

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
July 21, 2022**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:45 a.m.

ROLL CALL

Members Present: DiGiovanni, Flack, Lynch, Monroe, Nerdrum, Praschan
Members Absent: Grimes, Hastie, Schreier
Staff Present: Buffone, Gustafson (*via TX*), Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel
William Callaway, AIG (*9:10am departure*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B-1 June 29, 2022 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Praschan to approve the June 29, 2022 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
Jordan Murdock	Safety Services	Traditional	1 Years, 10 Months	City of Mason

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.

It was **moved** by Monroe and **seconded** by Praschan to approve the consent agenda as presented.

Approved

D. EXECUTIVE SESSION – Executive Director Annual Evaluation

It was **moved** by Nerdrum and **seconded** by DiGiovanni to convene an Executive Session at the request of Ms. Orcutt for the purpose of discussing the Executive Director Annual Evaluation.

Approved

Roll call vote:

DiGiovanni – Yes	Hastie – Absent	Nerdrum - Yes
Flack – Yes	Lynch – Yes	Praschan – Yes
Grimes – Absent	Monroe – Yes	Schreier – Absent

Executive session time: 8:48 a.m. – 9:17 a.m.

E. ACTION ITEMS

E-1 Motion Regarding the Executive Director Annual Evaluation

It was **moved** by Nerdrum and **seconded** by Monroe that the Board has received and accepts the Executive Director Annual Evaluations from each Trustee and to implement the agreed upon compensation changes effective July 1, 2022. This change will be communicated to Human Resources by Ms. Praschan.

Approved

E-2 Motion Regarding Disability Re-Examination Review

Ms. Orcutt has reviewed the medical report for Mr. Whitehead and it is consistent with the Physician’s decision. Ms. Orcutt informed the Board that the Physician has concluded that Mr. Whitehead’s condition renders him mentally or physically totally incapacitated from performing the customary duties of his City employment held at the time of his disability, and that such incapacity will probably be permanent.

It was **moved** by Nerdrum and **seconded** by DiGiovanni that the Board acknowledges receipt of the medical report date June 28, 2022 from Jeffrey Parker, M.D. with regards to the independent medical evaluation of Michael Whitehead, noting that the doctor has concluded that he is totally and permanently incapacitated for duty in the service of the City, and that such incapacity will probably be permanent; the Board therefore grants the disability retirement consistent with the Board's Disability Retirement Procedures.

Approved

E-3 Actuarial Assumptions for the June 30, 2022 Valuations

The Board reviewed the actuarial assumptions for the FYE 2022 valuations. Ms. Nerdrum informed the Board that she has requested more information on how GRS determines the healthcare inflation trend. Staff will update the Board once received.

It was **moved** by DiGiovanni and **seconded** by Monroe to approve the actuarial assumptions for the June 30, 2022 valuation, including reducing the rate of return to 6.70%.

Approved

F. DISCUSSION ITEMS

F-1 Executive Director Fiscal Year 2022-23 Goals & Objectives

Ms. Orcutt presented her FY 2022-23 goals & objectives to the Board.

F-2 Review RFP Schedule

The Board reviewed the RFP schedule. Historically, the policy was to perform an RFP for every service provider every 5-6 years. The Board will review each firm when due and discuss if a RFP is necessary.

F-3 Meeting Forum for DC Plan Work With Innovest

The Board discussed the work to be done with Innovest and whether the APC was the appropriate forum for the initial work and planning. Ms. Orcutt also suggested that going forward the quarterly reviews would be held at the Board meetings. The Board will discuss further as the work progresses with Innovest.

F-4 Discuss Prain Account Overpayment

Staff has sent a certified letter to the estate as an additional attempt to collect these funds in May but have received no response. The Board agreed that no further attempts were necessary and that going forward each situation will be discussed on a case-by-case basis by Staff and the Board to determine if amounts are to be deemed uncollectible.

