

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

B

The meeting was called to order by Jeremy Flack, Chairperson, at 8:43 a.m.

ROLL CALL

Members Present: Clark, Crawford, Flack, Hastie, Monroe, Nerdrum (*dep. @ 10:30 a.m.*),
Powers (*dep. @ 9:42 a.m.*)
Members Absent: Heusel
Staff Present: Jarskey, Kluczynski, Walker
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS – None

A. APPROVAL OF REVISED AGENDA

Ms. Walker noted three legal opinions that have been added to Item G-6, Legal Report.

It was **moved** by Crawford and **seconded** by Monroe to approve the agenda as revised.
Approved

B. APPROVAL OF MINUTES – March 19, 2015

It was **moved** by Nerdrum and **seconded** by Crawford to approve the March 19, 2015 Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

C-1 Stipulation & Order Amending Judgment of Divorce: Tracy McGuire v. Kenneth Feldt

WHEREAS, the Board of Trustees is in receipt of an entered Stipulation and Order Amending Judgment of Divorce dated February 25, 2015, in the referenced domestic relations matter, and

WHEREAS, the Stipulation and Order Amending Judgment of Divorce provides in relevant part as follows:

IT IS FURTHER ORDERED AND ADJUDGED that the Plaintiff and Defendant will receive, free and clear of any claim of the other, any present and all future entitled, vested and/or unvested defined benefit and/or defined contribution retirement plans, pension, annuities, profit sharing from any and all prior, current or future employments/employers, and all deferred compensation or investment accounts titled in their respective names, free and clear of any claim of the other. Further, an election of a reduced retirement allowance form of payment by either party is [to] be considered void by the retirement system.

and

WHEREAS, pursuant to the foregoing provisions of the Stipulation and Order Amending Judgment of Divorce, Tracy McGuire is not entitled to any portion of Kenneth Feldt's monthly benefits payable from the Retirement System, and

WHEREAS, pursuant to the foregoing provisions of the Stipulation and Order Amending Judgment of Divorce and the Section 1:566 of the Retirement Ordinance, Mr. McGuire's election

of a reduced retirement allowance form of benefit payable by the Retirement System shall be considered void, and accordingly, Ms. McGuire will no longer be considered as Mr. Feldt's survivor beneficiary for purposes the reduced retirement allowance form of benefit, and

WHEREAS, said matter having been discussed with Legal Counsel who has opined that the terms of the Judgment of Divorce are consistent with applicable law, therefore be it

RESOLVED, that the Board of Trustees acknowledges receipt of said Judgment and will pay future pension benefits consistent with it, and further

RESOLVED, that consistent with Section 1:566 of the Retirement Ordinance, Mr. Feldt's election of a reduced retirement allowance is to be considered void and his benefit shall revert to a straight life retirement allowance effective as of April 1, 2015, and further

RESOLVED, that copies of this Resolution be sent to Tracy McGuire; Nicholas B. Missad, Esq.; and Kenneth Feldt.

C-2 EDRO Resolution - Jessica Lussenden v. Kristopher Lussenden

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated June 5, 2014, wherein Jessica L. Lussenden, the Alternate Payee, is awarded certain rights to the benefits of Kristopher K. Lussenden, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's monthly retirement benefit from the Retirement System which is subject to the Alternate Payee making an application for the same, and

WHEREAS, the payments from the plan to the Alternate Payee shall begin when the Participant commences benefits from the Retirement System, unless the Alternate Payee elects to receive benefits at any time after the Participant reaches his earliest retirement date, and

WHEREAS, the Board's policy is to require that the cost for the actuary's calculations are to be borne by the parties to the domestic relations proceedings, and the order provides that the Participant and the Alternate Payee shall be responsible for any and all additional costs for actuarial services and that the Alternate Payee's share of said costs shall be in proportion to her share of the Participant's retirement allowance divided under the EDRO, and

WHEREAS, said matter having been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order and will administer benefits consistent with said order upon application of either the Participant or the Alternate Payee, and further

RESOLVED, that a copy of this Resolution be immediately attached as the top sheet of the Participant's pension file and other appropriate records be retained by the Retirement System relative to this matter, and further

RESOLVED, that copies of this resolution be sent to Kristopher K. Lussenden, the Participant; Brett M. Naumcheff, Esq., attorney for the Participant; Jessica L. Lussenden, the Alternate Payee; Veronica Leonard, Esq., attorney for the Alternate Payee; and the Board's Actuary.

