B

City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 18, 2025

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:36 a.m.

ROLL CALL

Members Present:	Flack *(Via TX)*, Foster, Grimes, Lynch, Nerdrum, Praschan, Schreier, Toth *(Via TX)*
Members Absent:	DiGiovanni
Staff Present:	Buffone, Gustafson, Lieder, Orcutt
Others:	Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by Nerdrum and **seconded** by Grimes to approve the agenda as submitted.

Approved

B. APPROVAL OF MINUTES

B-1 August 21, 2025 Regular Board Meeting

It was **moved** by Foster and **seconded** by Grimes to approve the August 21, 2025 Regular Board Meeting 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
Nick Botti	Safety Services	Traditional	5 Years, 2 Months	Canton Township
Dan Horning	Safety Services	Traditional	9 Years, 6 Months	City of Dearborn Heights & Livonia

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 <u>GASB Disclosure 67/68</u>

It was **moved** by Nerdrum and **seconded** by Grimes to approve the consent agenda as presented.

<u>Approved</u>

D. <u>ACTION ITEMS</u>

D-1 <u>Motion to Approve IPC Recommendation – DB Consultant Finalists</u>

Ms. Orcutt discussed the RFP submissions that were reviewed at the previous IPC meeting. The System received four responses in total including Meketa. The IPC Committee decided all the proposals sounded appealing and wanted to interview all except Meketa due to familiarity with the investment team and service. Each firm would have thirty minutes to present followed by ten to fifteen minutes for Q&A from the Board.

It was **moved** by Nerdrum and **seconded** by Schreier to approve the DB Consultant Finalists.

<u>Approved</u>

D-2 <u>FYE 2025 401a Dual Plan Final Budget Review</u>

Ms. Orcutt provided the 401a Dual Plan final budget review for FYE 2025. Mr. Schreier and Ms. Nerdrum questioned the wording of *Finance Charges* within each budget review preferring instead to use the word *Administrative Charges*.

No motion was entertained.

D-3 <u>FYE 2025 401a EXE Plan Final Budget Review</u>

Ms. Orcutt provided the 401a EXE Plan final budget review for FYE 2025.

No motion was entertained.

D-4 FYE 2025 457b Plan Final Budget Review

Ms. Orcutt provided the 457b Plan final budget review for FYE 2025.

No motion was entertained.

E. DISCUSSION ITEMS

E-1 Trustee Term Expiration Discussion

Ms. Orcutt discussed the status of Ms. Lynch's current term. The System reached out to the Clerk's Office earlier this month to inquire about the status of Ms. Lynch's replacement. This was when the System was notified Ms. Lynch's current term which should have expired December 31, 2025, had in fact already expired on May 31, 2025. The City Council approved a resolution effective September 15, 2025 appointing Lynch to a current term expiring December 31, 2025.

It was **moved** by Grimes and **seconded** by Nerdrum to reinstate Ms. Lynch's actions between June 1 and September 14, 2025.

Approved

F. REPORTS

F-1 Executive Report – September 18, 2025

TORCHLIGHT DISTRIBUTIONS

DRA Torchlight Investors issued a distribution from the Debt Fund VII in the amount of **$349,015** for the Retirement Plan and **$155,118** for the VEBA on 8/19/2025. These funds consist of net income and return of capital.

JP MORGAN IIF DISTRIBUTIONS

The JP Morgan IIF Hedged L.P. issued a distribution on 7/1/2025 in the amount of **$ 507,868** for the Retirement System and **$ 156,434** for VEBA which will be held for reinvestment.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with Legal and the Clerk's office on 9/2 to discuss the status of Citizen Trustee Julie Lynch.

FYE/AUDIT UPDATE

The GASB reports were reviewed at the Audit Committee meeting on 9/9 and will be on the Board agenda on the 18th.

Rehmann will meet with Staff to review a draft of the financial statements on September 17th.

STAFF OPERATIONS/MISCELLANEOUS

The Pension Analyst processed 21 estimates, 2 final calcs, 4 non-vested calcs, 1 payout, and conducted 2 pre-sessions.

