

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

The meeting was called to order by Jeremy Flack, Chairperson, at 8:52 a.m.

ROLL CALL

Members Present: Clark, Crawford (9:22), Flack, Hastie, Heusel, Monroe
Members Absent: Nerdrum, Powers
Staff Present: Kluczynski, Walker
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS – None

A. APPROVAL OF REVISED AGENDA

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

B. APPROVAL OF MINUTES – November 20, 2014

It was **moved** by Hastie and **seconded** by Monroe to approve the November 20, 2014 Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

C-1 EDRO Certification – Daniel Kistler v. Kelly Stark

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated November 6 2014, wherein Daniel T. Kistler, the Alternate Payee, is awarded certain rights to the benefits of Kelly Stark (f/k/a Katherine E. Kistler), 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 her 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 his 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 as soon as administratively feasible, 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 Kelly Stark, the Participant; Daniel T. Kistler, the Alternate Payee; and the Board's Actuary.

C-2 Elaheh Webster v. Theadric Webster

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated December 3, 2014, wherein Elaheh Webster, the Alternate Payee, is awarded certain rights to the benefits of Theadric Webster, 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 Theadric Webster, the Participant; Elaheh Webster, the Alternate Payee; and the Board's Actuary.

It was **moved** by Heusel and **seconded** by Hastie to approve the Consent Agenda as submitted.

Approved

D. **ACTION ITEMS - None**

E. **DISCUSSION ITEMS**

E-1 Audited Financial Statements for the Fiscal Year Ended June 30, 2014

Ms. Walker provided a brief review of the Audited Financial Statements for FY 2013/2014, indicating that Mr. Kettner from Rehmann Robson had presented the Statements to the Audit Committee at the December 9th meeting. At the November Board meeting, the Committee was given the authority to accept and approve the Statements on behalf of both Boards, and Mr. Kettner had indicated that this year's opinion is an unmodified, or clean, opinion. The Committee had no significant questions or concerns, and decided to approve the Statements as presented. Ms. Walker briefly discussed the new GASB disclosures and new formatting and additions to the reports.

E-2 Updated Compliance Opinion from Legal Counsel re: 36 South Funds PLC – Kohinoor Series Three Fund Compliance with Public Act 314 of 1965

Mr. VanOverbeke stated that this is a standard compliance opinion, and that this is a basket clause investment, so a memo from Meketa Investment Group has been added at the end of this agenda for the Board's information.

It was **moved** by Hastie and **seconded** by Clark to receive and file the Updated Compliance Opinion from Legal Counsel re: 36 South Funds PLC – Kohinoor Series Three Fund Compliance with Public Act 314 of 1965.

Approved

F. REPORTS

F-1 Executive Report – December 18, 2014

INTERCONTINENTAL DISTRIBUTION

Intercontinental Real Estate Investment Fund III, LLC made a distribution in the amount of **\$566,186.36** on November 24, 2014 as the System's pro rata share of an overall \$18,000,000, distribution derived from third quarter cash flow and sales of two portfolio properties.

SUMMIT CAPITAL CALLS

The second drawdown for the Retirement System Fund in the amount of **\$478,400** was called Monday, December 8, 2014. This installment represents 5.2% of the total commitment of \$9,200,000, bringing the total funding called to date to 7.8% of the commitment.

The second drawdown for the VEBA in the amount **\$119,600** was called Monday, December 8, 2014. This installment represents 5.2% of the total commitment of \$2,300,000, bringing the total funding called to date to 7.8% of the commitment.

AUDIT REPORTS

The Retirement System and VEBA Audit Reports, including new GASB 67 disclosures for the Retirement System, have been received and approved by the Audit Committee, and are now before the Board for review.

MANAGER CHANGES

The balance of investment proceeds from the termination of Thornburg International Equity, about \$2.3 million, was transmitted to the System Monday, and reinvested in the Northern Trust EAFE Index Fund.

Orion Futures Fund LP has been notified of the Retirement System's request for a complete withdrawal in the amount of approximately \$6.3 million, to be received early 2015.

BOARD RETREAT

Trustees are asked to consider possible dates and topics for the Board Retreat for next February or March. Fridays are Feb 20th, 27th, March 6th, 13th, or 20th.

Buck has indicated they would like to be included at the Retreat to discuss the amortization approach (for the unfunded liability) in the pension fund.

BARGAINING UNIT CONTRACTS SETTLED AND SCHEDULED FOR APPROVAL BY CITY COUNCIL 12-15-2014

The following bargaining units have new contracts which are up for approval by City Council. The impact or lack thereof on retirement provisions for the members as disclosed in the Council summaries are shown below.

