

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 18, 2014**

The meeting was called to order by Jeremy Flack, Chairperson, at 8:44 a.m.

ROLL CALL

Members Present: Clark, Crawford, Flack, Hastie, Heusel, Monroe, Nerdrum (8:54)
 Members Absent: Powers
 Staff Present: Kluczynski, Walker
 Others: Michael VanOverbeke, Legal Counsel
 Mike Shriberg, Ann Arbor Energy Commission
 Wayne Appleyard, Ann Arbor Energy Commission
 Ed Urban, Meketa Investment Group (via telephone)
 Henry Jaung, Meketa Investment Group (via telephone)

AUDIENCE COMMENTS – None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES – August 21, 2014 Regular Board Meeting Minutes

It was **moved** by Crawford and **seconded** by Clark to approve the August 21, 2014 Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

C-1 Authorization for Conference/Training – MGFOA Fall Training Institute, September 21-24, 2014 - 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, N. Gail Jarskey, Accountant, has requested the Board of Trustees' authorization for her travel to Boyne Falls, Michigan, at Retirement System expense, estimated at \$1,250.00 to attend MGFOA's Fall Training Institute, to participate in continuing education in her responsibility as Retirement System Staff person, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of N. Gail Jarskey to travel to Boyne Falls, Michigan, at Retirement System expense, estimated at \$1,250.00 to attend MGFOA's Fall Training Institute, to participate in continuing education in her responsibility as a Retirement System Staff person, and

FURTHER RESOLVED, that N. 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-2 Authorization for Online Conference/Training – 19th Annual Government GAAP Update – November 6, 2014 – Walker, 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, Nancy Walker and N. Gail Jarskey have requested the Board of Trustees' authorization for online training at Retirement System expense, estimated at \$270.00 (\$135 each) to access the 19th Annual GFOA Government GAAP Update online session, to participate in continuing education in their responsibility as Retirement System Staff, therefore it be

RESOLVED, the Board of Trustees authorizes the training request of Nancy Walker and N. Gail Jarskey to access the 19th Annual GFOA Government GAAP Update online session, to participate in continuing education in their responsibility as Retirement System Staff, and

FURTHER RESOLVED, that Nancy Walker and N. Gail Jarskey 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 Crawford and **seconded** by Hastie to approve the consent agenda as presented.

Approved

D. PRESENTATION – Fossil Fuels

Mike Shriberg and Wayne Appleyard from the Ann Arbor Energy Commission were present to discuss fossil fuel divestment utilizing a Powerpoint presentation, with the goal of implementing the City's climate goals. Among the many issues discussed was the fact that the Board's main objective as fiduciaries is to represent the City's employees, retirees, and beneficiaries of the System and to invest and protect the Plan's assets. It was also noted that to this date, no one is aware of any other retirement systems that have moved to divest in fossil fuels, although many are looking at the data. Mr. Shriberg stated that no surveys or data has been collected from the City's employees, retirees, and beneficiaries regarding their views on fossil fuel divestment.

Mr. Heusel suggested that it would be helpful if the Energy Commission could provide information on what is relevant to the System, such as the investment risks, costs, and other alternatives for investment products that are available. Mr. Hastie stated that the IPC will also continue to look at investing in clean energy areas.

E. ACTION ITEMS

E-1 Resolution to Hire Och-Ziff and 36 South as Part of Hedge Fund Program Revision

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 as the Retirement System's investment consultant, the Investment Policy Committee, and the Board of Trustees have discussed reviewing and restructuring the Retirement System hedge fund program to a direct program for efficiency and cost savings, and

WHEREAS, the Investment Policy Committee has reviewed Meketa's proposed hedge fund portfolio program design, potential new funds, and the timelines for changes to current funds, and

WHEREAS, two potential managers, Och-Ziff and 36 South, presented their investment strategies to the IPC on September 4, 2014, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with Och Ziff Credit Opportunities (fixed income) and with 36 South (global macro), so be it

RESOLVED, that the Board of Trustees approves the hiring of Och-Ziff and 36 South with investments in the amounts of approximately \$2.8 million and \$9.4 million respectively, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence, if applicable.

