

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
December 16, 2021**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:38 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX, Ann Arbor, MI*), Flack(*Via TX, Ann Arbor, MI*), 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, Saline, MI*), Schreier(*Via TX, Ann Arbor, MI*)

Members Absent: None

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

Others: Michael VanOverbeke, Legal Counsel(*via TX*)
Jen Grimes, IT Cybersecurity Manager(*Via TX*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 November 18, 2021 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Nerdrum to approve the November 18, 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
Matthew McCallum	Police	Traditional	3 Years, 7.5 Months	City of Saginaw
Nader Jamil	Police	Traditional	10 Years, 9 Months	City of Inkster

RESOLVED, that the Board of Trustees notes that pursuant to the Reciprocal Retirement Act, said reciprocal retirement credit may only be used for purposes of meeting the retirement eligibility requirements of the Retirement System and that retirement benefits will be based upon actual service rendered to the City and shall be made payable consistent with the City Charter, applicable collective bargaining agreements, Retirement System policies/procedures, and applicable laws (specifically, MCL Public Act 88 of 1961, as amended), and further

RESOLVED, that a copy of this resolution shall be provided to the appropriate City and Union representatives and interested parties.

C-2 Income Withholding Orders – Duane Weible

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retirement System and for making effective the provisions thereof, and

WHEREAS, the Board is in receipt of Income Withholding Orders (“IWOs”) directed to the Retirement System and applicable to the retirement benefits of Duane Allen Weible, and

WHEREAS, the Board acknowledges that its receipt of the IWOs serves as notice of their terms and conditions, and

WHEREAS, an individual’s source of income is required by law to comply with the terms of an order of income withholding, and

WHEREAS, the Board acknowledges that the Retirement System is Mr. Weible’s current source of income, and

WHEREAS, said matter having been reviewed and discussed with the Board’s legal counsel, therefore be it

RESOLVED, that a copy of the IWOs be forwarded to the Retirement System’s custodial bank with instruction to adjust Mr. Weible’s monthly retirement benefit in accordance with the terms of the IWOs, and be it further

RESOLVED, that the Retirement System’s custodial bank be further instructed to make the required payments to the Washtenaw County Friend of the Court, referencing the proper remittance identifier with each payment thereto, and be it further

RESOLVED, that Mr. Weible’s monthly retirement benefits continue to be adjusted in accordance with the IWOs until further notice to the Board, and be it further

RESOLVED, that copies of this Resolution be sent to Duane Allen Weible.

It was **moved** by Schreier and **seconded** by DiGiovanni to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Summary Annual Report for Fiscal Year End 6/30/2021

Ms. Orcutt presented the Summary Annual Reports for the fiscal year ended June 30, 2021. The Board reviewed and approved as submitted.

It was **moved** by Schreier and **seconded** by Peariso to approve the Summary Annual Report for Fiscal Year End 6/30/2021.

Approved

D-2 Member Interest Credits for Calendar Year 2022

GRS submitted a letter regarding the member interest credits, indicating that the computed rate of return for the fiscal year ending June 30, 2021 is 8.4%. Therefore, 2.04% regular interest should be credited to member accounts for the quarter ending March 31, 2022 and each of the remaining three quarters in calendar year 2022.

It was **moved** by Nerdrum and **seconded** by Monroe to approve the Member Interest Credits for Calendar Year 2022.

Approved

D-3 Single Candidate Election

One of the two candidates is no longer employed with the City of Ann Arbor, resulting in a single candidate election.

Jennifer Grimes was the only employee to complete a Declaration of Candidacy Form for the 2021 General Member Election. Per the Board's Rules and Regulations Governing Elections of Board Trustees:

ARTICLE IV - ELECTION

A) Single Candidate Election

If only one candidate has filed the Declaration of Candidacy, the City Clerk's Office shall not hold the election. The Clerk shall notify the Board of Trustees that the candidate is unopposed. The Board, upon such notice, shall declare the unopposed candidate to be the Trustee for the designated term.

Ms. Grimes' new term will begin January 1, 2022 through December 31, 2024.

It was **moved** by DiGiovanni and **seconded** by Schreier to acknowledge Ms. Grimes' appointment to the Board of Trustees effective January 1, 2022 through December 31, 2024.

Approved

D-4 Resolution to Invest in Mesirow Financial Private Equity Fund VIII-A, L.P.

