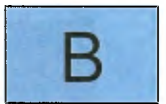


**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 20, 2018**



The meeting was called to order by Jeremy Flack, Board Chairperson, at 8:42 a.m.

ROLL CALL

Members Present: Clark, Crawford (*depart 10:30 a.m.*), DiGiovanni, Flack, Hastie, Lynch, Monroe (*9:00 arrival*), Schreier
Members Absent: Nerdrum
Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel (*9:00 a.m. arrival*)
Jason Ashline, ICMA-RC (*9:20 a.m. arrival*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B August 16, 2018 Regular Board Meeting

Mr. Schreier pointed out a typo in the August 16, 2018 minutes. The year stated in the Staff Operations/Update section of the Executive Report should be 2018 rather than 2019.

It was **moved** by Schreier and **seconded** by DiGiovanni to approve the August 16, 2018 Regular Board Meeting minutes as revised.
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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Marjorie Reynolds	Police	5 ½ Months	Washtenaw County
Gregory Bergland	Police	2 years, 2 months	City of Ypsilanti
Jonathan McDonagh	Police	10 years, 7 months	City of Ypsilanti

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 EDRO Certification Resolution – Jennifer Rebecca Eyer v. Kevin Richard Eyer

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated August 20, 2018, wherein Jennifer Rebecca Eyer, the Alternate Payee, is awarded certain rights to the benefits of Kevin Richard Eyer, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's benefits payable the Retirement System which is subject to either the Participant or 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 commence her share of the Participant's benefit 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 parties agree to equally share any such costs, 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 Kevin Richard Eyer, the Participant; Jennifer Rebecca Eyer, the Alternate Payee; and the Board's Actuary.

C-3 GASB Disclosure 67/68

Ms. Orcutt informed the Board that the GASB Disclosure 67/68 has been received and reviewed by the Audit Committee. The disclosure has been received and filed.

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

D. ACTION ITEMS – None.

E. DISCUSSION ITEMS

E-1 ICMA Plan Review as of 6/30/2018

Jason Ashline from ICMA was present to provide a Quarterly Plan Review including an Education Overview, Plan Trends and Costs, Investment Executive Summary/Report and a website demo highlighting the Tools and Technology. Mr. Ashline pointed out that ICMA will be hosting Webinars in October during National Retirement Security Week. The Board agreed that it may be beneficial to have ICMA present at the Retiree Luncheon in the future.

Mr. Schreier inquired about the process ICMA uses when monitoring the investment managers and eventually replacing a fund when appropriate. Jason Ashline outlined the process for selection and monitoring. Mr. Hastie noted that the Fidelity Diversified International Fund did not meet 7 of the monitoring criteria. Mr. Ashline stated that the fund is on the watch list. The Board requested that the current watch list be shared and to include as part of the plan review going forward.

Mr. Ashline also informed the Board of the following:

- The Overall “All In” Plan Costs: 58 basis points for the 457; 52 for the 401(a)
- Fees and Expenses: 45 out of the 46 funds in the lineup have lower expense ratios than their category peer averages. The average percentile ranking for fund expense ratios is the 35th percentile.
- Time Period Performance: In 132 out of 202 time periods measured (65% of the time periods) the funds beat their peer averages for the 1, 3, 5 and 10 year time periods.
- Overall Morningstar Ratings: 4 – 5 Star Rated Funds; 16 – 4 Star Rated Funds; 21 – 3 Star Rated Funds; 3 – 2 Star Rated Funds; 0 – 1 Star Rated Funds
- Fee Reductions: In July 2018, ICMA-RC implemented a fee waiver on the Milestone Funds (Target Date Series) reducing the expense ratios by an average of 7 basis points.
- Fund Replacement: On 10/26/18, VT Harbor International will be replaced by Clearbridge International Value Fund (SBIYX)
- Rebranding: ICMA-RC is undergoing a rebranding initiative, and has renamed its propriety funds using the word Vantagepoint, removing the VT from the front of its name.

F. REPORTS

F-1 Executive Report – September 20, 2018

DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund VIII on 8/13/18 in the net amount of **\$ 120,887** for the Retirement System consisting of \$ 155,535 in Dividends and Fees in the amount of \$ 34,648. The VEBA net distribution of **\$35,555** consisted of \$ 45,746 in Dividends and Fees in the amount of \$ 10,191.

DRA issued a distribution from the Growth and Income Fund IX on 8/15/18 in the net amount of **\$73,512** for the Retirement System consisting of \$ 94,472 in Dividends and Fees in the amount of \$ 20,960. The VEBA net distribution of **\$ 21,621** consisted of \$ 27,786 in Dividends and Fees in the amount of \$ 6,165.