It was **moved** by Hastie and **seconded** by Crawford to approve the Resolution to Hire Och-Ziff and 36 South as Part of Hedge Fund Program Revision in the amounts indicated above, and to pull those funds from out other fund-of-fund managers.

Approved

E-2 Resolution to Terminate Thornburg International Equity Strategy and Transfer Funds to Northern Trust EAFE Index Type 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, the Investment Policy Committee (IPC) has reviewed material presented by Meketa Investment Group, its investment consultant, regarding Thornburg International Equity Strategy's performance and current organization changes, and

WHEREAS, the IPC and Meketa Investment Group recommend that Thornburg be terminated and the funds invested in an EAFE Index Fund at Northern Trust, so be it

RESOLVED, that the Board of Trustees approves the termination of Thornburg International Equity, and investment of the proceeds of such liquidation be placed into an EAFE fund at Northern Trust as soon as administratively feasible after legal and due diligence review.

It was **moved** by Clark and **seconded** by Crawford to approve the Resolution to Terminate Thornburg International Equity Strategy and Transfer Funds to a Northern Trust EAFE Index Type Fund as presented.

Approved

Discussion: Meketa Client Conference & IFEBP Conference

A brief discussion ensued regarding the upcoming Meketa Investment Group Client Conference which occurs on the weekend before the Annual IFEBP Conference in October. With some Trustees considering attending, it was decided that the following motion be made:

It was **moved** by Monroe and **seconded** by Hastie to approve that permission be granted to those Trustees/Staff who wish to attend the Meketa Investment Group's Client Conference and/or the Annual IFEBP Conference in mid-October 2014.

Approved

E-3 Revised Education and Travel Policy

A recommendation was made by the Administrative Policy Committee to adopt the following Education and Travel Policy:

***City of Ann Arbor Employees' Retirement System
Education and Travel Policy***

Purpose

The purpose of this policy is to provide guidelines for the Board's participation at educational conferences, training seminars, and other related activities which they may attend from time to time, including permitted travel expenses.

Statement of Intent and Statutory Support

It is the policy of the Board of Trustees of the City of Ann Arbor Employees' Retirement System ("Board of Trustees") to fulfill its fiduciary duties in accordance with the strictest ethical and professional guidelines. The Retirement System recognizes the need for training and

education of its Trustees pursuant to The Michigan Public Employee Retirement System Investment Act, Public Act 314 of 1965 ("Act 314") [MCL §38.1132 et seq.], as amended by Public Act 347 of 2012 ("PA 347"). This policy applies to all members of the Board, and staff. All Trustees are encouraged to participate in continuing professional education and training. It is the sole responsibility of each Trustee to choose which relevant educational conferences, conventions, and training seminars he/she will attend based upon the amount allocated under the Retirement System's annual budget. Commonly used methods for continuing professional education that may be relied upon by the Board include, but are not limited to: individual research; review of relevant periodicals; networking with investment service providers, fellow trustees and representatives of retirement Systems; as well as attending educational conferences, training seminars, and conventions with investment managers to stay abreast of constantly changing investment options, state and federal legislation, regulations and rules within the financial marketplace and their fiduciary responsibilities. It is required that these rules and guidelines are followed when Trustees and staff are attending educational conferences, training seminars, conventions and other activities at which Trustees and staff interface with professionals and peers.

Trustees and staff are expected to show good judgment in the matter of travel expense and have proper regard for economy in the conduct of business away from the City.

Guidelines on Frequency and Timing of Training

The Board understands the very substantial commitment of time that is required of the Trustees to attend regular Board meetings as well as to attend special meetings and educational seminars and conferences. However, due to the fiduciary responsibilities that our constituents have entrusted to us, all Board Members are strongly encouraged to maintain educational levels consistent with established fiduciary responsibilities.

