

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
August 19, 2021**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:37 a.m.

ROLL CALL

Members Present: Flack(*Via TX, Wood County, OH*), Hastie(*Via TX, Ann Arbor, MI*), Lynch(*Via TX, Dexter, MI*), Monroe(*Via TX, Ann Arbor, MI*), Nerdrum(*Via TX, Ann Arbor, MI*), Peariso(*Via TX, Ann Arbor, MI*), Praschan(*Via TX, Ann Arbor, MI*), Schreier(*Via TX, Ann Arbor, MI*)

Members Absent: DiGiovanni

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, 9:15 AM Depart*)
Keith Beaudoin, Meketa(*Via TX, 9:16 AM Depart*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 July 15, 2021 Regular Board Meeting

It was **moved** by Schreier and **seconded** by Hastie to approve the July 15, 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
Daniel Schilling	General	Dual	17 Years, 9 Months	Washtenaw County

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 approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Disability Re-Examination Review

Ms. Orcutt informed the Board of the completed disability re-examination for Ralonda Robinson and that the Physician has concluded that she is totally and permanently incapacitated for duty.

It was **moved** by Peariso and **seconded** by Schreier that the Board acknowledges receipt of the medical report date July 21, 2021 from Carla Guggenheim, D.O. with regards to the independent medical evaluation of Ralonda Robinson, noting that the doctor has concluded that she 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-2 Resolution to Invest in JP Morgan Infrastructure Investment Fund

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, Meketa Investment Group, as the Retirement System's investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have discussed an allocation to Infrastructure in the amount of a 3% target, and

WHEREAS, a potential infrastructure manager, J.P. Morgan, presented their investment strategies to the IPC on August 3, 2021, and

WHEREAS, Meketa Investment Group and the Investment Policy Committee have recommended an investment with J.P. Morgan in the Infrastructure Investments Fund "IIF", so be it,

RESOLVED, that the Board of Trustees approve the investment with J.P. Morgan in the IIF with a commitment in the amount of \$15 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Monroe and **seconded** by Flack to approve the investment with J.P. Morgan in the IIF with a commitment in the amount of \$15 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

E. DISCUSSION ITEMS

E-1 FYE Results/Recap and Projected Returns

Mr. Jaung presented a FYE 2021 summary stating that the market value of the ERs was \$631 million at the end of June 2021. The performance for QTD, YTD and FYTD were 6.0%, 10.1%, and 27.0%, respectively. The YTD return for the ERS placed it in the 13th percentile among its peer group.

The market value of the VEBA was \$244 million at the end of June 2021. The performance for QTD, YTD, and FYTD were 6.0%, 9.1%, and 25.4%, respectively. The YTD return for the VEBA places it in the 5th percentile among its peer group.

E-2 Telecommuting Policy

Ms. Orcutt presented the Telecommuting Policy for the Retirement System Staff. The Board discussed and agreed with the presented policy recommending reviewing the policy again at the end of the calendar year.

F. REPORTS

F-1 Executive Report – August 19, 2021

DRA CAPITAL CALLS & DISTRIBUTIONS

*DRA issued a distribution from the Growth and Income Fund VIII on 7/21/21 in the amount of **\$277,039** for the Retirement System and **\$81,482** for the VEBA consisting of gains on sales and return of capital(unrecallable).*

*DRA issued a distribution from the Growth and Income Fund VIII on 7/30/21 in the amount of **\$156,322** for the Retirement System and **\$45,977** for the VEBA consisting of gains on sales and return of capital(unrecallable).*

DRA issued a distribution from the Growth and Income Fund IX on 8/13/21 in the amount of **\$258,350** for the Retirement System and **\$75,984** for the VEBA consisting of gains on sales, dividends and return of capital(unrecallable).

DRA issued a distribution from the Growth and Income Fund X on 8/13/21 in the amount of **\$32,314** for the Retirement System and **\$21,543** for the VEBA consisting of dividends netted against management fees.

SUMMIT PARTNERS CAPITAL CALLS AND DISTRIBUTIONS

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$494,350** for the Retirement System and **\$123,587** for the VEBA on 7/21/21.

CONSTITUTION CAPITAL PARTNERS

Ironsides Co-Investment Fund III issued a distribution in the amount of **\$827,624** for the Retirement System on 8/11/21 comprised of sales proceeds less management fees.

