

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
July 17, 2014**

The meeting was called to order by David Monroe, Secretary, at 8:50 a.m.

ROLL CALL

Members Present: Clark, Crawford, Hastie, Heusel, Monroe, Powers
Members Absent: Flack, Nerdrum
Staff Present: Kluczynski, Walker
Others: Frank Judd, Legal Counsel

AUDIENCE COMMENTS – None

A. APPROVAL OF REVISED AGENDA

One revision to the agenda includes:

D-1 Resolution to Approve Russell Investments as Transition Manager for the Bradford & Marzec Liquidation

It was **moved** by Crawford and **seconded** by Clark to approve the revised agenda.

Approved

B. APPROVAL OF MINUTES – June 19, 2014 Regular Board Meeting Minutes

It was **moved** by Crawford and **seconded** by Powers to approve the June 19, 2014 Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA

C-1 Authorization for Conference/Training – 2014 Fall MAPERS Conference – Flack, Clark, Kluczynski

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, Jeremy Flack, Terry Clark, and Lora Kluczynski have requested the Board of Trustees' authorization for conference/training in Acme, Michigan, at Retirement System expense, estimated at \$4,020.00 (collectively), to attend the 2014 Fall MAPERS Conference, to participate in continuing education in their responsibility as Retirement System Trustee and Staff, and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Jeremy Flack, Terry Clark, and Lora Kluczynski to travel to Acme, Michigan, at Retirement System expense, estimated at \$4,020.00 (collectively), to attend the 2014 Fall MAPERS Conference, to participate in continuing education in their responsibility as Retirement System Trustee and Staff, and

FURTHER RESOLVED, that Jeremy Flack, Terry Clark, and Lora Kluczynski 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 Monroe and **seconded** by Powers to approve the Authorization for Conference/Training – 2014 Fall MAPERS Conference, which is open to include other Board or Staff members who wish to attend in September.

Approved

D. ACTION ITEMS

D-1 Resolution to Approve Russell Investments as Transition Manager for the Bradford & Marzec Liquidation

Mr. Hastie gave a brief explanation on the transition process and costs before recommending the following resolution for approval on behalf of the Investment Policy Committee and Meketa Investment Group:

WHEREAS, the Board of Trustees is vested with the general 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 previously approved the use of a Transition Manager on June 19, 2014, in conjunction with a discussion of the liquidation of the Bradford & Marzec Core Plus fixed income portfolio; and

WHEREAS, Meketa Investment Group has been advising the Investment Policy Committee on Transition Management services; and

WHEREAS, Russell Investments (Russell) has submitted a pre-trade proposal for the upcoming fixed income transition that Meketa Investment Group has evaluated alongside the proposal of the Retirement System's current transition manager Northern Trust; and

WHEREAS, Meketa Investment Group has thoroughly reviewed the people and process utilized by Russell, and recommends that the Retirement System retain Russell for transitional services; and

WHEREAS, Meketa Investment Group and the IPC recommend the selection of Russell Investments as transition manager for the Bradford & Marzec liquidation; so be it

RESOLVED, that the Board of Trustees authorizes the hiring of Russell as transition manager for the Bradford & Marzec liquidation, after successful contract negotiations with Russell, the Board's Legal Counsel, and the Executive Director.

It was **moved** by Hastie and **seconded** by Crawford to approve the Resolution to Approve Russell Investments as Transition Manager for the Bradford & Marzec Liquidation.

Approved

E. DISCUSSION ITEMS

E-1 Audit Engagement Letter

Ms. Walker stated that the Office has received this year's Audit Engagement Letter from Rehmann Robson, and it appears that this year there is going to be some level of additional work not yet quantified on the GASB 67/68 audit requirements and what the auditor is actually going to have to do. The AICPA has not yet come out with final guidance on what the standard is going to be on this audit, so Rehmann cannot yet provide a quote. Ms. Walker has asked if a quote could possibly be provided in August, and is waiting for more information. Ms. Walker stated she is rather hesitant on signing the letter at this time without having at least a quote for the upcoming work, but will do more research until we get a better handle on the costs. Ms. Walker stated there is no action to be taken today, and that she wanted to make sure the Board was advised of the situation.

E-2 Draft: Actuarial Funding Policy

Ms. Walker informed the Board that legal counsel has submitted a drafted Actuarial Funding Policy which includes language regarding the new PA 314 and GASB rules. Mr. Judd stated that the submitted draft should be considered as a model, and recommended that it be referred to the Board's Audit Committee for further review. The Board agreed.