New appointed or elected trustees are encouraged and expected to attend at least two seminars or training opportunities in the first two years of their trustee term.

As a continuing education and training obligation, trustees are encouraged to attend at least one outside seminar or training opportunity per year.

Investment Consultant Role As Educational Resource For Routine Focused Training Topics:

The Board's investment consultant will conduct quarterly conference calls with 2-3 speakers lasting 60-90 minutes, as an educational opportunity for trustees and staff.

The investment consultant will also conduct regular due diligence visits to current investment managers and future finalists in manager and service provider searches.

Trustees are encouraged to accompany an investment consultant representative. The investment consultant will make the Board aware of selected alternative investment conferences at which consultant representatives have speaking roles.

Board's investment consultant also offers a client meeting in October with formal presentations on investment topics, as well as the opportunity for interaction with potential service providers.

Annual Budget

The Board shall establish an annual budget for professional training and education, including travel costs, applicable to the Board and Retirement System staff consistent with the requirements of Act 314. Annual education and training expenses for individual

Trustees and staff members, including travel, shall not exceed those amounts specified in the Retirement System's annual budget. The Executive Director shall prepare an annual report on trustees' training and education attendance and expense.

Board member attendance at any conference(s), seminar(s), webinar, or similar training opportunity whose cost exceeds \$100 shall require prior approval by a vote of the Board at a regularly scheduled meeting.

Attendance

If the educational program or seminar provides a certificate of attendance, attendees must provide a copy of the certificate of attendance from the conference or seminar sponsor to the Executive Director upon returning from the conference or seminar. Failure to provide a copy of the certificate of attendance within a reasonable period of time may result in the suspension of future travel for attendance at educational programs for a period of time as determined by the Board. The Board acknowledges that there may be extenuating circumstances (i.e., family or personal emergencies, illness, etc.), or instances where an individual's schedule may not permit participation in the entire conference which may result in a conference attendee not attending the required number of sessions or classes to receive a certificate of attendance. In such an event the Board has discretion in determining the appropriate course of action.

Registration

Registration for all Retirement System Staff and Board members attending educational conferences, conventions, and training seminars shall be made and paid for in advance by the Executive Director or his/her designee. Individuals shall be reimbursed for registration costs only if the Executive Director or his/her designee has insufficient time to pre-register the individual and upon presentation of appropriate documentation and/or receipts.

Lodging

Lodging reservations shall be made at the best available "single rate" which shall take into account cost, convenience, efficient use of trustee time, and relevant Retirement System policies. Costs for additional guests, if any, shall be the responsibility of the individual. Lodging costs for the first night's stay may be paid for in advance by the Retirement System.

Lodging charges shall include the base rate for the room as well as any taxes or surcharges levied by the facility as part of the room charge, which may include but are not limited to; daily parking rates, maid charges, resort fees or other charges assessed by the facility for the basic use of the room. In determining the best available rates, transportation arrangements may be made to cover the cost of additional night(s) lodging charges and per diem costs depending on the conference start and end times.

Transportation

Transportation, other than by personal automobile, shall be reserved at the best available rate, which shall take into account cost, convenience, efficient use of trustee time, and relevant Retirement System policies. If air transportation is utilized, the best available coach fare shall be obtained.

In determining the best available rates, transportation arrangements may be made to cover a Saturday stay if the savings realized will exceed the cost of the additional night(s) lodging charges and per diem costs. Reimbursement shall be equal to the best available rate unless there are mitigating circumstances.

The transportation mileage allowance for personal automobile use shall be at the "Standard Mileage Rate" established by the IRS.

Travel Time

Total trip length should not exceed seven days. Travel time will be allowed on the same basis as air travel. Trustees and Board staff will receive reimbursement only for the time that would have been required to make the trip using airline transportation, absent any emergency or exigent circumstances.

