

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
May 15, 2025**



The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:40 a.m.

ROLL CALL

Members Present: DiGiovanni (*Via TX, Arrived 9:10 a.m.*), Flack, Foster, Grimes (*Via TX*),
Lynch, Praschan, Schreier, Toth (*Via TX*)
Members Absent: Nerdrum
Staff Present: Barroga, Buffone, Gustafson, Orcutt
Others: Kyli Soto – Innovest (*Via TX 8:46 a.m*)
Troy Jensen – Innovest (*Via TX 8:46 a.m*)
Len Goff – Voya (*Via TX*)
Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES – APRIL 17, 2025

It was **moved** by Foster and **seconded** by Schreier to approve the April 17, 2025, Regular Board Meeting Minutes as submitted.
Approved

B-1 APPROVAL OF BOARD RETREAT MINUTES – April 17, 2025

It was **moved** by Lynch and **seconded** by Schreier to approve the April 17, 2025, Board Retreat Minutes as submitted.
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
Kathy Trella	Safety Services	Dual	8 Years, 9.5 Months	City of Howell
Hannah (Hank) Kelley	Community Services	Dual	3 Years, 5 Months	City of Grand Rapids

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 2025 NAGDCA Annual Conference- Sept 28 - Oct 1

AUTHORIZATION FOR NAGDCA CONFERENCE (\$ 2,250.00 ESTIMATED)

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, Wendy Orcutt has requested the Board of Trustees' authorization for her travel to San Diego, CA at Retirement System expense, estimated at \$ 2,250.00, to attend the NAGDCA 2025 Annual Conference, and to participate in continuing education in her responsibility as Executive Director and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the travel request of Wendy Orcutt to travel to San Diego, CA at Retirement System expense, estimated at \$ 2,250.00, to attend the NAGDCA 2025 Annual Conference, to participate in continuing education in her responsibility as Executive Director Board Trustee, and

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

It was **moved** by Foster and **seconded** by Lynch to approve the consent agenda as presented.

D. ACTION ITEMS

D-1 Revised DC IPS

Ms. Soto presented to the Board the Investment Policy Statement which contains some edits. This document should be reviewed annually and any updates should be incorporated. Per Ms. Soto stated that while these are governmental plans, best practice language is used from their ERISA attorney.

It was **moved** by Foster and **seconded** by Schreier to approve the Revised DC IPS as submitted.

Approved

D-2 Revised DB IPS

Mr. Orcutt discussed with the Board the asset allocation change which was incorporated into the revised Investment Policy Statement (IPS).

It was **moved** by Foster and **seconded** by Praschan to approve the Revised DB IPS as submitted.

Approved

D-3 DB Investment Consultant RFP 2025

Ms. Orcutt presented the Defined Benefit Investment Consultant RFP draft, discussed the timing, and proposed holding the final interviews at the October 16th Board meeting.

It was **moved** by Foster and **seconded** by Praschan to approve the DB Investment Consultant RFP 2025 as submitted.

Approved

D-4 Resolution To Raise Cash From Domestic and International Equity

Ms. Orcutt discussed with the Board the need to raise cash for benefit payments and capital expenses for the next few months. The Retirement System will be taking \$6 million from the Northern Trust EAFE Index Fund and \$4 million from the Rhumblin HEDI.

It was **moved** by Foster and **seconded** by Schreier to approve the resolution to raise cash from domestic and international equity as submitted.

Approved

E. DISCUSSION ITEMS

E-1 DC Plans Quarterly Review 3/31/2025

Ms. Soto presented the review for the quarter noting that the 2070 Vintage was added to the suite of Target Date Funds. Mr. Jensen reviewed the market overview, inflation, quarterly performance and market trends.

Mr. Goff from Voya presented the plan activity for the quarter for the 457, 401 Dual and 401 Exec plans. He also discussed participant engagement, cash flow and the financial statements for the quarter.

F. REPORTS

F-1 Executive Report –May 15, 2025

ANGELO GORDON CAPITAL CALLS AND DISTRIBUTION

Angelo Gordon Direct Lending Fund IV Annex, L.P. issued a distribution in the amount of **\$ 226,465** for the Retirement System and **\$ 94,360** for VEBA consisting of return of capital on 4/28/2025.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$184,000** for the Retirement Plan and **\$46,000** for VEBA on 5/9/25 to fund follow up investments. With these installments, **CAAERS** will have funded 89% of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$ 306,000** for the Retirement Plan and **\$ 102,000** for VEBA on 5/22/25 to fund investments. With these installments, **CAAERS** will have funded 38.6% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with HR and Payroll on March 13th to discuss the implementation of the new TPOAM union.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 19 estimates, 4 final calcs, 5 deceased calcs, 3 non-vested calcs, 4 payouts and conducted 8 pre-sessions.