It was **moved** by Nerdrum and **seconded** by Powers to approve the Consent Agenda as submitted.

Approved

D. EXECUTIVE SESSION – Disability Medical Examination Report

The Board convened an Executive Session for the purpose of discussing the medical examination report from Robert D. Travis, M.D. dated April 1, 2015 regarding Brian Klinge.

Roll call vote:

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

Executive session time: 8:45 a.m. – 9:00 a.m.

E. ACTION ITEMS

E-1 Motion Regarding Disability Medical Examination Report

It was **moved** by Clark and **seconded** by Crawford to acknowledge receipt of the medical examination report from Robert D. Travis, M.D. dated April 1, 2015 with regards to duty-disability retirement applicant Brian Klinge; the Board noting the doctor has provided the certification that the member is physically and totally incapacitated for duty in the service of the City in the same or similar position held at the time of disability, and that such incapacity will probably be permanent, therefore the Board granting the duty-disability retirement to Mr. Klinge.

Approved

E-2 Proposed Funding & Amortization Analysis from Buck Consultants

Ms. Walker stated that at the recent Board Retreat, there was discussion about reviewing the funding and amortization policy for the Fund, because Buck feels that the rolling 25 year where it's never closed will never lead the Fund to be fully funded. Buck was asked to provide an analysis of what the figures would look like if the amortization period was closed and taken down to a 20 year period, as well as to determine what the effect of the payroll/tax increases would be to additional funding. Another part of the project would be to assess the amount of return during the year that would cause our contributions to be higher than what the City funding policy currently provides for the current year. The Board discussed Mr. Langer's takeaways from the retreat and projected fees for the project.

After a lengthy discussion, the Board decided to move forward with the request, but alter it to make it a 15 year open and layered approach, considering the possibility of an upcoming Plan re-design. Ms. Nerdrum stated that she would draft a request for Ms. Walker to forward to Buck Consultants.

It was **moved** by Hastie and **seconded** by Clark to move forward with the fees as stated, contingent on confirming the deliverable for the ALM, removing item #2, changing item #1 from a 20-year closed to a 15-year open, looking at both scaling down from 25 to 15 in two year increments versus a 1-year increment, and confirming with Mr. Langer if he has any concerns on doing this project in light of a potential plan design change in the next 12 to 24 months.

Approved

E-3 Proposed 2015/2016 Expenditure Budget

Ms. Walker reviewed the proposed fiscal year 2015/2016 expenditure budget. After a brief review, the Board had no suggested changes or corrections to the proposed budget and decided to approve the budget as presented.

It was **moved** by Nerdrum and **seconded** by Powers to approve the 2015/2016 expenditure budget as presented.

Approved

F. DISCUSSION ITEMS

F-1 Northern Trust Securities Litigation / Partial Settlement

Mr. VanOverbeke reviewed a notice of partial settlement between the Louisiana Firefighters' Retirement System and The Northern Trust Company. Northern Trust has notified our Retirement System that it will be releasing certain account information regarding the System's investment data as part of the litigation/settlement. Mr. VanOverbeke stated that this information would not include anything of a confidential nature, that this is on the agenda for the Board's information only, and that there is no action for the Board to take at this time.