DRA issued a distribution from the Growth and Income Fund IX of previously reserved cash flow on 8/28/18 in the amount of **\$ 10,787** for the Retirement System and **\$ 3,173** for VEBA.

DRA CAPITAL CALLS

DRA requested a capital call of our commitment to the Growth and Income Fund IX in the amount of **\$ 566,307** for the Retirement Plan and **\$ 166,561** for VEBA on 9/24/18 for the purpose of funding current commitments.

SUMMIT PARTNERS

Summit Partners Credit Fund II, L.P. requested a capital call of 1.4% of our commitment to the Funds in the amount of **\$131,388** for the Retirement Plan and **\$32,847** for the VEBA on 8/20/18 for a recall of cumulative distributions.

Summit Partners Credit Fund II, L.P. requested a capital call of 3.8% of our commitment to the Funds in the amount of **\$ 353,994** for the Retirement Plan and **\$ 88,498** for the VEBA on 9/4/18 which represents a recall of distributions subject to recall. With these installments, **CAEERS** will have funded 107.9% of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.

CARLYLE CAPITAL CALLS

Carlyle requested a capital call of our commitment to the Carlyle Realty Fund VIII in the amount of **\$ 427,106** for the Retirement Plan and **\$ 106,775** for the VEBA on 9/18/18 for the purpose of investment funding as well as management fees and expenses.

ANNUAL BOARD ELECTIONS / APPOINTMENTS

Citizen Trustee reappointment for Alexa Nerdrum was confirmed for the Term January 1, 2019-December 31, 2021.

The terms of Police Representative David Monroe and General Representative Terry Clark are expiring December 31, 2018. Elections will be Wednesday, December 13th and Thursday, December 14th.

The new term would be from January 1, 2019-December 31, 2021.

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

ACTUARY UPDATE

Findley sent the required disclosures for GASB 67/68 and 74/75 on August 23 A revised work plan was sent and reviewed by the Audit Committee on 9/11. A draft of the valuation will be available in late September and the final valuation will be presented at the October 18 Board Meeting.

ICMA-RC UPDATES

VMT is in communication with ED and ICMA in regards to the agreement for the self-directed brokerage program. A status update will be provided by Legal Counsel at the September Board meeting.

AUDIT/FYE UPDATE

Yeo & Yeo was onsite August 29/30. They have completed their fieldwork and the remaining items needed will be delivered when the Valuation is complete i.e. Census Data Counts, etc.

STAFF OPERATIONS/UPDATE

The Pension Analyst conducted 5 pre-sessions and processed 17 estimates.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2018

Corbin Hammond, Accountant, submitted the Financial Report for the month ended August 31, 2018 to the Board of Trustees:

8/31/2018 Asset Value (Preliminary)	\$520,043,894
7/31/2018 Asset Value (Audited by Northern)	\$513,379,372
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$14,291,132
Percent Gain <Loss>	2.8%
September 19, 2018 Asset Value	\$516,299,637

F-3 Investment Policy Committee Minutes – None

F-4 Administrative Policy Committee Minutes – September 11, 2018

Following are the Administrative Policy Committee minutes from the meeting convened at 3:00 p.m. on September 11, 2018:

Committee Members Present: Lynch (3:45 p.m. departure), Monroe, Schreier (Via TX)
Members Absent: None
Other Trustees Present: None
Staff Present: Gustafson, Hollabaugh, Orcutt
Others Present: Dave Diephuis, City Resident

UPDATE ON OUTSTANDING CHECKS

Ms. Orcutt updated the committee regarding the status of outstanding checks. Staff has made attempts to contact all with outstanding checks and have resolved all but 7. The 7 remaining outstanding checks will be documented and redeposited.

ICMA VERBAL UPDATE

Ms. Orcutt informed the committee that ICMA was onsite August 27-30th providing individual consultations for employees. She also reminded the committee that Jason Ashline, from ICMA, will be attending the September Board meeting to present a plan review.

Ms. Orcutt also informed the committee of the self-directed brokerage account agreement. The addendum contains indemnification language that would be a breach of the Board's fiduciary duties. Ms. Orcutt, Jason Ashline and legal counsel have spoken regarding this issue and ICMA is unable to strike that language. Ms. Orcutt is continuing to work with legal counsel on this matter.

PERSONNEL MATTER

Ms. Orcutt wished to discuss a personnel matter with the Committee. Staff briefly stepped out.