Cancellation

Each Trustee and/or staff member shall be responsible for the full reimbursement of any and all non-refundable costs incurred to the Retirement System resulting from that Trustee's or staff member's cancellation of attendance at an educational conference or seminar or professional training session. This requirement may be waived in the event of extenuating circumstances, by a majority vote of the Board.

Travel expenses that are reimbursable

Lodging charges shall include the base rate for the room as well as any taxes or surcharges levied by the facility as part of the room charge, which may include but not be limited to daily parking rates, maid charges, resort fees or other charges assessed by the hotel for the basic use of the room.

Individual travelers shall be responsible for submitting a copy of their paid lodging receipt. The Executive Director or his/her designee shall reconcile the lodging receipt for each Trustee or staff member attending the event. Non-reimbursable expenses charged to the room (as noted below) are to be deducted from the approved total travel expense computation.

Airfare

Individual travelers shall be responsible for submitting a copy of their airline receipt, or other available documentation if purchased individually, and a receipt for no more than one checked bag, as evidence of his/her incurred airfare expense.

Ground transportation in association with air travel from the airport to the place of lodging and back to the airport shall be calculated at the lowest/best rate, which may include cab fares, shuttle service or reasonable car rental expenses supported by receipts. The personal automobile reimbursement rate shall not exceed the then current "Standard Mileage Rate" established by the IRS and shall be based on the location of the seminar/conference attended but shall not exceed the cost of normal per mile reimbursement rate for vehicular travel established by the City of Ann Arbor for its employees. Rental car and gas reimbursement must be supported by receipts.

Meals

Meal allowances shall be calculated either as supported by receipts or on a per diem basis and shall be in accordance with the per diem rates recommended by the Executive Director and approved by the Board at the beginning of the Retirement System's calendar year. Meal expenses in excess of the rates below may be reimbursed when supported by receipts and a written explanation of the reason for incurring such additional expense(s). Per Diem meal allowances will be as follows with receipts:

Standard locations in and out of state: \$60.00
 For Boston, California, Chicago New York, and Washington, D.C.: \$70.00

Per Diem Allowance: A per diem (per day) allowance of \$50.00 travel is authorized in lieu of filing a report of actual expenses. This per diem is to cover meals only. When attending conferences, meetings, training, etc., the per diem allowance for Boston, California, Chicago, New York and Washington D. C. will be \$60.00 per day in lieu of filing a report of actual expenses.

For events for which a portion of the meals are provided by the venue, the per diem allowance shall be prorated to reflect only the meals purchased at the traveler's expense.

Partial Per Diems will be as follows:

	<u>With Receipts</u>	<u>without Receipts</u>
Standard Locations: Breakfast	\$10	\$10
Lunch	\$20	\$15
Dinner	\$30	\$25

Higher Cost (Boston, California, Chicago, New York and Washington D. C.)

	<u>With Receipts</u>	<u>Without Receipts</u>
Breakfast	\$15	\$10
Lunch	\$20	\$20
Dinner	\$35	\$30

Parking

Each Trustee or staff member shall be reimbursed for parking associated with travel at a reasonable rate. In lieu of parking, each Trustee or staff member shall have the option to choose an alternative means of transportation to and from the airport (taxi, carpool, etc.) and shall be reimbursed for the reasonable expense. Fines or other violations incurred as a result of traffic or parking violations are the responsibility of the driver and shall not be reimbursed.

Non-Reimbursable Expenses

Costs for laundry, dry cleaning, in-room movies, personal entertainment, use of an in-room honor bar, local transportation not required as part of the conference, alcoholic beverages, or other non-business related expenses shall not be reimbursed. One personal telephone call per day will be reimbursable. Exceptions for emergencies may be handled on an individual basis. Final determination of reimbursable expenses shall be made by the Executive Director or his/her designee.

