

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
September 21, 2017**

The meeting was called to order by Jeremy Flack, Board Chairperson, at 8:41 a.m.

**ROLL CALL**

Members Present: Clark, DiGiovanni, Flack, Hastie, Lynch, Monroe  
Members Absent: Crawford, Heusel, Nerdrum  
Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Henry Jaung, Meketa Investment Group

**AUDIENCE COMMENTS - None**

**A. APPROVAL OF AGENDA**

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

**B. APPROVAL OF MINUTES**

**B-1 July 20, 2017 Regular Board Meeting**

It was **moved** by Hastie and **seconded** by Monroe to approve the July 20, 2017 Regular Board Meeting minutes as submitted.  
**Approved**

**C. CONSENT AGENDA**

**C-1 Purchase Of Military Service Time**

**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**, Section 1:555(C)(3) of the Retirement Ordinance, Chapter 18 of the Code of the City of Ann Arbor allows for prior Military Service Credit, and

**WHEREAS**, the Board is in receipt of an Application for Purchase of Military Service Time, 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 purchase of Military Service Time:

Name	Employee Group	Requested Military Service Time	Requested Method of Payment	Cost for Purchase of Military Service Time
<b><u>Michael Dortch</u></b>	Police	6 Months	Payroll Deductions	\$ 2,367.56

**FURTHER RESOLVED**, that the applicant(s) purchasing Military Service Time be notified of the amount of money necessary to buy the Military Service Time, and upon full payment, the member(s) shall be credited the service time.

**C-2 Authorization for Online Conference/Training (\$ 135.00)**

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, Corbin Hammond and Wendy Orcutt have requested the Board of Trustees' authorization for online training at Retirement System expense, estimated at \$135.00 to access the GFOA 22nd Annual Government GAAP Update online session, to participate in continuing education in their responsibility as Retirement System Accountant and Executive Director, therefore it be

RESOLVED, the Board of Trustees authorizes the training request of Corbin Hammond and Wendy Orcutt to access the GFOA 22nd Annual Government GAAP Update online session, to participate in continuing education in their responsibility as Retirement System Accountant and Executive Director, and

FURTHER RESOLVED, that Corbin Hammond and Wendy Orcutt comply with all training and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

It was **moved** by Hastie and **seconded** by Clark to approve the consent agenda item as submitted.

**Approved**

**D. ACTION ITEMS**

**D-1 Conduent Change Estimate to Update Tahiti for Dual Plan Provisions**

Ms. Orcutt presented the Conduent Change Estimate to update Tahiti, the Benefit Software, to cost \$5,000. The update will provide changes for the Dual Retirement Plan, updating the self-service calculator and contribution statements.

It was **moved** by DiGiovanni and **seconded** by Hastie to approve the Conduent Change Estimate to Update Tahiti for Dual Plan Provisions.

**Approved**

## **E. DISCUSSION ITEMS**

### **E-1 Annual Investment Review – Meketa Investment Group**

Mr. Jaung of Meketa Investment Group was present to provide the investment review for the Fiscal Year, Status of the 2017 To-Do List and Act 314 Compliance Review. Overall, Mr. Jaung indicated that not only was it a busy year, but it was a productive year. At this point, most of what was done during the Fiscal Year has worked out well. The Fiscal Year End return net of fees was 11.8%.

### **BOARD RECESS**

The Board was called to recess at 9:26 a.m. for the purpose of holding the VEBA Board Meeting to continue the Annual Investment Review – Meketa Investment Group for VEBA.

**Meeting recessed at 9:26 a.m.**

*The meeting was reconvened at 10:10 a.m.*

### **E-2 Actuarial Services Request for Proposal**

The Board reviewed the Actuarial RFP Draft and timeline for submission and eventual review of candidates. This would apply to valuations beginning fiscal year ending June 30, 2018. Ms. Orcutt and the Board also discussed the available advertising options.

It was **moved** by Clark and **seconded** by Monroe to approve the Actuarial Services Request for Proposal and authorization to issue as presented.

**Approved**

### **E-3 Initial Draft to Council Regarding Amortization of Funded Status for Retirement Program and VEBA**

The Board reviewed the initial drafted letter to Council. Mr. Crawford informed the Board that he shared the initial draft to Council with the City Administrator, Howard Lazarus, to further address any edits with him prior to sending. After further discussion, the Board decided on the following:

It was **moved** by Hastie and **seconded** by DiGiovanni to acknowledge review of the memorandum and to authorize the Audit Committee to prepare final draft and issue at the appropriate time.

