

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
July 16, 2015**

B

The meeting was called to order by Alexa Nerdrum, Vice-Chairperson, at 8:43 a.m.

ROLL CALL

Members Present: Clark, Crawford, Hastie, Heusel, Monroe, Nerdrum
Members Absent: Flack
Staff Present: Kluczynski, Walker
Others: None

AUDIENCE COMMENTS – None

A. APPROVAL OF REVISED AGENDA

Ms. Walker requested that the agenda be revised as follows:

C-2 Addition of Terry Clark to the Fall MAPERS resolution
E-1 Discussion item added regarding Buck Consultants

It was **moved** by Heusel and **seconded** by Clark to approve the revised agenda.
Approved

B. APPROVAL OF MINUTES – June 18, 2015

It was **moved** by Crawford and **seconded** by Hastie to approve the June 18, 2015 Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

C-1 EDRO Certification – Kimberly A. Hanlon v. Jeffrey R. Ballou

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated June 8, 2015, wherein Kimberly A. Hanlon, the Alternate Payee, is awarded certain rights to the benefits of Jeffrey R. Ballou, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's monthly retirement benefit from the Retirement System which is subject to 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 Participant and the Alternate Payee shall be responsible for any and all additional costs for actuarial services and that the Alternate Payee's share of said costs shall be in proportion to her share of the Participant's retirement allowance divided 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 Jeffrey R. Ballou, the Participant; Scott A. Smith, Esq., attorney for the Participant; Kimberly A. Hanlon, the Alternate Payee; Karen Quinlan Valvo, Esq., attorney for the Alternate Payee; and the Board's Actuary.

C-2 Authorization for Conference/Training – 2015 Fall MAPERS Conference – Walker, Kluczynski

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, Terry Clark, Nancy Walker, and Lora Kluczynski have requested the Board of Trustees' authorization for conference/training in Acme, Michigan, at Retirement System expense, estimated at \$3,864.00 (collectively), to attend the 2015 Fall MAPERS Conference, to participate in continuing education in their responsibility as Retirement System Trustee/Staff, and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Terry Clark, Nancy Walker, and Lora Kluczynski to travel to Acme, Michigan, at Retirement System expense, estimated at \$3,864.00 (collectively), to attend the 2015 Fall MAPERS Conference, to participate in continuing education in their responsibility as Retirement System Trustee/Staff, and

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

C-3 EDRO Certification – Susan M. Cottone v. Michael J. Cottone

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated June 29, 2015, wherein Michael Joseph Cottone, the Alternate Payee, is awarded certain rights to the benefits of Susan Marie Cottone, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's monthly retirement benefit from the Retirement System which is subject to 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 her 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 Participant and the Alternate Payee shall be responsible for any and all additional costs for actuarial services and that the Alternate Payee's share of said costs shall be in proportion to his share of the Participant's retirement allowance divided 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 Susan Marie Cottone, the Participant; Michael Joseph Cottone, the Alternate Payee; and the Board's Actuary.

It was **moved** by Monroe and **seconded** by Hastie to approve the Consent Agenda as submitted, and that C-2 be open to any additional Trustees interested in attending the MAPERS Conference in September.

Approved

D. ACTION ITEMS

D-1 Draft – Legal Advisor RFP

Ms. Walker reviewed the proposed Legal Advisor Request for Proposal. After a brief discussion regarding distribution methods, there were no additional suggestions or changes made to the document. It was decided that the RFP will be distributed in August with a return deadline in September. The APC will then review the submitted RFP's before making interview recommendations to the Board of Trustees.

It was **moved** by Clark and **seconded** by Crawford to accept the Legal Advisor Request for Proposal as presented, utilizing the distribution methods and timeline as discussed.

Approved

D-2 Selection of Actuarial Assumptions & Parameters

Ms. Nerdrum stated that this item was discussed at the June meeting, and is being brought before the Board for formal approval so that the Trustees could review the actual assumptions under GASB. Ms. Nerdrum stated that the Audit Committee recommends that the assumptions remain the same as last year.

It was **moved** by Crawford and **seconded** by Monroe that there be no changes or adjustments made to the current assumptions.

Approved

E. DISCUSSION ITEMS

E-1 Upcoming Discussion with Buck Consultants

Ms. Walker stated that Mr. Langer from Buck Consultants will be present at the August Board meeting to discuss where we want to go in the future with the assumptions, the funding and amortization policy, general communication with the Board, and to discuss the vague and confusing sense that the Board was left with because it has been 4-5 months with no conclusion as to where to go in terms of the policy. Ms. Walker added that the Board needs to know if we are going to stay with the 25 year open amortization, or if we are going to try to make changes. Ms. Nerdrum stated that she also hopes to receive information regarding methods and structures currently utilized by other organizations, especially considering the GASB changes.

F. REPORTS

F-1 Executive Report – July 16, 2015

SUMMIT CAPITAL CALLS

Summit Partners Credit Fund II, L.P. (the "Fund") has current commitments which necessitated a takedown of three tenths percent (0.3%) of the Retirement System commitment to the Fund in the amount of \$82, 800 on May 26, 2015 and a takedown of six and seven-tenths percent (6.7%) of our commitment to the Fund in the amount of \$616,400 on July 13, 2015. With these installments, we will have funded twenty-nine and six-tenths percent (29.6%) of the total commitment of \$9,200,000.