Documentation of Expenses

It is the responsibility of each Trustee to properly maintain receipts for all expenses except meal allowances, miscellaneous expenses, and personal automobile use, and submit said receipts and documentation no later than thirty (30) days after education or training is completed, unless otherwise outlined below. This documentation should include a detailed expense report breaking down the cost of each expense and how it is reimbursable. Failure to submit receipts and documentation within sixty (60) days following the conclusion of the educational seminar or conference may result in non-reimbursement of expenses

At the next regularly scheduled Board meeting no more than ninety (90) days after education or training is completed, the Director shall provide a reconciliation report on the Retirement System's travel account identifying any missing receipts and/or outstanding balances.

Failure to submit all required receipts and documentation within ninety (90) days after education or training is completed shall result in the suspension of all future due diligence, education, and training until the account is reconciled. Any advances unaccounted for will be reported as income to the trustee on an IRS form 1099.

Registration

Individuals shall be reimbursed for registration costs only if the Executive Director or his/her designee has insufficient time to pre-register the individual and upon presentation of appropriate documentation and/or receipts.

Expense Reimbursement/Advances

Trustees may request a travel advance for longer trips with more expensive upfront costs, such as airline tickets.

Reconciliation of Travel Advances

Overpayments and underpayments, if any, are identified and the trip reconciliation (for all participants attending) is provided to the Executive Director, or designee, for review and approval. Written notice of overpayments and underpayments are provided to Board members. The Retirement System has no obligation to reimburse expenses in excess of what is authorized and supported by receipts or other appropriate documentation.

Reimbursement for Overpayments/Underpayments

In the event that the amount of a travel advance exceeds the documented expenses, a reimbursement in the amount of the overpayment shall be submitted to the Executive Director, or his/her designee, via check, by the next Board meeting or within thirty (30) days of the written notice above. If reimbursement is not received by the deadline, that individual shall not be permitted to travel for Retirement System business until such time as the reimbursement is received.

In the event of an underpayment to a Board or staff member, the amount will be reimbursed to him/her on the earliest available Retirement System disbursement schedule.

Record Retention

Records related to education and training will be maintained in accordance with the Record Retention Policy established by the Retirement System's Rules of Procedure, and in accordance with federal, state and county requirements.

Reporting

All expenses are required to be reported in the monthly minutes. Board members attending training or seminars are requested, to the extent practicable, to provide Retirement office staff with copies of written material, or to supply any electronic link for materials, to be shared with all trustees. The Retirement System shall provide on its website an itemized budget containing all projected expenditures, including, but not limited to, expenditures for professional training and education, including travel expenditures, by or on behalf of the

Retirement System Board Members that are paid by the Retirement System pursuant to PA 314.

Review and Modification

The Administrative Policy Committee shall review this Policy at least once every three (3) years to assure its efficacy and relevance. The requirement of periodic review is not intended to limit the Board's ability to modify these rules at any other time it deems appropriate.

Effective Date

This Policy shall take effect immediately following the Board's adoption.

It was **moved** by Crawford and **seconded** by Clark to approve the Education and Travel Policy as presented.

Approved

E-4 Executive Director Evaluation

Ms. Walker requested that the Board convene an Executive Session for the purpose of discussing her annual evaluation.

It was **moved** by Hastie and **seconded** by Nerdrum to convene an Executive Session for the purpose of discussing the Executive Director's performance evaluation.

Approved

Roll call vote:

Clark – Yes	Hastie – Yes	Nerdrum - Yes
Crawford - Yes	Heusel – Yes	Powers - Absent
Flack – Yes	Monroe - Yes	Rogers - Yes

Executive session time: 10:34 a.m. – 11:11 a.m.

It was **moved** by Hastie and **seconded** by Nerdrum to acknowledge the completion of the Executive Director's 2013-2014 performance evaluation, and that a 3% pay increase be granted, retroactive, to July 1, 2014 for Ms. Walker.