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 Private Equity in the amount of a 7% target, and

WHEREAS, Mesirow, a potential Private Equity Fund of Funds manager presented their investment strategies to the IPC on December 7, 2021, and

WHEREAS, Meketa Investment Group and the Investment Policy Committee have recommended an investment with Mesirow in the Mesirow Financial Private Equity Fund VIII-A, L.P., so be it,

RESOLVED, that the Board of Trustees approve the investment with Mesirow Financial Private Equity Fund VIII-A, L.P. with a commitment in the amount of approximately \$10 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 Peariso to approve the investment with Mesirow Financial Private Equity Fund VIII-A, L.P. with a commitment in the amount of approximately \$10 million, pending review of investment management documents by the Board's legal counsel and recommended additional due diligence.

Approved

E. DISCUSSION ITEMS

E-1 2022 Board Retreat Dates

The Board discussed upcoming schedules and possible Board Retreat dates. Staff will check availability at WISD and send potential dates for the Board to choose.

E-2 Committee Meeting Locations

Committees are planning to meet in-person at the Retirement System Office conference room following all safety protocols.

E-3 Telecommuting Policy

The Board revisited the Telecommuting Policy agreeing with the policy and to continue with services delivery as is. A member survey will be issued in the future for feedback on services/plans. The Board will revisit the policy in six months to ensure operations are running smoothly.

F. REPORTS

F-1 Executive Report – December 16, 2021

SUMMIT PARTNERS CAPITAL CALL AND DISTRIBUTIONS

Summit Partners Credit Fund III, L.P. requested a capital call in the amount of **\$393,114** for the Retirement Plan and **\$109,198** for the VEBA on 11/23/21. With these installments, **CAAERS** will have funded 114.8% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$369,404** for the Retirement System and **\$92,419** for the VEBA on 12/9/21.

ANGELO GORDON CAPITAL CALL

Angelo Gordon Direct Lending Fund IV Annex, L.P. requested a capital call in the amount of **\$ 2,400,000** for the Retirement System and **\$ 1,000,000** for VEBA to fund current investments on 12/15/21.

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 144,352** for the Retirement System and **\$ 48,117** for VEBA to fund current investments on 12/1/21.

Ironsides Co-Investment Fund III issued a distribution in the amount of **\$848,619** for the Retirement System on 12/16/21 comprised of gains and return of capital netted against carried interest.

WELLINGTON TALF DISTRIBUTION

The Wellington TALF Fund issued a distribution for residual proceeds in the amount of **\$ 381** for the Retirement System on 12/1/21. This fund was closed at the end of 2020.

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA requested a capital call of our commitment to the Growth and Income Fund IX in the amount of **\$ 115,598** for the Retirement Plan and **\$ 34,105** for the VEBA on 12/21/21 for the purpose of funding current commitments.

DRA requested a capital call of our commitment to the Growth and Income Fund X in the amount of **\$ 580,421** for the Retirement Plan and **\$ 386,947** for the VEBA on 11/30/21 for the purpose of funding current commitments.

DRA issued a distribution from the Growth and Income Fund VIII on 11/23/21 in the amount of **\$188,888** for the Retirement System and **\$55,555** for the VEBA consisting of dividends and return of capital(unrecalable).

DRA issued a distribution from the Growth and Income Fund IX on 12/8/21 in the amount of **\$288,312** for the Retirement System and **\$84,798** for the VEBA consisting of a gain on sale and return of capital(unrecalable).

DRA issued a distribution from the Growth and Income Fund X on 12/15/21 in the amount of **\$517,579** for the Retirement System and **\$345,053** for the VEBA consisting of recallable capital.

SVB DISTRIBUTION

SVB Fund VIII issue a distribution in the amount of **\$ 532,000** for the System and **\$133,000** for the VEBA on 12/15/21 consisting of gains on sales and return of capital.

PENSION ADMINISTRATION SOFTWARE RFP

Milliman provided a draft of the contract on November 18th. VMT reviewed the initial draft, provided suggested edits, and recommended having an IT representative review as well. Ms. Orcutt sent the edits along with the comments provided by Kyle Spade to Milliman on December 14.

TRUSTEE ELECTION UPDATE

Jen Grimes ended up being the only candidate for the General Trustee as the other applicant left City employment therefore the election was not needed.