Wendy Orcutt and Dan Gustafson will be attending the MAPERS conference in Detroit May 17-20th.

Ms. Orcutt advised The City was adding a new union to the Administrative and District Court. MAPERS Spring Conference is happening this weekend from May 17-20.

F-2 Executive Report – Voya Update

457 PLAN

Balance at 5/7/2025 - \$ 111,350,000
Admin Allowance Balance = \$ 9,843

Participation Rate	<u>55%</u>
Average \$ Deferral	<u>\$243</u>
Average % Deferral	<u>9%</u>
Investment Diversification	<u>85%</u>

401A PLAN

Balance at 5/7/2025- \$ 9,592,000
Forfeiture Balance = \$ 91,947

401A Executive PLAN

Balance at 5/7/2025 - \$ 862.300
Forfeiture Balance \$ 1,493

Current Items/Education:

During the month of March, Mike had 10 in person meetings and 6 phone calls.
Mike Landolt will be onsite May 21st and 22nd.

Future Items/Education:

401 Plan Doc/Ordinance Revisions regarding Force Outs and other updates.
401 and 457 Force Outs – 4th Quarter 2025
Mandatory Roth Catch Up Audit – January 2026

F-3 City of Ann Arbor Employees Retirement System Preliminary Report for the Month ended April 30, 2025

Ms. Orcutt submitted the Financial Report for the month ended April 30, 2025, to the Board of Trustees:

4/30/2025 Asset Value (Preliminary)	\$636,662,451
03/31/2025 Asset Value (Audited by Northern)	\$642,173,523
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$10,833,524
Percent Gain <Loss>	1.70%
May 14, 2025 Asset Value	\$647,495,975

F-4 Investment Policy Committee Minutes – May 6, 2025

Following are the Investment Policy Committee minutes from the meeting convened at 3:03 p.m. on May 6, 2025:

Member(s) Present: DiGiovanni, Flack (Via TX, Arrival at 3:56 pm), Foster, Praschan, Toth

Member(s) Absent: None

Other Trustees Present: Schreier (Via TX, Departed at 4:17 pm)

Public Present: None

Staff Present: Barroga, Buffone, Gustafson (Via TX), Orcutt (Via TX)

*Others Present: Kevin Beaudoin, Meketa Investment Group (Via TX, Departed 4:17 pm)
John Harris, Meketa Investment Group (Via TX, Departed 4:17 pm)*

ECONOMIC AND MARKET UPDATE DATA AS OF MARCH 31, 2025

Mr. Beaudoin and Mr. Harris provided an economic and market update as of March 31, 2025. Investment flows rotated out of US Stocks to non-US stocks while bond markets rallied on uncertainty related to tariffs and growth. Looking ahead, continued uncertainty related to the US administration’s tariff policies and their impact on the economy, inflation and Fed policy will be key. The path of China’s economy and relations with the US, as well as concerns over increased valuation and technology -driven concentration in the US equity market will also be important focus of 2025.

EXECUTIVE SUMMARY

Recap: The market value of the ERS was \$639 million at the end of March 2025. The performance for QTD, FYTD, and 1-year was 0.6%, 3.3%, and 4.6%.

Over the past 3, 5, 7, and 10 years, the ERS has returned 5.0%, 11.3%, 7.9%, and 7.4%. These returns have outperformed the 60% Equity/40% Bonds benchmarks in most periods.

As of March 31st, the system ranked in the top 20 percent in the 5, 7 and 10 trailing years amongst its peer group.

The market value of the VEBA was \$287 million at the end of March 2025. The performance for QTD, FYTD, and 1-year was 0.3%, 3.3%, and 4.8%.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 4.5%, 10.6%, 7.3%, and 6.9%. Similar, to the ERS, the returns have outperformed 60%/40% benchmarks in most periods.

As of December 31st, the VEBA has ranked in the top 10 percent in the 5, 7, and 10 trailing years amongst its peer group.

RETIREMENT SYSTEM

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

March 31, 2025 Performance Update: As of March 31, 2025, the balance of the Funds was \$639,459,034 for ERS. Fiscal Year to Date performance was 3.3% for ERS net of fees.

VEBA

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

March 31, 2025 Performance Update: As of March 31, 2025, the balance of the Funds was \$287,486,523 for VEBA. Fiscal Year to Date performance was 3.3% for VEBA net of fees.

ASSET ALLOCATION REVIEW

Mr. Beaudoin and Mr. Harris discussed the current asset allocation and the recommended 5% less equity as discussed at the Board Retreat.

The Committee discussed keeping VEBA asset allocation as is and Meketa will research best options for short term TIPS to add to the ERS portfolio.