**Approved**

### **E-4 Report from Attendees of Fall MAPERS Conference**

Ms. Orcutt, Mr. Clark, and Mr. Flack briefly reviewed the recent Fall MAPERS Conference, highlighting topics from the various sessions.

## **F. REPORTS**

### **F-1 Executive Report – September 21, 2017**

#### **DRA CAPITAL CALLS**

DRA requested a capital call of our commitment to the Growth and Income Fund IX in the amount of **\$ 570,869** for the Retirement Plan and **\$ 319,314** for the VEBA on 8/31/17 for the purpose of funding current commitments.

## **SUMMIT PARTNERS**

Summit Partners issued a distribution from the Credit Fund II on 9/8/17 in the amount of **\$178,372** to the Retirement System consisting of \$170,096 of interest, \$499 in gains and \$7,777 in recallable principal. The distribution to the VEBA in the amount of **\$44,593** consisted of \$42,524 of interest, \$125 in gains and \$1,944 in recallable principal.

## **CARLYLE CAPITAL CALLS**

Carlyle requested an initial capital call of our commitment to the Carlyle Realty Fund VIII in the amount of **\$ 50,735** for the Retirement Plan and **\$ 12,684** for the VEBA on 8/31/17 for the purpose of funding management fees and expenses.

## **STAFF OPERATIONS/UPDATE**

The Pension Analyst conducted 5 pre-sessions, completed 14 estimates, and is conducting a review of the deferred files for those at age 60 and over who have not applied for benefits.

Dan Gustafson passed the next level in his CEBS testing, the Group Benefit Associate 1 exam on August 10. Congratulations to Dan!

The City is conducting a non-union salary study, which kicked off on August 22. All staff including ED are required to fill out a Job Analysis Questionnaire and submit to HR by September 29. These have been completed and will be delivered to HR on 9/18.

## **DUAL PLAN/457 TRANSITION UPDATE**

The Plan Review meeting was held on August 1 at City Hall. PDFs of the materials are available if anyone is interested in reviewing.

ED met with HR on 8/22 for an update on the status of current processes that are being shifted from paper to online/call center only as well as to finalize which processes will continue to be performed by HR/Payroll after the transition of the 457.

The Administrative Service Agreement is ready to be executed in conjunction with the City acknowledging the Board by resolution as the 457 Plan fiduciary going forward. ED spoke with HR regarding the resolution and it was discussed that a November 1 effective date would provide enough lead-time to transfer the administrative processes, train ERS staff as needed, update the website and employee handbook, and provide advance notification to employees.

Brock Hastie is working on a draft Investment Policy Statement for review at the October IPC meeting.

Jason Ashline and Tonya Miller, Senior Client Service Coordinator with ICMA will be onsite on October 23 to train Staff on EZ-Link navigation, reports, frequently asked participant and employer related questions and scenarios, workflow and processes. Kim Barry from HR will also attend to share her expertise, answer questions and clarify responsibilities going forward.

## **ACTUARIAL VALUATION PROGRESS**

All data has been received by the actuary and Staff has provided clarification to actuary's questions. Conduent is anticipating that the Valuations will be ready in Mid-October.

## **AUDIT**

The auditors were in the Pension office on August 28 and 29 and reported that the audit was going

well. All documentation requested has been provided and questions answered. The main open item is a review of the GASB 74 RSI and disclosures for the VEBA. These will be completed upon receipt of the actuarial valuation in October and shared with the Auditors for review.

**ANNUAL BOARD ELECTIONS / APPOINTMENTS**

Citizen Trustee terms for both Mr. Giovanni and Mr. Huesel are up on December 31, 2017. If both are interested in a reappointment, Staff suggests sending letters of recommendation to the Mayor's Office in October 2017 in order to have them reappointed before their terms are expired.

**Trustee Terms Expiring:**

The term of Fire Trustee Jeremy Flack is expiring December 31, 2017. Elections will be Wednesday, December 13<sup>th</sup> and Thursday, December 14<sup>th</sup>.

The new term would be from January 1, 2018-December 31, 2020.

A copy of this year's full Election schedule will be included in the Board Packet.

**CONDUENT UPDATE**

The ERS contract with Conduent for software hosting and related services is already a separate stand-alone contract; other than the standard annual increase of the lesser of 3% or CPI change, there should not be an adverse effect on pricing if/when a different vendor is contracted for valuation services.

There is a one-time fee of \$5,000 quoted to institute the change in multiplier associated with the Dual Plan as this is outside the standard Scope of Services. This item will be reviewed at the September AC meeting prior to moving forward.