F-5 Rehired Employees DB Contribution Repayments

An employee was recently rehired who had withdrawn their prior contributions and is interested in re-paying them to reinstate prior service credit. The Board discussed with the ordinance language on this topic. Mr. VanOverbeke informed the Board that the repayments of the withdrawn amounts plus interest can be made in a lump-sum or at the rate of repayment of double the normal employee contribution. For example, an employee

in the Traditional Plan with a 6% contribution rate would need to repay at the minimum rate of 12% per pay period.

F-6 Rehired Dual Plan Employees Forfeiture Reinstatement

An employee was rehired in the Dual Plan and their forfeitures with MissionSquare were reinstated as employer contributions. This person also withdrew their DB pension contributions at termination. Mr. VanOverbeke informed the Board that this is a normal procedure per the plan. Ms. Orcutt will request MissionSquare to provide notifications when employees are reinstated, and Staff will reach out to the employee regarding their DB contributions and whether they wish to repay to reinstate prior service credit.

G. REPORTS

G-1 Executive Report – July 21, 2022

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA requested a capital call of our commitment to the Growth and Income Fund X in the amount of **\$600,000** for the Retirement Plan and **\$602,105** for the VEBA on 7/8/22 for the purpose of funding current commitments.

DRA issued a distribution from the Growth and Income Fund IX on 7/13/22 in the amount of **\$139,297** for the Retirement System and **\$40,970** for the VEBA consisting of a gain on sales and return of capital(unrecallable).

DRA issued a distribution from the Growth and Income Fund X on 7/14/22 in the amount of **\$315,789** for the Retirement System and **\$210,526** for the VEBA consisting of return of capital(recallable).

BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS

BlackRock Global Renewable Power Infrastructure Fund III issued a distribution in the amount of **\$80,639** for the Retirement Plan and **\$30,240** for the VEBA on 6/30/22.

BlackRock Global Renewable Power Infrastructure Fund III issued a distribution in the amount of **\$239,768** for the Retirement Plan and **\$89,913** for the VEBA on 7/29/22.

ANGELO GORDON CAPITAL CALL

Angelo Gordon Direct Lending Fund IV Annex, L.P. requested a capital call in the amount of **\$ 1,800,000** for the Retirement System and **\$ 750,000** for VEBA to fund current investments on 7/28/22.

CARLYLE DISTRIBUTION

Carlyle Realty Fund VIII issued a distribution in the amount of **\$ 57,460** for the Retirement System and **\$14,364** for the VEBA on 6/30/22. The distribution was netted against additional investment funding, fees, and expenses.

SUMMIT PARTNERS DISTRIBUTIONS

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$525,683** for the Retirement System and **\$146,022** for the VEBA on 6/30/22.

PENSION ADMINISTRATION SOFTWARE CONVERSION

Staff continues to meet weekly with Milliman. The Beta version was released to Staff on 7/1/2022. Please see the attached Implementation Timeline for an update on the conversion.

