Crawford to approve the revised annual actuarial service fees as submitted by Gabriel, Roeder, Smith & Company.

Approved

D-2 Annual Employee & Retiree Newsletters

Mr. Powell presented the proposed annual Employee and Retiree newsletters for 2009, and Ms. Sylvester indicated minor grammatical changes that were noted by staff.

It was **moved** by Kahan and **seconded** by Flack to approve the proposed Employee and Retiree Newsletters as revised.

Approved

D-3 Election of Board Officers

Mr. Kahan nominated Ms. Sylvester as the Board Chairperson. Ms. Sylvester accepted.

It was **moved** by Nerdrum and **seconded** by Crawford to approve Ms. Sylvester as Board Chairperson.

Approved

Ms. Sylvester nominated Mr. Heatley (*absent*) as the Board Vice-Chairperson.

It was **moved** by Nerdrum and **seconded** by Kahan to approve Mr. Heatley as Board Vice-Chairperson.

Approved

Ms. Sylvester nominated Mr. Kahan as Board Secretary. Mr. Kahan declined, and nominated Mr. Flack as Board Secretary. Mr. Flack accepted.

It was **moved** by Crawford and **seconded** by Hescheles to approve Mr. Flack as Board Secretary.

Approved

Ms. Sylvester asked the Trustees to notify her to indicate which Committees they would like to serve on or Chair, and she will make the appointments at the March Board meeting.

D-4 Certification of NCPERS Delegates for Annual Conference May 3-7, 2009

Mr. Powell stated that to date no one has expressed an interest in attending the Annual NCPERS Conference. Mr. Flack stated that he would be interested in attending with the Board's approval.

It was **moved** by Kahan and **seconded** by Crawford to approve Mr. Flack's attendance at the NCPERS Annual Conference at an approximate expense of \$3,500.

Approved

It was **moved** by Kahan and **seconded** by Crawford to nominate Mr. Flack as the System's delegate at the NCPERS Annual Conference.

Approved

D-5 Resolution to Hire Ennis Knupp for Fiduciary Audit, & Approval of Engagement Letter

WHEREAS, the Board of Trustees is vested with the general 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, a Request for Proposal (RFP) was issued on October 2, 2008 for a Fiduciary Performance Review of the City Of Ann Arbor Employees Retirement System and Retiree Health Care Benefit Plan & Trust with a due date of November 14, 2008, and

WHEREAS, two RFPs were received by the System namely Ennis Knupp and the Rehmann Group, and the Audit Committee reviewed both RFPs and choose to hold a special conference with Ennis Knupp on January 27, 2009 to refine the proposed scope of the audit, and

WHEREAS, the Audit Committee and Ennis Knupp agreed that the scope of the audit should include, Benefit Processing, Member Education and Counseling Services, Confidentiality of Members' Information, Internal Controls, Governance Polices (a limited review) and Personnel Practices, and

WHEREAS, the Audit Committee and Ennis Knupp agreed that the scope of the audit should include, Benefit Processing, Member Education and Counseling Services, Confidentiality of Members' Information, Internal Controls, Governance Polices (a limited review) and Personnel Practices, so be it

RESOLVED, that the Board of Trustees authorizes the hiring of Ennis Knupp to perform the fiduciary

audit with the following scope: Benefit Processing, Member Education and Counseling Services, Confidentiality of Members' Information, Internal Controls, Governance Policies (a limited review) and Personnel Practices, and for a fee of \$110,000.00, subject to the Board's legal counsel review and approval of engagement letter.

Mr. VanOverbeke stated he has reviewed the amended engagement letter and the RFP, and he has concerns with the engagement letter and feels that there are items that should be included before the Board approves hiring their firm.

It was **moved** by Crawford and **seconded** by Kahan to approve the resolution to hire Ennis Knupp to conduct the fiduciary audit, subject to legal counsel's review and approval of the engagement letter.

Motion denied, 4-2 vote (Sylvester/Flack)

The Board decided to postpone this item until the March Board meeting to give legal counsel more time to discuss the engagement letter with Ennis Knupp.

D-6 Abraham & Gaffney, P.C. Engagement Letter to Perform Annual Financial Audit for the Year Ending June 30, 2009

Ms. Nerdrum asked that the Board postpone this item until the March Board meeting so that she and Mr. Powell can discuss the fees that the auditors have proposed.