**F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2017**

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

8/31/2017 Asset Value (Preliminary)	\$504,501,022
7/31/2017 Asset Value (Audited by Northern)	\$495,279,020
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$42,077,947
Percent Gain <Loss>	8.9%
<b>September 20, 2017 Asset Value</b>	<b>\$505,767,354</b>

**F-3 Investment Policy Committee Minutes – No Report**

**F-4 Administrative Policy Committee Minutes – No Report**

**F-5 Audit Committee Minutes – September 12, 2017**

*Following are the Audit Committee minutes from the meeting convened at 4:05 p.m. on September 12, 2017:*

*Committee Members Present:* Clark (Via TX), Crawford, Monroe, Nerdrum  
*Members Absent:* None  
*Other Trustees Present:* None  
*Staff Present:* Gustafson, Hammond, Hollabaugh, Orcutt  
*Others Present:* None

### **REVIEW ACTUARIAL RFP DRAFT**

The Committee reviewed the Actuarial RFP Draft and discussed possible release dates, and subsequent time table for the project. The Staff will make the suggested revisions to the draft and update The Board on their decision to issue the RFP at the September Board Meeting.

### **YEO & YEO AUDIT UPDATE**

Ms. Orcutt gave an update to The Committee stating that auditors were at the Retirement office for two days in late August and that the audit went well. The auditors are waiting to review the GASB 74 footnote and RSI Schedules, which Ms. Orcutt mentioned will not be complete until the full actuarial valuation has been received from Conduent.

### **ACTUARIAL VALUATION UPDATE**

Ms. Orcutt updated The Committee stating that Conduent has stated that they can have the actuarial valuation for both the Retirement System and VEBA complete by the second week of October.

### **CONDUENT CHANGE ESTIMATE TO UPDATE TAHITI FOR DUAL PLAN PROVISION**

The Committee reviewed and discussed Conduent's quote to make changes for the dual retirement plan. Ms. Orcutt informed The Committee that until the Addendum is signed to update the Tahiti System for the Dual Plan, the self-service calculator for employees who started on or after 1/1/2017, will be unavailable. The contribution statements may also be inaccurate. The Committee would like Conduent to have the updates complete as soon as possible to resolve the issues.

It was **moved** by Crawford and **seconded** by Monroe to move the Conduent Addendum to the Board for approval for Conduent to perform updates to the Tahiti System for the Dual Plan Provision.

**Approved**

### **REVIEW DRAFT TO COUNCIL REGARDING CHANGE IN FUNDING POLICY FOR ERS**

Ms. Nerdrum will draft a letter to City Council outlining the Board's change in policy for ERS and VEBA and present to the Board at the September Board Meeting.

### **DISCUSSION ON VEBA FUNDING POLICY ALTERNATIVES**

The Committee reviewed the Actuarial assumptions and discussed the various alternatives as presented in Conduent's review document. The Committee agreed that a more aggressive funding policy is preferred as well as a more responsible assumption. Mr. Crawford stated that he reviewed Policy 5 and Policy 2 for comparison and prefers Policy 2 as there is more flexibility. After further discussion, the Committee decided to recommend to the Board of Trustees, to change the current plan as follows:

It was **moved** by Crawford and **seconded** by Monroe to move to recommend to the Full Board of Trustees for approval the changes to the current amortization policy from a 30 year open aggregate to a 30-15 year amortization in 2 year increments, Open, Level Dollar (Attachment 2 – Policy 2 from Conduent's Report). Ms. Nerdrum will draft a memo to the Board outlining the Committee's recommendation of change in policy.

**Approved**

**DISCUSSION ON ACTUARIAL EQUIVALENCY ASSUMPTIONS - ANNUITY**

The Committee discussed the actuarial equivalency of the 1971 GAM annuity mortality table being used for calculating the lump sum contribution balance into annuity monthly dollar amounts as stated in the City Ordinance. A retirement member had questioned why a more current mortality table is not being used. After further discussion, it was decided to discuss the question with Mr. VanOverbeke, The Retirement System's legal counsel, for clarification.

**ADJOURNMENT**

It was **moved** by Crawford and **seconded** by Monroe to adjourn the meeting at 4:57 p.m.  
**Meeting adjourned at 4:57 p.m.**

<b>AC Project Tracking</b>		
<b>Description</b>	<b>Originated</b>	<b>Status</b>
Actuarial Funding Policy Draft (from July 17, 2014 Board Meeting)	7/17/2014 Board meeting	Tentative – Late 2015 to early 2018 (project for Buck Consultants)

**F-6 Legal Report – Retirement Reform Task Force Report**

Mr. VanOverbeke provided a verbal report regarding the Retirement Reform Task Force Report. There is anticipation for a very active legislative session coming back from summer recess. There are numerous groups working on proposed legislation that will address the Task Force Recommendations on some level.