STAFF OPERATIONS/UPDATE

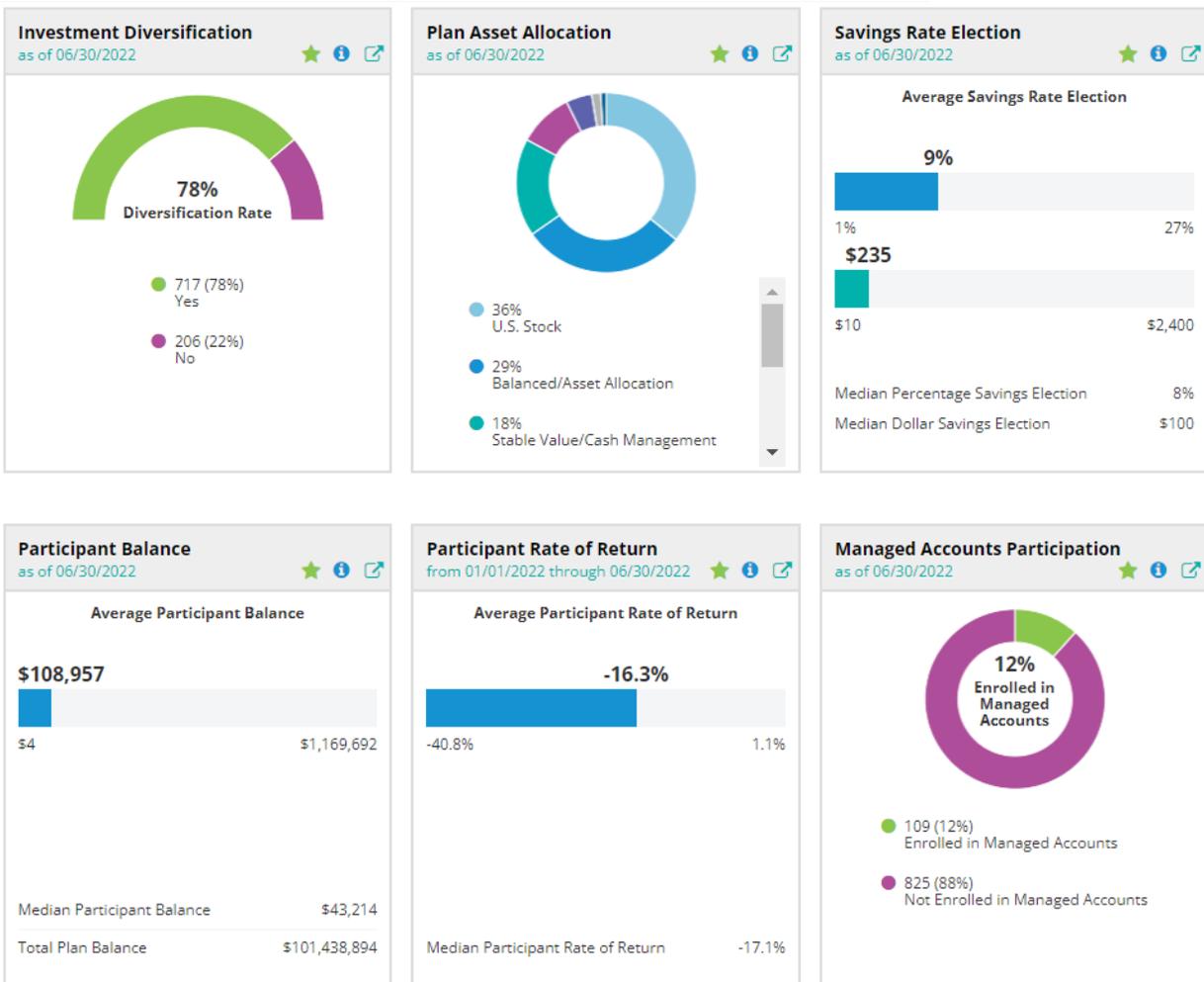
The Pension Analyst processed 36 estimates, 4 Non-vested deferred calculation, 2 payouts, 3 final calculations, 3 deceased calcs, 1 deferred calc and 5 pre sessions as well as working on Census Data and research related to the software conversion.

There were 55 retirements during FY 2022 vs 40 in FY 2021.

ED will be out of office but working remotely July 25-29.

G-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 7/14/22 - \$ 101,263,689 – Statistics as of 6/30/22



Current Items/Education:

Dan Stewart was onsite June 28-30 and conducted 22 individual consultations and had 8 webinar attendees.

G-3 City of Ann Arbor Employees' Retirement System Preliminary Report

for the Month Ended June 30, 2022

Maria Buffone, Accountant, submitted the Financial Report for the month ended June 30, 2022 to the Board of Trustees:

6/30/2022 Asset Value (Preliminary)	\$571,389,201
5/31/2022 Asset Value (Audited by Northern)	\$597,281,263
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$69,658,391)
Percent Gain <Loss>	-10.6%
July 20, 2022 Asset Value	\$571,345,786

G-4 Investment Policy Committee Minutes – July 12, 2022

Following are the Investment Policy Committee minutes from the meeting convened at 3:05 p.m. on July 12, 2022:

The meeting was called to order with a lack of quorum. The Committee acknowledges the presentation of materials by Henry Jaung, Keith Beaudoin & John Harris from Meketa.