F-2 Executive Report – Voya Update

Voya Update – Setptember 18, 2025

457 PLAN - Balance at 9/10/2025 - $ 122,626,000

Admin Allowance $ 7,810

Participation Rate	54%
Average $ Deferral	$255
Average % Deferral	10%
Investment Diversification	87%

401A PLAN – Balance at 9/10/2025 - $ 11,492,000

Forfeiture Balance $ 117,343

401A Executive PLAN – Balance at 9/10/2025 - $ 1,086,000

Forfeiture Balance $ 1,072

Current Items/Education:

During the month of August, Mike had 6 in person meetings, 2 zoom meetings and 2 phone calls. Mike Landolt will be onsite again September 17th and 18th.

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

Ms Nerdrum inquired about the diversification statistics in the 457 information. Ms Orcutt stated she will follow up with the Board and provide the Voya definition.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2025

Ms. Orcutt submitted the Financial Report for the month ended August 31, 2025 to the Board of Trustees:

8/31/2025 Asset Value (Preliminary)	$689,360,357
7/31/2025 Asset Value (Audited by Northern)	$675,328,673
Calendar YTD Increase/Decrease in Assets *(excludes non-investment receipts and disbursements)*	$12,599,981
Percent Gain <Loss>	1.9%
September 17, 2025 Asset Value	**$693,084,806**

F-4 **Investment Policy Committee Minutes** – September 2, 2025

Following are the Investment Policy Committee minutes from the meeting convened at 3:06 p.m. on September 2, 2025:

Member(s) Present:	*DiGiovanni (Via TX), Flack (Via TX, Arrived at 3:09pm), Foster (Arrived at 3:07pm), Praschan, Toth*
Member(s) Absent:	*None*
Other Trustees Present:	*Grimes (Via TX)*
Public Present:	*None*
Staff Present:	*Buffone, Lieder, Orcutt (Via TX)*
Others Present:	*Keith Beaudoin, Meketa Investment (Via TX, Departed at 4:05pm)* *Colleen Casey, Angelo Gordon (Via TX, Arrived at 3:35pm, Departed at 3:54pm)* *Arianna Piscitelli, Angelo Gordon (Via TX, Arrived at 3:35pm, Departed at 3:54pm)* *Drew Guyette, Angelo Gordon (Via TX, Arrived at 3:35pm, Departed at 3:54pm)*

ECONOMIC AND MARKET UPDATE DATA AS OF JULY 31, 2025

Mr. Beaudoin provided an economic update noting that US and emerging market stocks aew outperforming non-US developed markets while bond market returns were also mixed. Global trade and monetary policy uncertainty continued to confound market sentiment. Substantial downward revisions for the US job markets reignited market expectations for rate cuts later this year. Uncertainty could weigh on market sentiment in the coming months especially the potential impacts of tariff policies on the economy, inflation, and Fed policy. The track of the US deficit, China's economy and relations with the US, as well as concerns over elevated valuations and weakening earnings in the US equity market will also be important data points for the rest of this year.

EXECUTIVE SUMMARY

Recap: The market value of the ERS was $674 million at the end of July 2025. The performance for July, YTD, and trailing 1 Yr. were 0.2%, 6.8% and 7.7% respectively.

Over the past 3, 5, 7, and 10 years, the ERS has returned 8.6%, 9.3%, 8.5% and 8.0% exceeding its actuarial target return of 6.7%.

As of June 30th, the system has ranked in the top twenty percent in the 5, 7, and 10 trailing years amongst its peer group.

The market value of the VEBA was $306 million at the end of July 2025. The performance for July, YTD, and trailing 1 Yr. were 0.3%, 6.6%, and 7.8% respectively.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 8.5%, 8.3%, 7.8% and 7.6%, also exceeding its actuarial target of 6.7%.

As of June 30th, the VEBA has ranked in the top five 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.

June 30, 2025, Performance Update: As of July 31, 2025, the balance of the Funds was $674,085,862 for ERS. Fiscal Year to Date performance was 0.2% for ERS net of fees.

VEBA

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

June 30, 2025, Performance Update: As of July 31, 2025, the balance of the Funds was $305,666,787 for VEBA. Fiscal Year to Date performance was 0.3% for VEBA net of fees.

PACING STUDIES

Mr. Beaudoin presented the annual pacing study highlighting where the System's targets are relative to where they currently stand. This chart shows the System's allocation level and how much is needed to commit and in which years. Private equity real estate and private debt were discussed. Mr. DiGiovanni had a question regarding private debt allocation and current commitments. The Committee agreed to have Meketa bring in a private equity manager as well as a private debt manager throughout the rest of the year for presentations.