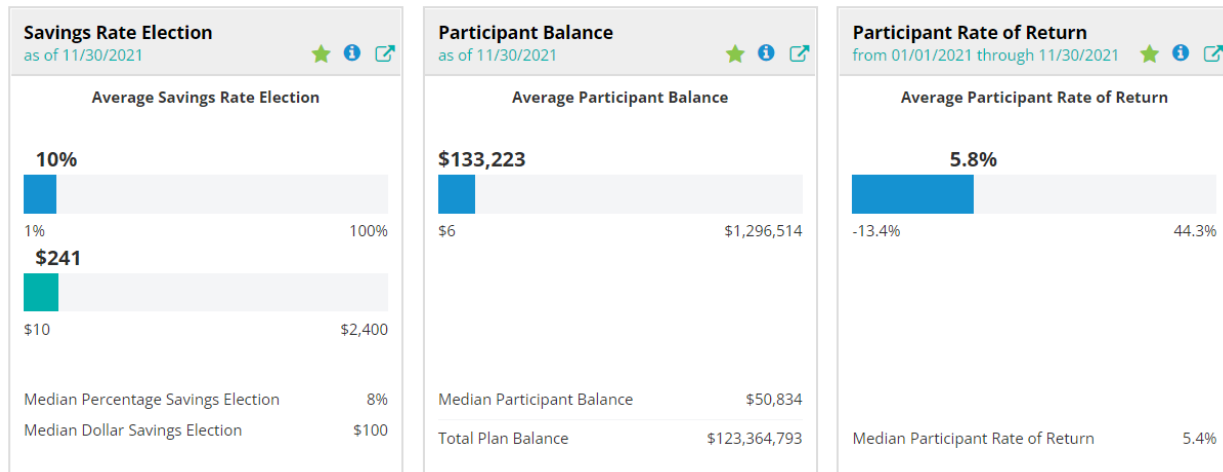
STAFF OPERATIONS/UPDATE

The Pension Analyst processed 31 estimates, 3 non-vested calculations, 3 deferred, 1 payout, 3 final calculations, 1 deceased calc and 4 pre sessions.

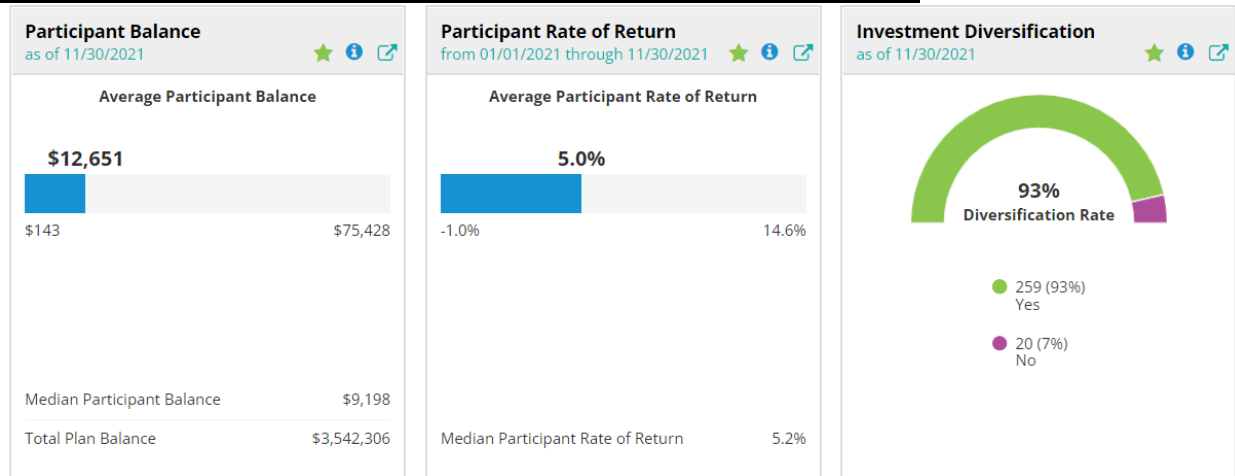
HAPPY HOLIDAYS!

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 12/9/21 - \$ 125,333,433 – Statistics as of 11/30/21



401 Balance at 12/9/21 – \$3,637,988 - Statistics as of 11/30/21



Current Items/Education:

The 457 and 401 contracts have been fully executed extending the term of the 401 until 1/1/2023 and incorporating the new fee structure. The contract for the executive 401(a) has been fully executed by both parties. The new fee structure will go into effect as noted in the contracts.

Dan Stewart conducted 7 one-on-one consultations and had one person attend the webinar December 2nd and 3rd.