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 150,000** for the Retirement System and **\$ 50,000** for VEBA to fund current investments on 7/23/21.

SVB DISTRIBUTION

SVB Fund VIII issue a distribution in the amount of **\$ 344,000** for the Retirement Plan and **\$ 86,000** for the VEBA on 7/23/21 consisting of gains on sales and return of capital.

BUCK CONVERSION

There was an issue discovered with the 3/31/21 Accrued Benefit Statements that were generated on the Pension Self-Service site. While the demographic, employment, contribution, account balances, service credit, and beneficiary information were accurate, the accrued benefit section was overstated due to the inclusion of additional pays past the statement cutoff date of 3/31/2021. ED had Buck research and provide the list of names and amount of discrepancy. The issue was isolated to the Self-service site and affected approximately 90 employees. A corrected 3/31/21 statement was loaded to the site and the employees were notified. The 6/30/21 statement is now available for viewing as well. The remaining outstanding item is the Buyback calculation process.

Buck has made several requests to begin invoicing for monthly services again. The Retirement System has not been billed for service with Buck since the software went down last year and it has taken until recently to be near fully operational. On August 13, ED advised that they can begin invoicing but ultimately the Board would have to approve payment.

PENSION ADMINISTRATION SOFTWARE RFP

4 proposals were received and reviewed by Staff as well as Kyle Spade from the City's IT department. These were reviewed and discussed at the August 11 Audit Committee Meeting.

FYE AUDIT UPDATE

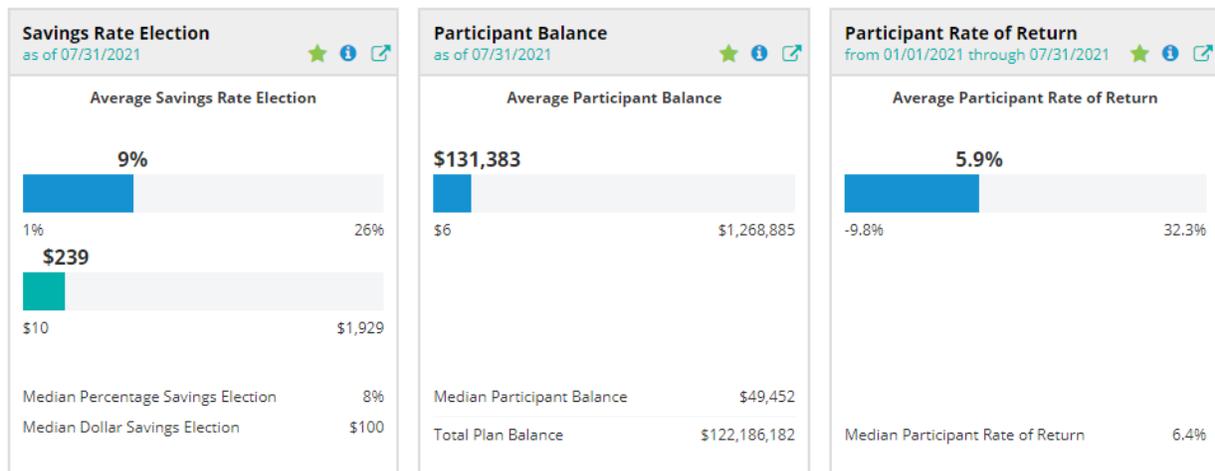
The financial information for the GASB reports were submitted to GRS on August 10th and 11th. Yeo & Yeo will be onsite August 26 and 27 to conduct the annual audit.