Member(s) Present: DiGiovanni, Hastie, Monroe(via tx, 3:26 p.m. arrival)
 Member(s) Absent: Flack, Praschan
 Other Trustees Present: None
 Staff Present: Buffone, Hollabaugh, Orcutt
 Others Present: Henry Jaung(via TX), Meketa Investment Group
 John Harris(via TX), Meketa Investment Group
 Keith Beaudoin(via TX), Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF MAY 31, 2022

Mr. Beaudoin provided an economic update noting that there were no major market movements in May as investors waited for developments with inflation, the pace of monetary policy tightening, the war in Ukraine, ongoing supply chain issues, and China's lockdown of major economic centers to stem the spread of COVID-19.

The war in Ukraine, lingering COVID-19 issues, persistent inflation, and strict lockdowns in China will all have considerable economic and financial consequences for the global economy going forward.

EXECUTIVE SUMMARY

Following the Board meeting on June 29th, Meketa worked with the fund office to place full redemptions in the ERS for the following funds:

Managers	Market Value 5/31/2022	% of Fund	Expected Date to receive funds
Stone Harbor Emerging Markets LCD	10.8	1.8	June 30 th
36 South Kohinoor Series Three	4.1	0.7	August 19 th

Beach Point Leveraged Loan	11.1	1.9	October 30 th
Total	\$26.0	4.4	

Ms. Orcutt inquired as to whether similar redemptions should be made for Beach Point and Stone Harbor in VEBA as those also now have a 0% Policy target. The team from Meketa agreed and this will be further discussed at the August IPC meeting.

RETIREMENT SYSTEM

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

May 31, 2022 Performance Update: As of May 31, 2022, the balance of the Funds was \$596,775,105 for ERS. Fiscal Year to Date performance was -0.9% for ERS net of fees.

VEBA

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

May 31, 2022 Performance Update: As of May 31, 2022, the balance of the Funds was \$236,403,131 for VEBA. Fiscal Year to Date performance was -3.2% for VEBA net of fees.

CURRENT ISSUES

Natural Resources Equity: Meketa believes that an allocation to Natural Resources can be constructive for many client portfolios, enhancing diversification and adding inflation hedging characteristics. To achieve exposure in a cost-efficient manner, Meketa recommends the Trustees consider a passive implementation strategy. Meketa recommends that clients utilize the Global Large/Mid Cap Natural Resources Index strategy offered by State Street Global Advisors.

The committee asked that Meketa provide an estimate of the impact to the System's fossil fuel exposure should the Board decide to invest in such an index.

Commodity Investing: Commodity sectors include energy, metals, agriculture, and livestock that can be invested in directly using futures and swaps. Some equity or fixed income securities may also provide indirect exposure. Commodity strategies are often viewed as inflation hedge or an uncorrelated investment return stream. Meketa provided a breakdown of Commodity Strategies for the Committee to review.

Memorandum RE: Angelo Gordon Lawsuit: Meketa informed the Committee via memorandum of a recently published article about a lawsuit involving former employees of Angelo Gordon. Meketa has discussed the recent article with Angelo Gordon. In response to the suit, Angelo Gordon hired an independent third-party firm, Morgan Lewis, to investigate the matter and take detailed steps to ensure all existing policies and protocols were followed. The involved employees have not worked at the firm for four years.

ADJOURNMENT

The meeting adjourned at 4:36 p.m. without a quorum.

Meeting adjourned at 4:36 p.m.

Following are the Administrative Policy Committee minutes from the meeting convened at 9:11 a.m. on July 19, 2022:

Committee Members Present: Lynch, Monroe, Praschan
Members Absent: Schreier
Other Trustees Present: None
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh, Orcutt
Others Present: None

MISSIONSQUARE UPDATES

Discuss Secure Act 2.0: Ms. Orcutt informed the Committee of potential changes from the Secure Act 2.0, including eliminating the first day-of-the-month rule for 457(b) plans to provide more flexibility for participants to make changes.