ED and Staff are monitoring the contribution limit caps that were incorporated into the payroll system last year and they all seem to be working properly. Another report will be ran after the next payroll in December to ensure compliance.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended November 30, 2021

Maria Buffone, Accountant, submitted the Financial Report for the month ended November 30, 2021 to the Board of Trustees:

11/30/2021 Asset Value (Preliminary)	\$640,658,430
10/31/2021 Asset Value (Audited by Northern)	\$650,562,269
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$77,276,468
Percent Gain <Loss>	13.2%
November 17, 2021 Asset Value	\$646,607,334

F-4 Investment Policy Committee Minutes – December 7, 2021

Following are the Investment Policy Committee minutes from the meeting convened at 3:05 p.m. on December 7, 2021:

Member(s) Present: DiGiovanni(via TX, Livonia, MI, 3:08 PM arrival), Flack(via TX, Ann Arbor, MI, 4:15-4:35 PM Depart), Monroe(via TX, Ann Arbor, MI), Praschan(via TX, Ann Arbor, MI)

Member(s) Absent: Hastie

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
Amanda Outerbridge(via TX, 3:34 PM – 4:03PM), HarbourVest
John Cooney(via TX, 3:34 PM – 4:03PM), HarbourVest
Scott Voss(via TX, 3:34 PM – 4:03PM), HarbourVest
Bob DeBolt(via TX, 4:11 PM – 4:45PM), Mesirow
Courtney Haynes(via TX, 4:11 PM – 4:45PM), Mesirow
Marc Sacks(via TX, 4:11 PM – 4:45PM), Mesirow

ECONOMIC AND MARKET UPDATE DATA AS OF OCTOBER 31, 2021

Mr. Jaung provided an economic update reviewing the market returns, sector returns, breakeven inflation, and the impact of the pandemic.

EXECUTIVE SUMMARY

Both the ERS and VEBA have adopted new Asset Allocation Policies. Private equity fund of funds is the next search for the ERS and VEBA.

RETIREMENT SYSTEM

Act 314 Compliance Review: All investments are currently in compliance.

October 31, 2021 Performance Update: As of October 31, 2021, the balance of the Funds was \$647,449,304 for ERS. Fiscal Year to Date performance was 3.8% for ERS net of fees.

VEBA

Act 314 Compliance Review: All investments are currently in compliance.

October 31, 2021 Performance Update: As of October 31, 2021, the balance of the Funds was \$253,717,366 for VEBA. Fiscal Year to Date performance was 3.5% for VEBA net of fees.

ASSET ALLOCATION REVIEW

This item was postponed due to time constraints.

RAISE CASH FOR BENEFITS/AG CAPITAL CALL

Ms. Orcutt informed the Committee that cash is needed for benefit payments in January and February. Funds are also needed for a \$2.6 million capital call from Angelo Gordon. Meketa recommended a total cash raise of \$13 million from the sale of the NT Russell 1000 Index.

It was **moved** by DiGiovanni and **seconded** by Flack to raise \$13 million from the NT Russell 1000 Index for benefit payments.

Approved

PRIVATE EQUITY FUND OF FUNDS MANAGER SEARCH

Amanda Outerbridge, John Cooney, and Scott Voss from HarbourVest were present to discuss the firm. The following was discussed in their presentation:

- Firm overview
- HarbourVest Partners Fund XII Program

Bob DeBolt, Courtney Haynes and Marc Sacks from Mesirow were present to discuss the firm. The following was discussed in their presentation:

- Private Equity Overview
- Financial Private Equity Fund VIII-A, L.P.

The Committee discussed both firms as well as fee structure and decided to make the following motion.

It was **moved** by DiGiovanni and **seconded** by Flack to recommend to the Board of Trustees to invest approximately \$10 Million from the Retirement System and \$3 Million from VEBA with Mesirow.

Approved

ADJOURNMENT

It was **moved** by Monroe and **seconded** by DiGiovanni to adjourn the meeting at 5:00 p.m.
Meeting adjourned at 5:00 p.m.

F-5 Administrative Policy Committee Minutes – December 14, 2021

Following are the Administrative Policy Committee minutes from the meeting convened at 9:07 a.m. on December 14, 2021:

Committee Members Present: Lynch(via TX, Dexter, MI, 10:02 AM depart), 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: Gustafson(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)

Others Present: None

RETIREMENT SYSTEM DRAFT ANNUAL REPORT

The Committee reviewed and revised the drafted annual report. A final draft will be presented at the Board meeting.

It was **moved** by Schreier and **seconded** by Lynch to submit the RS Summary Annual Report as revised to the Board for approval.