Approved

F. **DISCUSSION ITEMS - None**

G. **REPORTS**

G-1 **Executive Report – September 18, 2014**

CAPITAL CALL, DRA GROWTH AND INCOME FUND VIII FOR BOTH RETIREMENT SYSTEM AND VEBA

DRA has a requested capital call in the amount of \$755,556 for the Retirement System and \$222,222 for the VEBA, both due September 29. These drawdowns will be funded from cash on hand and a recent distribution from another real estate fund.

ACTUARIAL VALUATION

The valuations are in process. A pension valuation draft is anticipated in early to mid October, but the final valuation is not anticipated until late October to early November.

Per the actuary, the health care claims data, while somewhat delayed, has now been received and the VEBA valuation is in process.

FINANCIAL AUDIT

The auditors from Rehmann Robson have spent a day in our office auditing their selection of benefit payments. They have obtained online access to Northern Trust's reports, and are reviewing financial statements. Mark Kettner indicated that the guidance from the AICPA regarding specific audit procedures for GASB 67 reporting is not yet available.

ED has supplied the time weighted return calculation, benefit plan provision discussion, and investment policy summary to the auditor to fulfill new requirements.

FIXED INCOME TRANSITION

The Bradford and Marzec transition is complete with the exception of minor holdbacks in the accounts for contingencies. Per Meketa, the total cost of the transition was in line with the estimates provided by Russell, and less than competing proposals.

STAFF WORK ON PENSION FILES DURING PAYROLL TRANSITION

Executive Director, accountant, and pension analyst have had several meetings and conferences with City I.T. and payroll staff on requirements for payroll transmittals to pension from the new payroll/HR system currently in development.

PENSION TRAINING

ESS pension training has been scheduled for October 1st and October 29 at city hall. Announcements will go out in all of the upcoming employee newsletters.

TRUSTEE SEAT UP FOR RE-ELECTION

The Board term of Jeremy Flack, elected fire trustee, will expire 12/31/2014. Staff will schedule the election for this position according to the policy below, and will send out information to the fire bargaining unit members. The current policy/ordinance provision that only active members are eligible to run and to vote is expected to be applied, as the new charter amendments have not been fully implemented, unless the remaining bargaining unit contract status changes before Mid October.

Election Process:

1. Mid-October – Send election notice in paychecks and a notice for posting to all departments announcing the candidacy filing period and election dates. The filing deadline is usually 5:00 p.m., 30 calendar days prior to the election.
2. Mid-November – Send election notice in paychecks and a notice for posting to all departments announcing the official list of candidates and the time, date and locations of voting.
3. November – For General employee elections, make arrangements with the contact people at the various polling sites. (Police and Fire elections are held in the Clerk's Office only). Request employee lists from Information Technology Services Department.
4. 1st week in December – Prepare ballots and election materials for various polling sites.
5. 2nd week in December (Wed. & Thurs.) – conduct election.

6. After election – Send notice for posting to all departments announcing election results. Send copy of notice to Board of Trustees.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2014

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended August 31, 2014 to the Board of Trustees:

8/31/2014 Asset Value (Preliminary)	\$475,473,985
7/31/2014 Asset Value (Audited by Northern)	\$465,933,423
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$25,325,101
Percent Gain <Loss>	5.5%
September 17, 2014 Asset Value	\$ 471,860,972

G-3 Investment Policy Committee Minutes – September 4, 2014

Following are the Investment Policy Committee minutes from the meeting convened at 3:08 p.m. on September 4, 2014:

Member(s) Present: Clark, Flack, Hastie, Monroe
 Member(s) Absent: None
 Other Trustees Present: None
 Staff Present: Kluczynski, Walker
 Others Present: Henry Jaung, Meketa Investment Group
 Ed Urban, Meketa Investment Group
 Brian Dana, Meketa Investment Group

HEDGE FUND ANALYSIS

Mr. Dana reviewed the potential timeline for having the hedge fund program up and running, and indicated that everything could be in place by the Fall of 2015.