F-2 Ordinance Language Regarding Board Composition

Ms. Walker stated that the proposed Ordinance language regarding the upcoming Board composition has been provided by Nancy Niemala in the City Attorney's Office for the Board's review. Mr. VanOverbeke stated that he has some concerns regarding the proposed language which should be clarified before going to City Council, such as retirees being able to run for seats on the Retirement Board, and it is not clear as to if they are also able to vote in an election. Mr. Crawford agreed that the language is not clear, because it was his understanding that retirees could not vote, but that they could run for a seat in an election. The Board requested that Mr. VanOverbeke work with Ms. Walker to clarify the language that should then be forwarded to the City for Council approval.

G. REPORTS

G-1 Executive Report – April 16, 2015

INVESCO DISTRIBUTION

INVESCO Mortgage Recovery Loans AIV, L.P. made a distribution on Tuesday, March 31, 2015, totaling \$10,698,496 comprised of \$7,477,071 of return of capital and \$3,221,425 of realized gains. Partner's allocable share of distribution: **\$142,423**

DRA CAPITAL CALL

DRA issued a capital call for an initial funding for the acquisition of Cobb Place and to pay down the Fund's credit facility for the 121 West Wacker, Sandy Springs Crossing, Meadows Square, The Stratum, Parc 1346, Michelin Distribution Center, Commerce Center at Park 370, Ocala West and Shops on the Circle acquisitions, due **March 30, 2015** in the amount of **\$440,741**, which is the pro-rata share of the total capital call of **\$70,000,000**. After this capital call the remaining Commitment to the Fund is **\$6,679,450**.

DRA issued a capital call for an initial funding for the acquisition of Cobb Place and to pay down the Fund's credit facility for the 121 West Wacker, Sandy Springs Crossing, Meadows Square, The Stratum, Parc 1346, Michelin Distribution Center, and Commerce Center at Park 370, Ocala West and Shops on the Circle acquisitions, due **March 30, 2015** in the amount of **\$129,630**, which is the pro-rata share of the total capital call of **\$70,000,000**. After this capital call the remaining Commitment to the Fund is **\$1,964,544**.

MANAGER UPDATES

90% of the Optima Discretionary Macro Fund Class B redemption distribution is expected at the end of April with the balance paid in 6-8 weeks. Part of these proceeds will fund the remainder of the TSE Capital allocation (\$1.4 million) with additional disbursement proceeds to Och Ziff (\$2.8 million) on or around 5-1-2015.

CITY COUNCIL

At its April 6, 2015 meeting, City Council approved the new IAFF (Firefighters) contract which accepted the new Board composition passed by Ann Arbor voters in the vote for a new City Charter provision in 2011. This is the last bargaining contract which required settlement before implementation of the new Board structure. New language for the City Ordinance is anticipated to be before Council in May.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended March 31, 2015

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended March 31, 2015 to the Board of Trustees:

3/31/2015 Asset Value (Preliminary)	\$476,696,341
2/28/2015 Asset Value (Audited by Northern)	\$479,836,127
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$11,204,094
Percent Gain <Loss>	2.4%
April 15, 2015 Asset Value	\$ 478,872,438

G-3 Investment Policy Committee Minutes – April 7, 2015

Following are the Investment Policy Committee minutes from the meeting convened at 3:09 p.m. on April 7, 2015:

Member(s) Present: Clark, Flack (3:25), Hastie
Member(s) Absent: Monroe
Other Trustees Present: None
Staff Present: Jarskey, Kluczynski, Walker
Others Present: Edward Urban, Meketa Investment Group
Henry Jaung, Meketa Investment Group

FEBRUARY 28, 2015 PERFORMANCE REVIEW

Mr. Jaung stated that as of February 28, 2015, the Retirement System was valued at \$479.8 million, an increase of \$8 million since December 31, 2014.