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

**G-1 Communications Memorandum**

**G-2 October Planning Calendar**

**G-3 Election Calendar**

**G-4 Record of Paid Invoices**

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

	<b>PAYEE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
1	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – Aug-October 2017
2	Arbor Inspection Services, LLC	250.00	Annual Fire Sprinkler Inspection
3	City of Ann Arbor Treasurer	246.12	ITSU Service Charge (K. Spade) for December 2016
4	City of Ann Arbor Treasurer	276.89	ITSU Service Charge (K. Spade) for June 2017
5	Print-Tech Inc.	150.86	Business Cards & Name Plate L. Hollabaugh
6	Loomis, Sayles & Company	55,390.62	Investment management fees: 4/1/2017 – 6/30/2017
7	AT&T	604.94	Monthly telephone service
8	DTE Energy	322.62	Monthly Gas Fee dated 6/14/17-7/13/17
9	DTE Energy	12.78	Monthly Electric Fee dated 6/15/17-7/13/17
10	Staples Advantage	75.47	Miscellaneous Office supplies
11	Graphic Sciences. Inc.	331.13	Files scanned for OnBase – 2 Boxes

12	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for July 2017
13	Hasselbring-Clark Co.	52.13	Monthly copier cost per copy
14	Yeo & Yeo	975.00	Hybrid plan research/conference call
15	Income Research Management	4002.52	Investment management fees: 6/30/2017
16	Meketa Investment Group	10,000.00	Investment Consultant Services – July 2017
17	West Arbor Condo Assoc.	2477.46	Bi annual condo assoc. dues: January 2017 & July 2017
18	Conduent	4530.12	Monthly hosting fee, amortization policy analysis, death calculation
19	Comcast	81.41	Monthly Cable Fee
20	AT&T	584.22	Monthly telephone Service 8/13/17 – 9/12/17
21	DTE Energy	321.88	Monthly Gas Fee dated 7/14/17 – 8/11/17
22	DTE Energy	14.94	Monthly Electric Fee dated 7/14/17 – 8/12/17
23	Hasselbring-Clark Co.	62.81	Monthly copier cost per copy
24	Staples Advantage	73.38	Miscellaneous Office supplies
25	Conduent	3560.12	July Hosting fee, amortization policy analysis
26	Fisher Investments	20,072.12	Investment mgmt. fees for 7/1/2017 – 7/31/2017
27	Fisher Investments	40,345.90	Investment mgmt. fees for 4/1/2017 – 5/25/2017
28	Fisher Investments	22,624.90	Investment mgmt. fees for 5/26/2017 – 6/30/2017
30	VanOverbeke, Michaud & Timmony P.C.	7,600.00	Legal Services – 4/1/17 – 6/30/17
31	VanOverbeke, Michaud & Timmony P.C.	12,882.00	Legal Services – 1/1/17 – 3/31/17
32	MAPERS	350.00	Jeremy Flack Registration Fall 2017 – Bellaire
33	Comcast	81.41	Monthly Cable Fee
34	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for August 2017
35	Meketa Investment Group	10,000.00	Investment Consultant Services – August 2017
36	Phoenix Services	6.50	Norma Jarskey Drug Screen
<b>TOTAL</b>		<b>198,800.25</b>	

#### G-5 Retirement Report

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

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Howard McCarter	Age & Service	August 19, 2017	General	29 years, 7 months	Public Services Waste Water Treatment
Warrecka Farrackand	Age & Service	August 27, 2017	Fire	21 years, 11 months (4 years, 7 months reciprocal credit)	Safety Services Fire Department
Thomas Arreola	Age & Service	September 2, 2017	General	25 years	Safety Services Police Department



<b>Daniel Stabley</b>	Age & Service	September 11, 2017	Fire	25 years, 7 month	Safety Services Fire Department
<b>Richard Bells</b>	Age & Service	September 30, 2017	General	13 years, 2 months	Public Services Waste Water Treatment
<b>Edward Dreslinks</b>	Age & Service	October 7, 2017	General	25 years, 4 months	Safety Services Police Department
<b>James Hatchard</b>	Age & Service	October 17, 2017	General	30 years	Public Services Public Works

**G-6 Analysis of Page Views on City Intranet / Retirement System Page**

**H. TRUSTEE COMMENTS / SUGGESTIONS - None**

**J. ADJOURNMENT**

It was **moved** by Clark and **seconded** by Monroe to adjourn the meeting at 10:41 a.m.  
**Meeting adjourned at 10:41 a.m.**

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