STAFF OPERATIONS/UPDATE

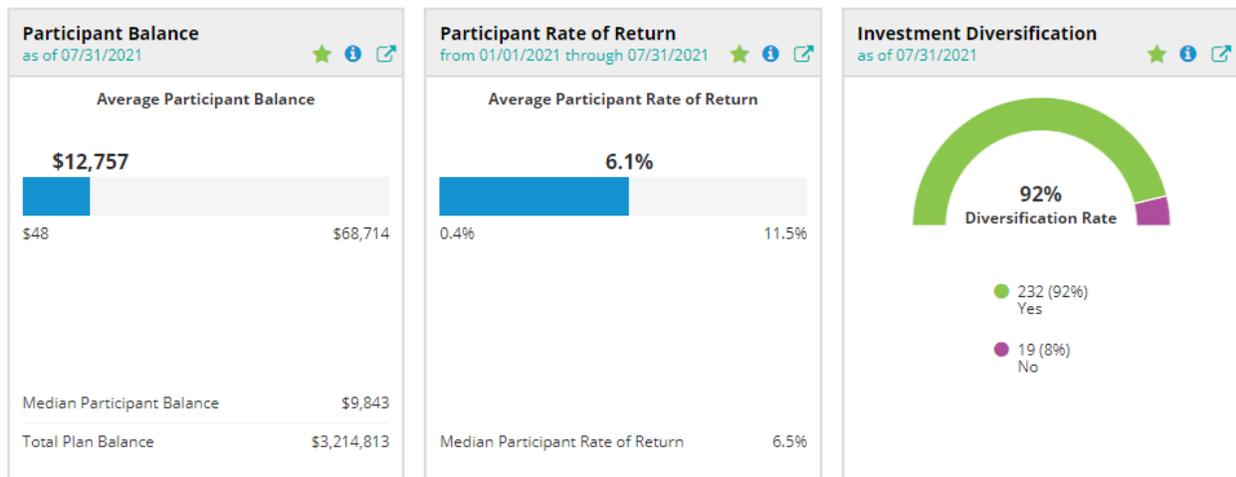
The Pension Analyst processed 44 estimates, 5 non-vested calculations, 2 deceased calculations, 4 final calculations, and 2 presessions.

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 8/12/21 - \$ 122,303,533 – Statistics as of 7/31/21



401 Balance at 8/12/21 – \$ 3,224,558 - Statistics as of 7/31/21



Current Items/Education:

- Gina John will be conducting virtual appointments and hosting a webinar August 18th and 19th.
- Dan Stewart conducted 17 virtual appointments and 10 people joined the webinar during July 20th and 21st.

Other Items:

A Wellness Credit will now be awarded 5 for attending educational webinars.

MissionSquare will email attendees afterward with confirmation that they attended. The employee will then submit to the Wellness Committee.
 VMT reviewed the updated contracts including the new fees from MissionSquare and sent his edits to Ray Fontin on August 5.

F-3 FY21 Training and Education Expenses

Trustee/Staff	Conference Name/ Date/Location	Total Spent
Maria Buffone	GFOA Conference 11/5/2020 Virtual	\$135.00
TOTAL		\$135.00

F-4 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended July 31, 2021

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

7/31/2021 Asset Value (Preliminary)	\$634,911,036
6/30/2021 Asset Value (Audited by Northern)	\$629,439,804
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$66,499,107
Percent Gain <Loss>	11.4%
August 18, 2021 Asset Value	\$636,343,585

F-5 Investment Policy Committee Minutes – August 3, 2021

Following are the Investment Policy Committee minutes from the meeting convened at 3:05 p.m. on August 2, 2021:

Member(s) Present: DiGiovanni(via TX, Ann Arbor, MI), Flack(via TX, Ann Arbor, MI),
 Hastie(via TX, Ann Arbor, MI), Monroe(via TX, Ann Arbor, MI)
 Praschan(via TX, Ann Arbor, MI)

Member(s) Absent: None

Other Trustees Present: None

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

Others Present: Henry Jaung(via TX), Meketa Investment Group
 John Harris(via TX), Meketa Investment Group
 Mary Bates(via TX, 4:30 PM – 5:18 PM), Meketa Investment
 Group

Dan Kim(via TX, 3:21 PM – 4:00 PM), IFM
 Nick Mollar(via TX, 4:02 PM – 4:30 PM), JP Morgan
 Thomas Villanova(via TX, 4:02 PM – 4:30 PM), JP Morgan

ECONOMIC AND MARKET UPDATE DATA AS OF JUNE 30, 2021

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

EXECUTIVE SUMMARY

All asset classes had positive returns for the quarter, public equities were the largest contributors all returning over 6% QTD. The international developed managers had stellar quarters with returns placing WCM in the 1st percentile and Artisan, which was funded in February, on the 7th percentile amongst their peer's groups.

RETIREMENT SYSTEM

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

June 30, 2021 Performance Update: As of June 30, 2021, the balance of the Funds was \$630,970,075 for ERS. Fiscal Year to Date performance was 26.9% for ERS net of fees.

VEBA

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

June 30, 2021 Performance Update: As of June 30, 2021, the balance of the Funds was \$244,285,891 for VEBA. Fiscal Year to Date performance was 25.2% for VEBA net of fees.