F. REPORTS

F-1 Executive Report – July 17, 2014

INVESCO DISTRIBUTION

INVESCO Mortgage Recovery Loans AIV, L.P. made a distribution on Monday, June 30, 2014, totaling \$6,209,968 comprised of \$4,352,417 of return of capital and \$1,857,551 of realized gains. Partner's allocable share of distribution: \$82,669

INVESCO CAPITAL CALL

INVESCO Mortgage Recovery Loans AIV, L.P. requested Capital Call #15 payable on July 2, 2014; a drawdown of funds to be made in connection with additional funding of portfolio investments. Total Amount of Drawdown: \$3,637,792. Partner's allocable share of drawdown: \$48,428

ACTUARIAL VALUATION DATA UPDATE

Staff has provided the inactive census data, new hire and termination reports, as well as lump sums and allowances reporting for the Retirement Plan to the actuary.

The reconciliation of the employee contributions is in process. During late July and August, the financial statements will be the focus of this valuation and audit work.

FINAL FUNDING AMOUNTS FOR PLANS

The final fiscal year 2013/2014 VEBA transfer of \$4,360,164.34 and Retirement Plan transfer of \$2,073,986.15 were made 6/30/2014. Meketa recommends that the VEBA contribution be allocated evenly among the emerging market investments. The Retirement Plan contribution will be used for cash requirements.

MEKETA FEE PROPOSAL

The IPC will hold an off-schedule meeting on July 22 at 3 p.m. to review the results of a MAPERS survey on investment consulting fees. 22 responses were received from other retirement systems with a good mix of plan sizes and consultants.

RETIREMENT SYSTEM INTRANET

The Retirement System Intranet site with the ESS calculator address is in process. The calculator links and several other site links of interest are installed. When ED returns from the IFEBP benefit communication conference some additional content is anticipated to be added and the site will be requested to be linked to the main City intranet website. The site can be accessed now by searching for "retirement", and the calculator link was published in the last written communication regarding contribution statements sent out to members. Several classes have been offered for hands-on training and will continue to be offered. However, the completion of the intranet website will emphasize the availability of the calculator and provide a new communication channel regarding Ann Arbor retirement programs to employees. It will contain newsletters and articles of interest, as well as various links and documents.

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

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

6/30/2014 Asset Value (Preliminary)	\$471,776,486
5/31/2014 Asset Value (Audited by Northern)	\$465,687,088
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$21,202,497
Percent Gain <Loss>	4.6%
July 16, 2014 Asset Value	\$470,313,696

F-3 Investment Policy Committee Minutes – None

F-4 Administrative Policy Committee Minutes – July 8, 2014

Following are the Administrative Policy Committee minutes from the meeting convened at 3:07 p.m. on July 8, 2014:

Committee Members Present: Heusel, Monroe
Members Absent: Crawford
Other Trustees Present: None
Staff Present: Kluczynski, Walker
Others Present: None

DRAFTED EDUCATION & TRAVEL POLICY

The Committee reviewed Ms. Walker's revisions to the drafted Education & Travel Policy as briefly discussed in June, and made several additional minor language changes, deciding that once these revisions are incorporated in the Policy, the Committee will review it again at the August 12th APC meeting for possible recommendation to the full Board at the August 21st regular meeting.

DRAFTED ETHICS POLICY

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

ADJOURNMENT

Meeting adjourned at 4:14 p.m.

F-5 **Audit Committee Minutes – None**

F-6 **Legal Report - None**

G. **INFORMATION** (Received & Filed)

G-1 **Communications Memorandum**

G-2 **August Planning Calendar**

G-3 **Record of Paid Invoices**

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

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	23.86	Monthly Gas Fee dated June 13, 2014
2	DTE Energy	247.26	Monthly Electric Fee dated June 13, 2014
3	Hasselbring-Clark Co.	42.53	Monthly copier cost per copy
4	Comcast	92.55	Monthly Cable Fee
5	DLA Piper LLP (US)	1,193.40	Securities Litigation defense svcs/Lyondell – Inv. #3010031
6	Med Source Services/Consulting Physicians	875.00	Disability Exam & Report – R. Robinson 6/3/2014
7	Med Source Services/Consulting Physicians	220.00	Xray in conjunction w/IME for R. Robinson – 6/3/2014
8	AT&T	225.70	Monthly telephone service
9	Buck Consultants	1583.33	Monthly hosting fees – May 2014
	TOTAL	4,503.63	

G-4 **Retirement Report - None**

G-5 **Fisher Investments – 2nd Quarter 2014 Executive Summary**

H. **TRUSTEE COMMENTS - None**

I. **ADJOURNMENT**

It was **moved** by Heusel and **seconded** by Powers to adjourn the meeting at 9:26 a.m.

Meeting adjourned at 9:26 a.m.

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