It was **moved** by Nerdrum and **seconded** by Flack to postpone this item until the March Board meeting.

Approved

D-7 Legal Opinion Regarding Contract to Hire MacKay Shields, High Yield Bond Fund Manager

Mr. VanOverbeke stated that his firm has reviewed this investment vehicle, documents, and the contract for MacKay Shields, and has confirmed that the manager qualifies under both the Basket Clause and Comingled Funds sections of Public Act 314.

It was **moved** by Kahan and **seconded** by Crawford to acknowledge receipt of legal counsel's opinion and to further note that legal counsel has reviewed and approved the contract, to authorize the appropriate Board signatories to execute the contract on the Board's behalf, and subject to a due diligence visit to MacKay Shields' offices. *(Mr. Hescheles noted that he will abstain from the vote due to a professional conflict because his company owns MacKay Shields)*

Approved

Mr. Powell suggested that Mr. Crawford and Mr. Flack, who have volunteered to visit Blackrock, also conduct the due diligence visit to MacKay Shields since their office is located nearby. Mr. Crawford and Mr. Flack agreed. Ms. Nerdrum noted that she may be able to attend the visits as well.

D-8 Legal Opinion Regarding Contract to Hire PENN Capital Management, High Yield Bond Fund Manager

Mr. VanOverbeke stated that his firm has also reviewed this investment vehicle, documents, and the contract for PENN Capital Management, and has confirmed that the manager qualifies under both the Basket Clause and Comingled Funds section of Public Act 314.

It was **moved** by Kahan and **seconded** by Nerdrum to acknowledge receipt of legal counsel's opinion and to further note that legal counsel has reviewed and approved the contract, to authorize the appropriate Board signatories to execute the contract on the Board's behalf, and subject to a due diligence visit to PENN Capital's offices.

Approved

E. DISCUSSION ITEMS - None

F. REPORTS

F-1 Executive Report – February 19, 2009

WITHDRAWAL REQUEST FROM PRINCIPAL GLOBAL INVESTORS

The Board of Trustees at its Regular Meeting on January 15, 2009 approved a resolution that requested a \$12 million withdrawal from the Principal Global Investors' portfolio. Mike Drysdale, Relationship Manager for Principal Global Investors, responded with the following:

“Susan advised me that you had called earlier today to request a withdrawal from the City of Ann Arbor's investment in our US Property Account as part of the City's rebalancing program. As Susan mentioned to you, on September 26, 2008, Principal Life Insurance Company ("Principal Life") applied a limitation which delays the payment of withdrawal requests and provides for payment of such requests on a pro rata basis (a "Queue") as cash becomes available for distribution, as determined by Principal Life. The implementation of the Queue does not change the Account's strategy of seeking to achieve good risk adjusted returns through investment in core real estate. On December 31, 2008, the outstanding balance in the Queue was \$837.8 million or 17.2% of the net asset value of the Account. Currently, there have been no pro-rata distributions made from the US Property Account. While it is difficult to estimate the exact timing on distributions, I would not expect distributions to be made until the capital markets return to some form of normalcy (i.e. buyers able to receive credit to purchase properties), and we are not yet seeing that happen in the market.”

2009 RETIREES' EDUCATIONAL LUNCHEON

The annual retirees' educational luncheon will be held Wednesday, April 29, 2009 at the Four Points Sheraton located at 3200 Boardwalk, Ann Arbor. The luncheon is scheduled from 11:30 a.m.-2:30 p.m. The speaker and topic for the conference are still being finalized.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31, 2009

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended January 31, 2009, to the Board of Trustees:

1/31/2009 Asset Value (Preliminary)	\$301,351,897
12/31/2008 Asset Value (Audited by Northern)	\$315,736,995
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$(12,560,069)
Percent Gain <Loss>	-4.0%
February 18, 2009 Asset Value	\$292,260,401

F-3 Investment Policy Committee Report – February 3, 2009

Following are the Investment Policy Committee minutes from the meeting convened during the Board Retreat on February 3, 2009:

Member(s) Present: Heatley, Sylvester
Member(s) Absent: Hescheles, Kahan
Other Trustees Present: Crawford, Flack, Nerdrum
Staff Present: Powell

Others Present: Larry Gray, Gray & Company

**RETIREMENT SYSTEM QUARTERLY REVIEW FOR THE QUARTER ENDED
DECEMBER 31, 2008**

Mr. Gray reviewed the December 31, 2008 quarterly review. The Fund's total market value as of December 31, 2008 was \$303.48 million. The Fund had a return of -15.48% for the current quarter, and a return of -26.31% for the last twelve months.