CORE INFRASTRUCTURE SEARCH

Dan Kim from IFM was present to discuss the firm. The following was discussed in their presentation:

- Firm overview
- IFM Global Infrastructure Fund
- Asset Management & Responsible Investment
- Fund Terms

Nick Mollar and Thomas Villanova from JP Morgan were present to discuss the firm. The following was discussed in their presentation:

- Firm overview
- Infrastructure Investment Fund
- Asset Management & Responsible Investment
- Fund Terms & Conditions

It was **moved** by DiGiovanni and **seconded** by Monroe to recommend to the Board of Trustees to invest \$15 million from the ERS into the JP Morgan Fund and \$3 Million from VEBA.

Approved

DIRECT LENDING SEARCH

Mary Bates from Meketa was present to discuss the direct lending search with the Committee. The Committee reviewed five firms and decided to interview two, Angelo

MISSIONSQUARE PLAN INVESTMENT REPORT AT OF JUNE 30, 2021

Received and filed.

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by Flack to adjourn the meeting at 5:34 p.m.
Meeting adjourned at 5:34 p.m.

F-6 Administrative Policy Committee Minutes – August 10, 2021

Following are the Administrative Policy Committee minutes from the meeting convened at 1:02 p.m. on August 10, 2021:

Committee Members Present: Lynch(via TX, Dexter, MI), Monroe(Via TX, Ann Arbor, MI),
Peariso(Via TX, Ann Arbor, MI), Praschan(Via TX, Ann Arbor, MI), Schreier(Via TX, Ann Arbor, MI)
Members Absent: None
Other Trustees Present: None
Staff Present: Hollabaugh(Via TX), Orcutt(Via TX)
Others Present: None

MISSIONSQUARE UPDATE

Update on Contracts: Drafts of the new Administrative Service Agreements for the 401 and 457 have been received. These include the new fee structure and also extend the 401 to expire in 2023 to match the term of the 457 contract. VMT has revised the drafts and sent back to MissionSquare for review. Ms. Orcutt is waiting for the final copy for signatures.

Wellness Credits: MissionSquare representatives will be emailing webinar attendees confirmation of attendance. Employees are responsible to submit this email for a wellness credit if desired.

Upcoming Education: Gina John has one-on-one consultations and a webinar scheduled for August 18-19th, 2021.

UPDATE ON BUCK

Ms. Orcutt informed the Committee of updates to the 3/31/2021 Accrued Benefit Statements. Buck had made an error on the statements causing accrued benefits to be overstated for some employees. Staff worked with Buck to get the issue resolved and has informed affected employees of the situation. A disclaimer has also been added to accrued benefit statements as a precaution.

Ms. Orcutt also informed the Committee that Buck would like to begin invoicing for service again. The Retirement System has not been billed for service with Buck since the software went down last year and it has taken until recently to be operational. There is one outstanding item that still needs to be addressed and Ms. Orcutt has requested that Buck provide a written explanation and expected timeframe for resolution. The Committee agreed that before invoicing begins the issue should be resolved and further discussion is warranted.

UPDATE ON FINAL AVERAGE COMP (FAC) LANGUAGE IN CONTRACTS

Ms. Orcutt stated that HR has been attempting to update union contract language to reflect the correct ordinance language for final average compensation calculations. During negotiations, unions are not accepting the revised language. Ms. Orcutt will continue to partner with HR to make attempts to get the language updated.

UPDATE ON HR POLICY – EMPLOYMENT OF RETIREES

The Committee reviewed the HR Employment of Retirees Policy and agreed that it is outdated. The Committee recommended that the Retirement System’s attorney, VMT, should work with the City to get this updated. Ms. Orcutt will work with VMT to get this resolved.

TELECOMMUTING POLICY

Ms. Orcutt presented a telecommuting policy for the Retirement System Staff. The Committee briefly discussed, agreeing with the policy. The policy will be presented at the August Board meeting.

ADJOURNMENT

It was ***moved*** by Schreier and ***seconded*** by Peariso to adjourn the meeting at 1:50 p.m.
Meeting adjourned at 1:50 p.m.