ANGELO GORDON PRESENTATION

Ms. Casey and Mr. Guyette from Angelo Gordon gave a presentation to the Committee. Ms. Casey provided a platform overview highlighting Angelo Gordon's credit and real estate platforms complemented TPG's existing investment business. Mr. Guyette discussed their historical performance, organization's growth, and summary of the System's current investment. Mr. Guyette also discussed the current administration's use of tariffs and how that is impacting the current market.

DB INVESTMENT CONSULTANT RFP DISCUSSION

[Meketa was dismissed at 4:05 p.m.]

Ms. Orcutt and the Committee discussed the DB Investment Consultant proposals and the summary grid that were submitted for review. After a discussion it was decided that the IPC would like to recommend to the Board to interview three of the firms that submitted proposals. It was deemed unnecessary to bring Meketa in to present as the Board is already very familiar with the team, performance and service offerings.

*It was **moved** by Foster and **seconded** by Flack to recommend to the Board to interview the following three firms, Creative Planning, Graystone, and Innovest.*

Approved

FUTURE MEETING

The next meeting was scheduled for Tuesday, October 7, 2025, at 3:00 p.m.

ADJOURNMENT

*It was **moved** by Foster and **seconded** by Flack to adjourn the meeting at 4:30 p.m.*
Meeting adjourned at 4:30 p.m.

F-5 Administrative Policy Committee Minutes – September 9, 2025

Following are the Administrative Policy Committee minutes from the meeting convened at 3:02 p.m. on September 9, 2025:

Committee Members Present:	*Grimes (Via TX), Lynch (Via TX, Arrived at 3:21pm), Praschan, Schreier*
Members Absent:	*None*
Other Trustees Present:	*None*
Staff Present:	*Buffone, Gustafson (Via TX), Lieder, Orcutt (Via TX)*
Others Present:	*None*

DC PLANS UPDATE

S.A.F.E. Flyer Revision: Ms. Orcutt presented Voya's Secure Accounts for Everyone (S.A.F.E.) Guarantee flyer draft to the Committee. Due to previous comments from the Committee, Voya drafted three viable options for the Committee to consider.

*It was **moved** by Schreier and **seconded** by Praschan to select option three for the revised S.A.F.E. flyer. The recommended changes and new wording for the flyer are as follows: "Your retirement plan offers important protections, but your account is safest when you take proactive measures. Registering your City of Ann Arbor's 457(b) and/or 401(a) Dual Retirement Plan online empowers you to control your security and helps prevent unauthorized access to your hard-earned savings."*
APPROVED

Feedback on Beneficiary Communication: Ms. Orcutt provided feedback on previous Voya communication targeting participants who did not have a beneficiary listed on their 401a or 457b accounts. Voya mailed the communication to 280 participants and emailed the same communication to another 86 participants. Of those 50 participants added a beneficiary (401a – 19, 457b – 31). Overall response rate was 14%, which Voya deems excellent.

Statement Delivery Change: Ms. Orcutt discussed the Statement Delivery Change process. Due to Secure 2.0 and rising paper costs nationwide, Voya is resetting everyone back to an email version. If no email is on file, Voya will mail a letter asking for an email but will still mail statements to participants with no email on file. Upon request, participants may still receive a paper statement but will need to log back in to their account and elect the mailed option.

SECURITIES LITIGATION POLICY

Securities Litigation Policy Draft: Ms. Orcutt presented the drafted Securities Litigation Policy draft. Ms. Orcutt is waiting for VMT to respond to questions regarding the draft. The Committee agreed to take no action on this item until VMT has had time to provide their comments on the draft, ideally at the upcoming Board Meeting.

Northern Trust Contract and Class Action Procedure: Ms. Orcutt provided the Northern Trust Contract and Class Action Procedure excerpts as an FYI for the Committee in conjunction with the language in the Securities Litigation Policy draft.

TRUSTEE TERM EXPIRATION DISCUSSION

Ms. Orcutt discussed a discrepancy that was identified by the Clerk's Office who notified the System this past week that Trustee Lynch's current term expired May 31, 2025, due to a clerical error made by the Clerk's Office. Trustee terms for the System typically start on January 1 and end three years later on December 31. The System's Board is the only governing body within the City of Ann Arbor that utilizes those term dates. All other governing bodies within the City of Ann Arbor end their terms on May 31, hence the confusion from the Clerk's Office. The City Council will entertain a motion during the September 15, 2025 City Council meeting to reappoint Trustee Lynch for a current term effective September 15, 2025 and expiring December 31, 2025. After requesting an audit of the other trustees, the same issue arose for Trustee Foster, but fortunately it was for his new reappointed term which the Clerk's Office had expiring May 31, 2028. The City Council will correct Trustee Foster's term expiration to December 31, 2028.