Mr. Kuhn reviewed the Summary of Assets as of December 31, 2008:

Managers	Market Value
Domestic Equity	\$ 151,220,000
International Equity	28,933,000
Fixed Income	91,597,000
Real Estate	37,645,000
Cash & Cash Equivalents	7,810,000
Total Plan	\$317,205,000.00

ADJOURNMENT

Meeting adjourned at 12:30 p.m.

F-4 Administrative Policy Committee Report – No Report

F-5 Audit Committee Report – January 27, 2009

Following are the Audit Committee minutes from the meeting convened at 4:13 p.m. on January 27, 2009:

Committee Members Present: Crawford, Kaur, Nerdrum, Sylvester
Members Absent: None
Other Trustees Present: None
Staff Present: Powell, Kluczynski
Others Present: Jeanna Cullins, Ennis Knupp
Saba Hashmi, Ennis Knupp

**MEETING WITH ENNIS KNUPP REPRESENTATIVES –
FIDUCIARY AUDIT CANDIDATES**

Ms. Cullins provided and reviewed a listing of the Scope of Services that the Committee had previously agreed upon, including:

1. Benefits processing methodology
2. Member communications
3. Member education and counseling services
4. Confidentiality of members' information
5. Internal controls
6. Governance Policies
7. Personnel Practices
8. Cost and Fees

At the previous Audit Committee meeting, the Committee had considered removing Member Communications and Cost and Fees from the listing. Ms. Cullins asked if the Committee is comfortable with the current costs and fees that are paid out to vendors. Mr. Crawford stated that the Investment Consultant and Committee closely watch the costs and fees, and overall they are satisfied with the current fees, as far as investments. Ms. Cullins agreed that this is an area that could be removed from the audit. Ms. Cullins noted that another area that the Committee could remove in order to save money would be the review of the current Governance Policy. Ms. Cullins stated that they are not suggesting that this policy be totally eliminated, but she found from reading the Policy that it is a good, well-written policy and perhaps they should only look at it in terms of whether or not it contains the essential elements of a good governance policy and whether or not they see anything in there that jumps out at them.

As far as Benefits Processing Methodology, Ms. Cullins stated that they would look at the System's compliance in terms of the benefits calculation process and whether or not a sampling is calculated consistently with the formula and in a timely manner. Ms. Cullins stated that the Committee would be better served to have a larger sampling of calculations, at perhaps 40 instead of 20 considering the number of retirees currently on the payroll. It was suggested that approximately 5 of the samples be taken from the same listing as done by the auditors in order for a better comparison. Ms. Cullins stated that part of the process is looking to see that there is cross-training and if the benefit practicing methodology is well-documented in case something were to happen to the person that usually processes the calculations, someone else would have to step in and do this work.

Ms. Cullins reviewed the categories of Member Communications and Member Education and Counseling Services, which looks at the various types of education the System provides, how frequently, how it is provided, and what kind of counseling services are provided. The two categories relate to each other because often times on a pension fund's website they will provide a benefit calculator function for members, which is a form of counseling. The adequacy of the System's website would also be a factor that is reviewed in this section of the audit. Also reviewed would be how the System compares with other public pension funds' education and counseling services.

Ms. Cullins stated that Confidentiality of Members' Information is an extremely important area, and they would explore what types of controls the System has in place to protect that information, such as the level of passwording, how records are stored, or if people are able to walk in from outside and have access to documents sitting on desks. This would also provide an opportunity to sensitize staff to the importance of it. Internal Controls and Personnel Practices are very important categories to keep in the audit, and would include a functional assessment of if there is sufficient staff, does the staff have the necessary skill set, could the staff be enhanced by training, and this provides an opportunity to get feedback from them on any difficulties they are having and if they understand what they are responsible for in relation to other job functions. With respect to Internal Controls, Ennis Knupp would look at the functional trail, meaning what is it that the System is required to do functionally, and are those functions adequately separated, are there checks and balances on the functions, are there processes in place that diminish the likelihood of fraud or if things could slip through the cracks. In other words, they would determine what functions are being performed, and in performing those functions, what checks and balances are in place and how does it compare to a typical flow of documents.