*It was **moved** by Foster and **seconded** by Toth to recommend for Board approval an allocation change, reducing equities by 5% and reallocating to fixed income, with a tightening of the target range for domestic equity to 28% to 38% as previously discussed.*

Approved

CASH NEEDS FOR BENEFIT PAYMENTS

Mr. Harris recommended a cash raise for the ERS from and Ms. Orcutt noted there is about \$4.5 million currently in cash. After the asset allocation discussion, it was decided to take \$6 million from the EAFE and \$4 million from the Rhumblin-HEDI to raise cash for benefit payments.

*It was **moved** by Foster and **seconded** by Toth to recommend sending a resolution to the Board to approve the redemption of \$10 million, \$6 million from the EAFE and \$4 million from the Rhumblin-HEDI to fund capitol calls and benefit payments.*

Approved

DEFINED BENEFIT INVESTMENT CONSULTANT RFP DRAFT

Ms. Orcutt presented the Defined Benefit Investment Consultant RFP draft and discussed the timing. It was decided to propose holding finalist interviews at the October Board meeting or at a November 13th special meeting as Ms. Orcutt will not be in town for the November Board meeting. The Committee did not make any changes to the draft and trustee availability will be discussed at the May Board meeting.

FUTURE MEETING

The next meeting was scheduled for Tuesday, June 3, 2025, at 2:30 p.m.

ADJOURNMENT

*It was **moved** by Foster and **seconded** by Toth to adjourn the meeting at 4:37 p.m.
Meeting adjourned at 4:37 p.m.*

F-5 Administrative Policy Committee Minutes - None

F-6 Audit Committee Minutes - None

F-7 Legal Report

Mr. VanOverbeke reported that a notification was sent to the estate of Katie Hall regarding the overpayment in the amount of \$18,420 with no response and subsequently a cause of action lawsuit has been filed.

Ms. Orcutt also notified the Board that she received an email advising there was another fraud attempt that occurred on Monday with a retiree, but that the attempt was unsuccessful. Mr. Orcutt informed Northern Trust of the attempt which was using another Green Dot branch called Bonneville bank to divert the funds. Mr. VanOverbeke and the Board discussed whether all changes should revert back to the control of the retirement system. Ms. Orcutt will discuss options with Northern Trust and Mr. VanOverbeke advised that APC should review this topic at their next meeting.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 June Planning Calendar

G-3 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	Allstar Alarm	\$165.36	Fire alarm monitoring 05/01/2025 -07/31/2025
2	Meketa	\$10,000.00	Investment Consulting Fee 3/2025
3	West Ann Arbor Condo	\$367.00	Condo Association Dues 5/2025
4	GRS	\$8,125.00	Pension Valuation Q2 2025
5	GRS	\$2,900.00	GASB 67/68 Valuation Q2 2025
6	GRS	\$3,200.00	EDRO Calcs for Hootman & Clemons
7	Applied Innovations	\$22.06	Printing Services 3/2025
8	MAPERS	\$1,050.00	2025 Pring Conference Registrations (Flack, Gustafson, & Orcutt)
9	DTE	\$129.40	Electric 3/13/2025 to 4/10/2025
10	DTE	\$89.63	GAS 3/13/2025 to 4/10/2025
11	City of AA Treasurer - Hire Right	\$35.00	Background screening - Temp Office Manager Gail Barroga
12	Loomis Sayles	\$41,786.56	Investment Manager Fee 1/1/2025 to 3/31/2025
13	Rhumblin HEDI	\$19,686.00	Investment Manager Fee 1/1/2025 to 3/31/2025
14	Wendy Orcutt	\$782.98	Travel Reimbursement - AA Trip Board Retreat 4/15/2025 to 4/17/2025
15	Milliman	\$3,610.85	MARC Lecensure/MFA 194 - 3/2025
16	Amex	\$987.84	Afternoon Delight (Retreat Breakfast & Lunch), Parking, FedEx (2), Kroger, S&J, & Culligan
17	Meketa	\$10,000.00	Investment Consulting Fee 4/2025
	Total	\$102,937.68	

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	Dept./Service Area
Scott Larmee	Age & Service	5/17/2025	General	AFSCME	25 Years, 0.5 Months	City Admin. Services
Nancy Jerome	Age & Service	5/3/2025	Police	AAPOA	24 Years, 8.5 Months	Safety Services
David Van Eck	Deferred Age & Service	5/1/2025	General	Non Union	4.75	City Administration
Jon Van Eck	Deferred Age & Service	5/1/2025	General	AFSCME	10 Years & 10.5 Months	Community Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. **ADJOURNMENT**

It was **moved** by Lynch and **seconded** by Scheier to adjourn the meeting at 10:01 a.m.
Meeting adjourned at 10:01 a.m.

Wendy Orcutt

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