OCTOBER APC MEETING DATE

Ms. Orcutt and the Committee discussed two viable options to hold the next Administrative Policy Committee meeting during the month of October 2025. Option one is October 7, 2025, at 2:00 p.m., and option two is October 8, 2025, at 3:00 p.m. Both options would still be at the Pension office.

ADJOURNMENT

*It was **moved** by Schreier and **seconded** by Praschan to adjourn the meeting at 3:28 p.m.*
Meeting adjourned at 3:28 p.m.

F-6 Audit Committee Minutes – September 9, 2025

Following are the Audit Committee minutes from the meeting convened at 4:02 p.m. on September 9, 2025:

Committee Members Present:	*Grimes (Via TX), Nerdrum (Via TX), Praschan*
Members Absent:	*None*
Other Trustees Present:	*None*
Staff Present:	*Buffone, Gustafson (Via TX), Lieder, Orcutt (Via TX)*
Others Present:	*Jim Anderson, GRS Consulting (Via TX, Departed at 4:20pm)*

GASB STATEMENTS 67/68 AND 74/75

The Committee reviewed the GASB Statements 67/68 and 74/75. Mr. Anderson provided highlights for both reports noting that the liability is rolled forward from June 30, 2024 as well as the number of retirees and beneficiaries. This is due to timing constraints as the valuation results are not available until mid- October typically. Ms. Nerdrum inquired on the pension liability as a percentage of covered payroll. Mr. Anderson stated it should not be much of a concern since the System is well funded and other plans GRS works on have higher percentages and are not as well funded. Ms. Nerdrum commented on *why the long-term municipal bond rate is shown. Mr. Anderson explained that this is used for projection reasons required under GASB.*

Ms. Nerdrum inquired on what outflows are coming out of the VEBA fund. Staff remarked that the only payments at this time are for RHRA benefits paid out at retirement. The City pays the health claims currently. When the fund reaches 100% funding, the City will only be required to pay the ADC and the source of the payment of claims will need to be discussed.

The reports will be on the consent agenda at the upcoming Board meeting.

FYE UPDATE – AUDIT AND ACTUARY

Ms. Orcutt and Ms. Buffone discussed the audit process, stating it went smoothly, and reports were submitted in a timely manner by the Pension office. There have been repeat requests for the same items which became frustrating. Ms. Nerdrum completed her annual call from the auditor to answer questions about the System.

OCTOBER AUDIT COMMITTEE MEETING DATE

Ms. Orcutt and the Committee agreed to hold the next Audit Committee meeting on October 8, 2025, at 1:00 p.m. at the Pension office.

ADJOURNMENT

*It was **moved** by Grimes and **seconded** by Praschan to adjourn the meeting at 4:31 p.m.*
Meeting adjourned at 4:31 p.m.

F-7 Legal Report – None

G. INFORMATION *(Received & Filed)*

G-1 Communications Memorandum

G-2 October Planning Calendar

G-3 Record of Paid Invoices

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

PAYEE	AMOUNT	DESCRIPTION
Milliman	$3,613.21	MARC Licensure/MFA 284 - 7/2025
GFOA	$160.00	M.Buffone Membership Renewal for 7/1/25-6/30/26; Prev. Check Returned
Meketa	$10,000.00	Investment Consulting Fee 8/2025
Applied Innovations	$28.78	Printing Services 8/2025
American Express	$2,457.71	IFEBP Renewal, Kroger, S&J (3)
Culligan	$26.97	8/20/2025 Delivery & Despoit 5 Gallon BW , Transprotation Fee
Culligan	$14.00	Service 9/2025
Rehmann	$3,100.00	RS Audit 6/30/2025 Payment 1
Total	$19,400.67	

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**
Evelyn Algarin-Jackson	Age & Service	10/18/2025	General	NON UNION	13 Years & 9.5 Months	Human Resources

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Grimes to adjourn the meeting at 8:59 a.m.
Meeting adjourned at 8:59 a.m.

Wendy Orcutt

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