Ennis Knupp will be interviewing staff, Board members, and external agencies that are dealt with frequently (City Attorney, auditors, actuary, etc.). After discussion, the Committee decided to include the following categories in the audit in order to stay within the budget:

- 1. Benefits Processing Methodology (including a sample of 40 files)*
- 2. Member Education and Counseling Services*

- (including some member communications & adequacy of the website)
3. Confidentiality of Members' Information
 4. Internal Controls
 5. Governance Policies (general review)
 6. Personnel Practices

Ms. Cullins noted that the System could also save money by eliminating the Exit Conference as listed in the project timeline, and basically combine it with the Presentation of the Final Report. Typically, an Exit Conference is just a last shot at modifying the report, or a pre-presentation. This item is not necessarily needed because during the entire audit, the members have the opportunity for input and receive many drafts before everything is finalized. The Committee agreed to eliminate the Exit Conference from the timeline. Mr. Powell asked Ms. Cullins to provide an amendment indicating the revised Scope of Services listing as discussed today so that he can present it at the upcoming Board Retreat on February 3rd, and so that the Board's legal counsel has an opportunity to review a contract as soon as possible. Ms. Cullins agreed.

ADJOURNMENT

It was **moved** by Sylvester and **seconded** by Nerdrum to adjourn the meeting at 5:15 p.m.
Meeting adjourned at 5:15 p.m.

F-6 Legal Report – Securities Litigation Matter

Mr. VanOverbeke suggested that the Board convene an Executive Session for the purpose of discussing a securities litigation matter that has recently come to his attention. The Board agreed.

Roll call vote:

Crawford - Yes	Heatley - Absent	Kaur - Absent
Flack – Yes	Hescheles - Yes	Nerdrum - Yes
Fraser - Absent	Kahan - Yes	Sylvester - Yes

Executive session time: 9:21 – 9:40 a.m.

It was **moved** by Kahan and **seconded** by Nerdrum to acknowledge receipt in closed session of the litigation report from the Board's legal counsel, and to approve that the Board file as lead plaintiff in the Level 3 Communication, Inc. securities litigation, and to appoint the law firm of Coughlin, Stoia, Geller, Rudman & Robbins, LLP as counsel on that matter.

Approved

G. INFORMATION

G-1 Communications Memorandum

The Communications Memorandum was received and filed.

G-2 March Planning Calendar

The March Planning Calendar was received and filed. Mr. Powell stated that he knows of no current issues pending for the Audit Committee's agenda, and asked Ms. Nerdrum if she feels that a meeting is necessary on March 3rd. Ms. Nerdrum agreed and stated that the AC meeting should be cancelled for March 3rd.

G-3 Vendor Contacts

The Vendor Contacts information was received and filed.

G-4 Status of Pending Projects Report

The Status of Pending Projects Report was received and filed. Ms. Nerdrum suggested that staff send emails to the Trustees before and after meetings to keep them apprised of the status of various Board and Committee projects that are being conducted and accomplished, which would be helpful to keep everyone on track and to prevent items from falling through the cracks. Mr. Powell agreed. Mr. VanOverbeke also suggested adding the various consultants to the Status of Pending Projects Report to keep up with what is expected of them.

G-5 Board Retreat Notes – February 3, 2009

The Board Retreat Notes were received and filed.

H. TRUSTEE COMMENTS

Mr. Kahan asked about the status of the Ordinance changes that were sent to the City Attorney's Office, and Mr. Crawford stated that there has been meaningful work being done with the Ordinance, and hopefully during the summer there will be much more activity.

I. ADJOURNMENT

It was **moved** by Kahan and **seconded** by Crawford to adjourn the meeting at 9:51 a.m.

Meeting adjourned at 9:51 a.m.

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