Deputy Chiefs, Teamsters Local 214, effective January 1, 2015 - December 31, 2016: Adoption of revised new hire retirement plan commencing if and when it is adopted for nonunion employees.

Command Officers Association of Michigan, effective January 1, 2015 - December 31, 2017: Agreement that new members will maintain the pension plan that they have when they enter the unit.

Police Professional Assistants, Teamsters Local 214, effective January 1, 2015 - December 31, 2017: Adoption of revised new hire retirement plan commencing if and when it is adopted for nonunion employees.

Teamster Civilian Supervisors, Teamsters Local 214 effective January 1, 2015 - December 31, 2017: Adoption of revised new hire retirement plan commencing if and when it is adopted for nonunion employees.

Ann Arbor Police Officers Association Effective January 1, 2015 - December 31, 2015: No change to retirement plan is indicated.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended November 30, 2014

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended November 30, 2014 to the Board of Trustees:

11/30/2014 Asset Value (Preliminary)	\$476,434,517
10/31/2014 Asset Value (Audited by Northern)	\$472,805,308
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$33,149,171
Percent Gain <Loss>	7.2%
December 17, 2014 Asset Value	\$ 466,887,945

F-3 Investment Policy Committee Minutes – No Report

F-4 Administrative Policy Committee Minutes – December 9, 2014

Following are the Administrative Policy Committee minutes from the meeting convened at 3:05 p.m. on December 9, 2014:

Committee Members Present: Crawford, Heusel (via telephone), Monroe
Members Absent: None
Other Trustees Present: Clark (3:30)
Staff Present: Kluczynski, Walker
Others Present: None

REVISED DRAFT – ETHICS POLICY

The Committee further reviewed the drafted Ethics Policy. Ms. Walker reviewed the paragraph as suggested by the Committee at its November meeting regarding Trustee participation and attendance language under the Fiduciary Duties section of the Policy (page 6).

The Committee decided to further review the Policy at the January APC meeting to discuss the gifts and gratuities section of the Policy. It was anticipated that the final draft would then be forwarded to the full Board at its January 15, 2015 regular meeting.

DASHBOARD CONCEPTS

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

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Heusel to adjourn the meeting at 4:05 p.m.

Meeting adjourned at 4:05 p.m.

F-5 Audit Committee Minutes – November 10, 2014

Following are the Audit Committee minutes from the meeting convened at 4:07 p.m. on December 9, 2014:

Committee Members Present: Clark, Crawford, Monroe
Members Absent: Nerdrum
Other Trustees Present: None
Staff Present: Jarskey, Kluczynski, Walker
Others Present: Mark Kettner, Rehmann Robson

EMPLOYEES' RETIREMENT SYSTEM & VEBA AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Mr. Kettner, Auditor from Rehmann Robson, was present to review the June 30, 2014 audited financial statements with the Committee, indicating an unmodified "clean" opinion for the fiscal year. Mr. Kettner also reviewed the process for the implementation of GASB 67. The Committee found no suggested changes or corrections, and as discussed at the November Board meeting, decided to approve the reports on behalf of the Board of Trustees. Ms. Walker stated that the reports will be placed on the December Retirement System and VEBA Board meeting agendas as information items.

It was **moved** by Crawford and **seconded** by Clark to accept and approve the June 30, 2014 Employees' Retirement System and VEBA Audited Financial Statements on behalf of the Board of Trustees.

Approved

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Clark to adjourn the meeting at 4:53 p.m.
Meeting adjourned at 4:53 p.m.

F-6 Legal Report – EXECUTIVE SESSION: Confidential Communication Regarding Securities Litigation Matter: Lyondell Chemical Company

It was **moved** by Crawford and **seconded** by Monroe to convene an Executive Session for the purpose of discussing the confidential communication memo dated December 18, 2014 regarding the Lyondell Chemical Company securities litigation matter.

Roll call vote:

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

Approved

Executive session time: 9:26 a.m. – 9:48 a.m.

It was **moved** by Clark and **seconded** by Monroe to acknowledge receipt of the confidential attorney-client privileged communications from the Board’s legal counsel dated December 18, 2014 and from the Board’s special counsel, DLA Piper, dated December 8, 2014, and to approve settlement of the Lyondell Chemical Litigation consistent with the terms outlined therein.