APPROVED

NORTHERN TRUST DEATH AUDIT/OVERPAYMENT ISSUE

The outstanding balance for the Naebeck account has been paid in full.

Ms. Orcutt informed the Committee that Northern Trust provides a death audit for the System twice a year. The System is no longer paying for the Berwyn Groups death audit as Northern Trust is providing the same services.

MISSIONSQUARE UPDATE

Recent Onsite Visit: Dan Stewart was on-site at one location as requested. All other appointments and webinars were virtual.

2021 Contribution Limit Audit: The payroll caps are working preventing overages from happening.

Ms. Orcutt added that the contract for the executive 401(a) has been signed by the City of Ann Arbor.

RETIREE LUNCHEON DECISION

The Committee decided to cancel the 2022 retiree luncheon for safety reasons due to the status of the pandemic.

DC PLANS RFP REVISED DRAFT

The Committee reviewed the RFP revised draft. Mr. Schreier noted that the draft does not clearly state that the RFP is for a consultant to assist with the RFP for a record keeper as well as the potential to provide ongoing DC Plans investment consulting services to the Retirement Board. Ms. Orcutt will follow up with legal to redraft the RFP.

TELECOMMUTING POLICY – FOLLOW UP DISCUSSION

The Committee discussed the current retirement staff operations agreeing with the policy and to continue with services as is. The Committee suggested to issue a member survey at some point in the future for feedback on services/operations. The Committee will update the Board and recommend revisiting the policy in six months to ensure operations are running smoothly.

CYBER SECURITY DISCLOSURES REVIEW UPDATE

Jen Grimes from IT has reviewed and submitted comments regarding the disclosures. Due to time constraints, APC will discuss further at the January meeting.

ADJOURNMENT

It was ***moved*** by Peariso and ***seconded*** by Schreier to adjourn the meeting at 10:10 a.m.
Meeting adjourned at 10:10 a.m.

F-6 **Audit Committee Minutes – None**

F-7 **Legal Report**

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

G-1 **Communications Memorandum**

G-2 **January Planning Calendar**

G-3 **Record of Paid Invoices** 10

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

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Allstar Alarm	\$219.24	Alarm Battery replacement
2	American Express	\$191.15	Kroger Misc. Office Supplies/SJ Office Cleaning/USPS Stamps
3	Applied Imaging	\$27.62	Printing 10/2021
4	Buck	\$1,868.39	Pension Administration Software 10/2021
5	Culligan	\$25.69	Water Service 11/2021
6	DTE	\$116.30	Electric 10/13/2021 - 11/10/2021
7	DTE	\$60.40	Gas 8/12/2021 - 11/10/2021
8	MAPERS	\$200.00	2022 Membership Renewal
9	Staples	\$83.15	Misc. Office Supplies
10	Yeo & Yeo	\$500.00	6/30/2021 Audit services through 10/31/2021
11	GRS	\$1,750.00	PA 202 Compliance referencing funding valuation
12	American Express	\$698.00	GFOA Membership, SJ Cleaning, USPS Stamps
13	Applied Imaging	\$24.57	Printing 11/2021
14	Buck	\$1,868.39	Pension Administration Software 11/2021
15	Culligan	\$13.00	Water Service 12/2021
16	Meketa	\$10,000.00	Investment Consulting 11/2021
17	NCPERS	\$275.00	Membership Renewal 2022
18	IFEBP	\$1,520.00	Membership Renewal 2022
20	West Arbor Condo Association	\$456.00	Condo Association Dues 12/2021
21	VanOverbeke, Michaud & Timmony	\$9,800.00	Legal Fees 7/1/2021-9/30/2021
22	VanOverbeke, Michaud & Timmony	\$980.00	457 Plan Legal Fees 7/1/2021-9/30/2021
	Total	\$30,676.90	

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
Annette Weber	Age & Service	January 9, 2022	General	AFSCME	28 Years, 8 Months	Financial & Administrative
Dennis Degrand	Age & Service	January 10, 2022	Police	COAM	25 Years, 3 Months	Safety Services

Craig Hupy	Age & Service	February 12, 2022	General	Non Union	35 Years, 10.5 Months	Public Services
Brigitte Burke	Deferred Age & Service	January 1, 2022	General	Non Union	6 Years, 1.5 Months	City Administration

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Nerdrum to adjourn the meeting at 9:11 a.m.
Meeting adjourned at 9:11 a.m.

Wendy Orcutt

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