THORNBURG INTERNATIONAL EQUITY

Mr. Jaung discussed a memo dated August 27, 2014 that was sent to the Committee informing them of upcoming staffing changes at Thornburg. After discussion, it was decided that the Committee agreed with Meketa's recommendation to terminate the Thornburg International Equity Strategy and place the funds into the Northern Trust EAFE Index Fund, which is a non-lending fund.

It was **moved** by Flack and **seconded** by Clark to recommend that the Board of Trustees terminate the Thornburg International Equity Strategy and place the funds into the Northern Trust EAFE Index Fund.

Approved

HEDGE FUND MANAGER PRESENTATIONS

Och-Ziff Capital Management
 Andres Schumann & John Stein

36 South
 Mark Overley & Ant Limbrick (via telephone)

After the managers departed, the Committee held a discussion regarding the two presentations, ultimately making the following motion:

It was **moved** by Flack and **seconded** by Monroe to recommend that the Board of Trustees hire both Och-Ziff Capital Management and 36 South as part of the Committee's plan to transition to a direct program for efficiency and cost savings in the dollar amounts recommended by Meketa Investment Group.

Approved

ADJOURNMENT

It was **moved** by Flack and **seconded** by Clark to adjourn the meeting at 6:02 p.m.

Meeting adjourned at 6:02 p.m.

G-4 Administrative Policy Committee Minutes – September 9, 2014

Following are the Administrative Policy Committee minutes from the meeting convened at 3:21 p.m. on September 9, 2014:

Committee Members Present:	Crawford, Heusel (via telephone), Monroe
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Kluczynski, Walker
Others Present:	None

REVISED DRAFT - EDUCATION & TRAVEL POLICY

The Committee reviewed Ms. Walker's revisions to the drafted Education & Travel Policy as discussed in July, and after one minor language change regarding the per diem, the Committee decided to recommend the final draft to the full Board at the September 18th regular meeting.

EXECUTIVE DIRECTOR EVALUATION

The Committee entered a closed session at the request of Ms. Walker for purposes of discussing her performance evaluation.

Session time: 3:50 – 4:53 p.m.

The Committee requested that an action item be placed on the September 18th regular Board agenda for purposes of discussing the Executive Director's performance evaluation with all Board members.

ADJOURNMENT

Meeting adjourned at 4:56 p.m.

G-5 Audit Committee Minutes – None

G-6 Legal Report – None

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 October Planning Calendar

H-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	DLA Piper	421.20	Securities Litigation defense svcs/Lyondell – Inv. #3034604
2	Coverall North America, Inc.	105.00	Office cleaning services for August 2014
3	DTE Energy	20.12	Monthly Gas Fee dated August 12, 2014
4	DTE Energy	273.63	Monthly Electric Fee dated August 12, 2014
5	Staples Advantage	119.73	Miscellaneous Office supplies
6	Arbor Inspection Services, LLC	205.00	Annual fire sprinkler inspection
7	Hasselbring-Clark Co.	49.70	Monthly copier cost per copy
8	Meketa Investment Group	8,750.00	Investment Consultant Retainer - July 2014
9	Fisher Investments	64,040.21	Investment mgmt. fees: 4/1/2014-6/30/2014
10	Comcast	82.81	Monthly Cable Fee
11	AT&T	257.33	Monthly telephone service
	TOTAL	74,324.73	

H-4 Retirement Report

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

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Carol Burry	Early Age & Service	September 25, 2014	General	19 years, 10 months	15 th District Court
Deborah Desmet	Age & Service	October 21, 2014	General	19 years, 9 months	Safety Services AAPD

H-5 WSJ Article: “Fossil Fuels Stir Debate at Endowments”

I. TRUSTEE COMMENTS

Mr. Monroe brought up the topic of hybrid retirement plans, and Mr. VanOverbeke suggested placing this item on the October Board agenda for further discussion.

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Clark to adjourn the meeting at 11:31 a.m.
Meeting adjourned at 11:31 a.m.



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