F-7 Audit Committee Minutes – August 11, 2021

Following are the Audit Committee minutes from the meeting convened at 2:03 p.m. on August 11, 2021:

Committee Members Present: Monroe(Via TX, Ann Arbor, MI), Nerdrum(Via TX, Ann Arbor, MI), Praschan(Via TX, Ann Arbor, 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)

AUDIT ENGAGEMENT LETTERS

Ms. Orcutt informed the Committee that the engagement letters are ready for signature. Ms. Nerdrum signed the letters and Staff will send out.

FYE UPDATE – AUDIT AND ACTUARY

All financial information and reports have been submitted to GRS for the GASB reports. Audit work is in progress. The Auditors are scheduled to be onsite August 26-27th. Ms. Nerdrum inquired on the contract term for Yeo & Yeo. Staff will research and follow up at the September committee meeting.

REVIEW AND DISCUSSION OF RFP RESPONSES – PENSION ADMINISTRATION SOFTWARE

The Committee reviewed and discussed the four Pension Administration Software RFP's that were submitted by the deadline:

- Buck Consultants
- Gabriel, Roeder, Smith & Co.
- Milliman
- Procentia

Ms. Orcutt provided a summary document of the four firms for the Committee to review. After discussion, the Committee decided they would like to see demonstrations from two of the four Pension Administration Software Systems.

Ms. Orcutt also informed the Committee that Buck would like to begin monthly invoicing for services again. The Retirement System has not been billed for service with Buck since the software went down last year and it has taken until recently to be operational. There is one outstanding item that still needs to be addressed and Ms. Orcutt has requested that Buck provide a written explanation and expected timeframe for resolution.

DISCUSSION ON NEXT STEPS

Script & Forum for Demos: Staff will prepare a demo script and will schedule a review with the two firms. A summary will be provided for the Committee once complete.

September Meeting Date: The next Audit Committee meeting was scheduled for September 14th, 2021 at 3:00 PM.

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by Praschan to adjourn the meeting at 2:50 p.m.

Meeting adjourned at 2:50 p.m.

F-8 Legal Report – None.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 September 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	Applied Imaging	\$13.35	Printing 6/2021
2	Culligan	\$12.00	Water Service 7/2021
3	GFOA	\$160.00	Membership Renewal 7/1/2021-6/30/2022
4	GRS	\$2,425.00	GASB 67/68 Valuation Q3 2021
5	GRS	\$6,700.00	Pension Valuation Q3 2021
6	Loomis Sayles	\$35,166.61	Investment Manager Fee 4/1/2021-6/30/2021
7	Meketa Investment Group	\$10,000.00	Investment Consultant Fee 6/2021
8	MAPERS	\$300.00	Fall MAPERS Conference Registration: Praschan
9	MedSource	\$1,350.00	Disability Examination: P.Ramirez 7.7.2021

10	Rhumblin	\$15,543.00	Investment Manager Fee 4/1/2021-6/30/2021
11	American Express	\$76.80	7/6/21 Kroger: Misc. Office Supplies & 7/20/21 USPS: Stamps
12	Applied Imaging	\$46.82	Printing 7/2021
13	IRM	\$3,643.40	Investment Manager Fee 4/1/2021-6/30/2021
14	Culligan	\$12.00	Water Service 8/2021
15	Laura Hollabaugh	\$129.51	Reimbursement for DTE Electric 6/15/2021-7/14/2021
16	Independent Medical Evaluations	\$1,900.00	Disability Examination: M. Whitehead
17	CDW Government	\$1,119.22	Conference Room IT Equipment
19	Loomis Sayles	\$35,166.61	Investment Manager Fee 4/1/2021-6/30/2021
20	MedSource Services	\$2,500.00	Disability Examination: R. Robinson 7/19/2021
21	Meketa Investment Group	\$10,000.00	Investment Consultant Fee 7/2021
22	Staples	\$75.26	Misc. Office Supplies
Total		\$126,339.58	

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
John Getz	Age & Service	October 2, 2021	General	Non Union	26 Years	Financial & Administrative
Rebecca Provancher	Age & Service	September 2, 2021	Police	COAM	25 Years, 3 Months	Safety Services
Pablo Ramirez	Disability	July 15, 2021	Fire	FIRE	22 Years, 11 Months	Safety Services
George Freeman	Age & Service	September 10, 2021	General	AFSCME	23 Years, 0.5 Months	Community Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

Mr. Monroe reminded the Board of the upcoming MAPERS conference registration deadline.

I. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Schreier to adjourn the meeting at 9:56 a.m.
Meeting adjourned at 9:56 a.m.

Wendy Orcutt

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