REVISED GOVERNANCE POLICY – CONTINUED DISCUSSION

Due to time constraints, this item was postponed until the next APC meeting.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Schreier to adjourn the meeting at 3:52 p.m.
Meeting adjourned at 3:52 p.m.

APC Project Tracking Table		
Description	Originated	Status
Revised Governance Policy	7/24/18	Pending
Discussion on Benefit Multiplier Associated with Employee Group Change	November 2017	Pending
Revision to Death Policy	September 2017	Pending
Attendance Policy	2014	Pending
Fiduciary Audit Recommendations & Considerations (Ennis Knupp report) - Continue to discuss priorities and next steps on implementation	October 2009	Placed back on pending list on 8-9-2016

F-5 Audit Committee Minutes – September 11, 2018

Following are the Audit Committee minutes from the meeting convened at 4:01 p.m. on September 11, 2018:

Committee Members Present: Monroe, Nerdrum
 Members Absent: Clark, Crawford
 Other Trustees Present: None
 Staff Present: Gustafson, Hollabaugh, Orcutt
 Others Present: Matt Klein, Findley (Via TX)
 Dave Diephuis, City Resident

EXPERIENCE STUDY – REVIEW OF PROPOSED CHANGES

Ms. Orcutt updated the committee of the revisions made to the experience study. The study was updated to reflect no change in assumption for the discount rate and the liability impact of the salary scale changes as well as a typo in the new rates. The Committee briefly reviewed the revisions with Matt Klein from Findley and agreed with the changes made.

REVIEW OF GASB DISCLOSURES 67/68 & 74/75

The Committee reviewed the disclosures and agreed to present at the Board for receipt and file.

UPDATED FINDLEY WORK PLAN/TIMELINE

The Committee reviewed the timeline provided by Findley and agreed that it was on track.

DISCUSSION ON UNIFORM ACTUARIAL ASSUMPTIONS

Ms. Orcutt informed the committee that although the uniform actuarial assumptions for reporting purposes are not required until next fiscal year, Tom Crawford has asked that the Audit Committee consider including the data in this year's valuation. Findley had quoted a cost of \$5,000 should the Board wish to incorporate the results as a separate section of the report. The Committee briefly discussed and decided to discuss further with the Board.

AUDIT UPDATE

Ms. Orcutt updated the Committee that the Audit went well and the remaining data needed by the Auditors will be provided upon receipt of the 6/30/18 valuation.

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by Nerdrum to adjourn the meeting at 4:47 p.m.
Meeting adjourned at 4:47 p.m.

AC Project Tracking		
Description	Originated	Status
Actuarial Funding Policy Draft	7/17/14 Board Meeting	Tentative – Late 2015 to early 2018 (project for Actuary)

F-6 Legal Report

Mr. VanOverbeke updated the Board regarding the Uniform Actuarial Assumptions stating that this will be a requirement to include in the valuation starting next fiscal year. He stated that

there may also be some modifications made early next year.

Mr. VanOverbeke briefly updated the Board of the self-directed brokerage account agreement. The addendum contains indemnification language that would be a breach of the Boards fiduciary duties. He informed the Board that Ms. Orcutt and he are currently working on this matter.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 October Planning Calendar

G-3 2018 Election Schedule

G-4 Record of Paid Invoices

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

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	DTE Energy	\$319.92	Electric Usage 7/13/18-8/10/18
2	MAPERS	\$300.00	W. Orcutt Fall Conference Registration 9/22/18-9/25/18
3	VanOverbeke, Michaud & Timmony	\$5,664.00	Legal Services 4/1/18-6/30/18
4	AT&T	\$659.71	Phone Service 7/14/18-8/31/18
5	VanOverbeke, Michaud & Timmony	\$10,118.40	Legal Services 1/1/18-3/31/18
6	Culligan	\$26.49	Water Service 9/1/18-9/30/18
7	Midwest Maintenance Services	\$175.00	Cleaning Services August 2018
8	Meketa Investment Group	\$10,000.00	Investment consulting services August 2018
9	Robertson Morrison Inc.	\$230.00	Routine Quarterly Maintenance
10	Conduent HR Consulting	\$3,333.33	May Hosting Fees & Actuarial Transition
11	Laura Hollabaugh	\$242.69	Petty Cash Reimbursement
Total		\$31,069.54	

G-5 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department /Service Area
Marjorie Reynolds	Early Age & Service	September 28, 2018	Police	17 years, 7 months	Safety Services
Pamela Simmons	Age & Service	November 10, 2018	General	15 years, 1 month	Community Services

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

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Schreier to adjourn the meeting at 10:55 a.m.
Meeting adjourned at 10:55 a.m.

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