Approved

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 January Planning Calendar

G-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	DLA Piper	503.10	Securities Litigation defense svcs/Lyondell – Inv. #3068207
2	B Green and Clean	140.00	Office cleaning services for October 2014
3	DTE Energy	114.71	Monthly Gas Fee dated November 10, 2014
4	DTE Energy	212.14	Monthly Electric Fee dated November 10, 2014
5	MAPERS	100.00	2015 annual membership dues
6	Nancy Walker	149.00	MNY Locksmith–reimb. for lock services on 11/24/14
7	Buck Consultants	3,833.33	GASB Discl. 1 st qtrly installment / Oct. monthly hosting
8	MNY Locksmith LLC	700.00	Front door lock repair on 11/25/2014
9	Meketa Investment Group	9,166.66	Investment Consultant Retainer - November 2014
10	AT&T	263.17	Monthly telephone service
11	Comcast	82.81	Monthly Cable Fee
12	DLA Piper	93.60	Securities Litigation defense svcs/Lyondell – Inv. #3083198
	TOTAL	15,358.52	

G-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
Milton Andrews	Age & Service	1/6/2015	General	18 Years, 10 Months	Planning & Development Community Services
Amy Balogh	Age & Service	1/6/2015	General	18 Years	Assessor's Ofc. Financial/Admin. Services
Peter Janovits	Age & Service	1/10/2015	General	23 Years, 4 Months	Project Management Public Services Area
John McIntosh	Age & Service	1/3/2015	General	20 Years, 7 Months <i>(3 years military service credit)</i>	Field Operations Public Services Area
Douglas Rickelmann	Age & Service	12/27/2014	General	22 Years <i>(6 years, 5 months reciprocal credit)</i>	WTP Public Services Area
Theadric Webster	Age & Service	1/1/2015	General	24 Years, 4 Months	WTP Public Services Area
Robert West	Age & Service	1/3/2015	General	19 Years, 8 Months	City Attorney's Office

G-5 2015 Scheduled Meeting Dates

January 15, 2015	July 16, 2015
February 19, 2015	August 20, 2015
March 19, 2015	September 17, 2015
April 16, 2015	October 15, 2015
May 21, 2015	November 19, 2015
June 18, 2015	December 17, 2015

The Board of Trustees agreed to accept and approve the 2015 scheduled meeting dates as presented.

G-6 36 South Investment Management Agreement

Investment documents from Meketa Investment Group received and filed.

H. TRUSTEE COMMENTS

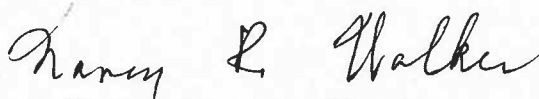
Mr. Clark expressed concerns regarding issues he is having with managers and supervisors when it comes to his attendance at Retirement Committee and Board meetings (*i.e., being called during a meeting to tend to a job assignment or service callout, and then being charged overtime when he is unable to leave a meeting*). Mr. Clark stated that throughout his term on the Board, he has been harassed, and is required to obtain "permission slips" in order to come to the meetings and return to work. It is apparent that the supervisor and manager believes that his time at these meetings should not be used as City time, and that he is a volunteer on the Board, when Mr. Clark has reiterated to them the fact that he was elected by the General Member

Group to represent them on the Board. His major concern is the matter of equalization of overtime; if he refuses a call, as in during a meeting, he would get charged and goes to the bottom of the list in equalization for months, so ultimately misses out on earning future overtime. Mr. Clark feels he has been mistreated by these individuals, and has attempted to resolve these issues without the help of the Board for quite some time, and has run out of resources at this point. Mr. Clark stated that he is here to protect the interests of all General Members, has had to file a grievance in this matter, and is tired of the harassment that he is getting for serving on the Board. He has tried to explain that he cannot leave an investment meeting when there are million-dollar discussions going on, or the potential loss of a quorum in many cases.

Mr. Monroe stated that no one should be operating this way or have to worry about their work assignments being affected when Trustees are here on City time and often on their own time, and this appears to be a 1950's or 1970's mentality. Mr. Clark stated that what he would like is for the managers/supervisors to receive a clear understanding of the provisions that allows him to serve on the Board on City time. Mr. VanOverbeke stated that the Ordinance outlines the election procedures, the fiduciary responsibilities, and that a Trustee shall not receive any compensation, however shall not be penalized financially for their service on the Board. Mr. Clark stated that he has forwarded these provisions to them with no resolve. Mr. VanOverbeke suggested that Mr. Clark be sure to document all communications and correspondence going forward, and that he will provide a memorandum at the January Board meeting outlining the duties and obligations of Board Trustees and the Ordinance language, which can then be forwarded to the managers and supervisors for their clarification, making sure that HR and the Attorney's Office are also forwarded a copy.

I. **ADJOURNMENT**

It was **moved** by Heusel and **seconded** by Clark to adjourn the meeting at 10:13 a.m.
Meeting adjourned at 10:13 a.m.



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