STANDARD PACIFIC UPDATE

Mr. Urban advised the Committee that on March 23rd, Standard Pacific announced a strategic partnership with Easterly Capital, a private equity and venture capital firm founded in 1999. Partnership discussions with Easterly have been ongoing since 2014 in an effort to alleviate operational burdens at Standard Pacific and to provide the benefit of revenue sharing in new product lines. Meketa will continue to monitor Standard Pacific as it finalizes the details of the partnership, and although the firm remains stable with no departures from the investment team, Meketa recommends delaying the initial funding of Standard Pacific until details are solidified. Mr. Urban expects that it should take no more than a month, and will update the Committee at the May IPC meeting. The Committee agreed.

HEDGE FUND INVESTMENT TIMELINE

Mr. Urban reviewed the status of the new hedge fund program, stating that everything is on track with funding the new managers, and Meketa is closely monitoring the Standard Pacific/Easterly partnership before that funding takes place.

ASSET ALLOCATION POLICY REVIEW

As discussed at the recent Board Retreat, an asset allocation policy review was presented by Meketa for discussion. Meketa prepared two alternative policies with significantly different equity and bond exposures for discussion purposes. After reviewing and comparing the options with the current policy, Meketa advised that they are comfortable with the current policy structure and does not recommend making changes at this time. The Committee agreed, and suggested that this topic also be discussed at the Board level, where Meketa will be asked to attend via telephone for discussion.

ADJOURNMENT

It was **moved** by Flack and **seconded** by Clark to adjourn the meeting at 4:43 p.m.

Meeting adjourned at 4:43 p.m.

G-4 Administrative Policy Committee Minutes – No Report

G-5 Audit Committee Minutes – No Report

G-6 Legal Report – Various Legal Opinions

Mr. VanOverbeke reviewed legal opinions on three employee-related issues as requested by Ms. Walker.

G-6a Request for Purchase of Military Service

It was **moved** by Nerdrum and **seconded** by Hastie to receive and file the legal opinion as reviewed by Mr. VanOverbeke.

Legal opinion received and filed

G-6b Employee Grievance/Reemployment

It was **moved** by Nerdrum and **seconded** by Hastie to receive and file the legal opinion as reviewed by Mr. VanOverbeke.

Legal opinion received and filed

G-6c Employee Reemployment and Reciprocal Service Clarification

It was **moved** by Hastie and **seconded** by Clark to receive and file the legal opinion as reviewed by Mr. VanOverbeke.

Legal opinion received and filed

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 May Planning Calendar

H-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	Hasselbring-Clark Co.	56.99	Monthly copier cost per copy – February 2015
2	DLA Piper LLP	84.15	Securities Litigation defense svcs/Lyondell – Inv #3115371
3	Buck Consultants	2,483.33	Monthly hosting fees & Webster EDRO – 1/2015
4	Staples Advantage	107.15	Miscellaneous Office supplies
5	DTE Energy	166.21	Monthly Gas Fee dated
6	DTE Energy	185.76	Monthly Electric Fee dated
7	Buck Consultants	11,087.54	Qtly installments, 2 nd GASB installment, Dec hosting fees
8	Meketa Investment Group	9,166.66	Investment Consultant Retainer - March 2015
9	Comcast	85.24	Monthly Cable Fee
10	AT&T	305.83	Monthly telephone service
11	Culligan of Ann Arbor/Detroit	7.00	Water service – April 2015
12	Dollar Bill Copying	1,160.09	Annual newsletters to active and retired members
13	David Monroe	175.20	Reimbursement for MAPERS One-Day Conference
14	Jeremy Flack	83.95	Reimbursement for MAPERS One-Day Conference
15	Med Source Services/Cons. Phys.	950.00	Disability medical exam and report – 4/1/2015
16	Robertson Morrison, Inc.	195.00	Routine service agreement 4/22/2014 - 4/22/2016
	TOTAL	26,300.10	

H-4 Retirement Report – No Report

H-5 Form ADV, Part 2A Brochure from Meketa Investment Group

I. TRUSTEE COMMENTS - None

J. ADJOURNMENT

It was **moved** by Hastie and **seconded** by Clark to adjourn the meeting at 11:15 a.m.

Meeting adjourned at 11:15 a.m.

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