Summit Partners Credit Fund II, L.P. (the "Fund") has current commitments which necessitated a takedown of nineteenth percent (0.9%) of our commitment to the Fund, in the amount of \$20,700, of the VEBA commitment to the Fund on June 30, 2015, and a takedown of six and seven-tenths percent (6.7%) in the amount of \$154,100 on July 13, 2015. With these installments, we will have funded twenty-nine and six-tenths percent (29.6%) of the total commitment of \$2,300,000.

CONSTITUTION CAPITAL IRONSIDES III FUNDS CAPITAL CALLS

Constitution Capital Ironsides Co-investment Fund III and Constitution Capital Ironsides Fund III have drawn capital in the amounts of \$3,320,670.99, for a funding level of 53.5% of our total commitment and \$322,591.44 for a funding level of 5.1% of our total commitment, respectively, on June 29th 2015. These draw downs were funded by the sale of \$3.7 million of the NT Midcap 400 Index Fund.

ACTUARIAL VALUATION WORK

The new hire, termination, lump sums and allowance files, as well as the inactive retired and deferred files have been completed and sent to Buck.

Northern will close at July 30 or as soon as all manager reporting of 6-30-2015 balance is available if earlier. AEW is one of the last managers to report according to Northern. AEW has provided a flash report per ED's request for 6-30-2015, and anticipates final numbers to be available 7-30-2015. Since this manager comprises \$21 million of the Retirement System assets and \$5.2 million in the VEBA, their results are deemed material to the financial statements. Fisher and Vontobel have issued statements as of 7-10 although not yet processed by Northern.

For new managers, 36 South has reported unaudited but certified 6-30- results. BeachPoint reporting is scheduled for July 13, 2015. Loomis has reported their results on their website. Och-Ziff is scheduled for the 25th of July.

STAFF ACTIVITY

Rehmann Robson advanced its benefits payments audit schedule for the FY 2014/2015, and has reviewed the 33 sample benefits files which they selected from the Northern Trust master file. The Retirement Resources has been added to the A2 Central intranet site and had 47 page views with 25 unique page views the first month. Site usage will continue to be tracked, probably on a quarterly basis.

On the new payroll system, a one-person test file has so far been sent to Buck to check for file compatibility, and Buck made some adjustments to their system. We are waiting for a complete test file to be produced by the new payroll system and sent to Buck for further validation.

CITY COUNCIL

The updated language for Board composition changes has been approved by City Council at the second reading June 15.

Discussion regarding the August Board Meeting

The Board discussed the full agenda at the upcoming August meeting and the necessity for full Board attendance. Mr. Monroe and Mr. Crawford stated that they would not be able to attend on the 20th, although Mr. Monroe may be able to phone in. After discussion, it was decided that that August meeting should be held on Wednesday, August 19th in order to obtain a quorum. Staff will post the date change on the website and notify the entire Board via email.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended June 30, 2015

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended June 30, 2015 to the Board of Trustees:

6/30/2015 Asset Value (Preliminary)	\$475,101,236
5/31/2015 Asset Value (Audited by Northern)	\$478,721,217
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$12,546,024
Percent Gain <Loss>	2.7%
July 15, 2015 Asset Value	\$474,674,997

F-3 Investment Policy Committee Minutes – No Report

F-4 Administrative Policy Committee Minutes – No Report

F-5 Audit Committee Minutes – No Report

F-6 Legal Report – No Report

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 August Planning Calendar

G-3 Record of Paid Invoices

The following invoices have been paid since the last Board meeting:

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	22.76	Monthly Gas Fee dated June 12, 2015
2	DTE Energy	233.06	Monthly Electric Fee dated June 12, 2015
3	Buck Consultants	2,108.33	May monthly hosting fees & deferred retiree death calc.
4	Comcast	85.24	Monthly Cable Fee
5	Staples Advantage	149.85	Miscellaneous Office supplies
6	Lora Kluczynski	279.00	Petty cash reimbursement
7	Robertson Morrison, Inc.	195.00	Routine Service Agreement – 4/22/14 - 4/22/16
8	Meketa Investment Group	9,166.66	Investment Consultant Retainer - June 2015
9	Comcast	94.82	Monthly Cable Fee
10	Buck Consultants	8,755.83	Valuation instlmt, GASB disclosures, June hosting fees
11	AT&T	314.45	Monthly telephone service
	TOTAL	21,405.00	

G-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
Peter Tsangaris	Age & Service	August 21, 2015	Police	26 years, 6 months <i>(which includes 3 years, 11 months military service credit)</i>	Safety Services Police Department
Randy Williams	Age & Service	August 8, 2015	General	29 years, 2 months	Public Services Field Operations

G-5 Correspondence from 36 South

H. **TRUSTEE COMMENTS - None**

I. **ADJOURNMENT**

It was **moved** by Heusel and **seconded** by Crawford to adjourn the meeting at 9:39 a.m.
Meeting adjourned at 9:39 a.m.



Nancy R. Walker, Executive Director
City of Ann Arbor Employees' Retirement System