Education Update: Dan Stewart held one-on-one consultations and webinars last month.

DC CONSULTANT UPDATE

Contract Status: The Innovest contract has been reviewed by legal and is in the process of being executed.

Forum for Initial Work with Innovest – APC, IPC Board: The Committee briefly discussed the work to be done with Innovest and possibly creating a special committee. Ms. Orcutt suggested the initial work and RFP be done at APC with quarterly meetings being held at the Board level. The Committee discussed possibly adding as an item to the Board agenda.

City 401 Executive Plan: Ms. Orcutt and Ms. Praschan discussed the 401 Executive Plan with the Committee such as who at the City would have oversight of the plan and whether the changes implemented to the 401/457 plans should impact the 401 Executive Plan. Ms. Praschan will follow up with the new HR director.

2021-22 EXECUTIVE DIRECTOR EVALUATION

The Committee reviewed the results of the 2022-2022 Executive Director Evaluation Forms. Staff was dismissed at this time.

PRAIN OVERPAYMENT FOLLOW UP

Staff has sent a certified letter to the estate as a second attempt in May but have received no response or payment. The Board will discuss an overpayment policy at the July Board meeting.

AUGUST APC MEETING DATE

The Committee reviewed schedules and planned to meet August 9th at 2:00 pm.

OTHER

Ms. Orcutt informed the Committee of two employees that were recently re-hired by the City. One employee withdrew their contributions and is interested in re-paying them to reinstate prior service credit. The committee discussed the time frame allowable for this situation. The Committee will discuss at the Board meeting and Ms. Orcutt will follow up with Legal for Ordinance clarification.

The second employee that was rehired was in the Dual Plan and their forfeitures with MissionSquare were reinstated as employer contributions. This person also withdrew their pension contributions at termination. Staff will follow up with legal to discuss if this is the intent in the ordinance language. The Committee will also discuss this at the Board meeting.

ADJOURNMENT

It was **moved** by Praschan and **seconded** by Lynch to adjourn the meeting at 10:14 a.m.

Meeting adjourned at 10:14 a.m.

G-6 Audit Committee Minutes – July 19, 2022

Following are the Audit Committee minutes from the meeting convened at 10:18 a.m. on July 19, 2022:

Committee Members Present:	Monroe, Nerdrum, Praschan,
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Buffone(Via TX), Gustafson(Via TX), Hollabaugh, Orcutt
Others Present:	None

FYE 2022 GRS WORK PLAN

The Committee reviewed the GRS workplan for the FYE 2022.

ACTUARIAL ASSUMPTIONS FOR THE JUNE 30, 2022 VALUATIONS

The Committee reviewed the actuarial assumptions memo. Ms. Nerdrum questioned how healthcare trends were calculated; Ms. Orcutt will follow up with GRS. The memo will be presented to the Board for approval.

It was **moved** by Praschan and **seconded** by Monroe to recommend to the Board to reduce the assumed rate of return to 6.70% along with the other FYE 2022 actuarial assumptions to the Board for approval.

APPROVED

UPDATE ON AUDITOR

Ms. Orcutt informed the Committee that the City has hired Rehmann as the auditor. Rehmann will be conducting the FYE 2022 audit.

UPDATE ON CONVERSION TO MILLIMAN FROM BUCK

Staff has been working with Milliman to convert to the new software. Staff meets weekly with Milliman and currently has a beta site to use. The conversion is on track and Staff should have a live site by the end of the calendar year.

AUGUST AUDIT COMMITTEE MEETING DATE

No August meeting is scheduled at this time.

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by Praschan to adjourn the meeting at 10:36 a.m.

Meeting adjourned at 10:36 a.m.

G-7 Legal Report

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 August Planning Calendar

H-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	American Express	\$370.90	Kroger, Office Water & Office Cleaning
2	Laura Hollabaugh	\$130.26	DTE Electric Reimbursement 5/13/2022-6/13/2022
3	GRS	\$7,050.00	Pension Valuation Q3 2022
4	GRS	\$2,550.00	GASB 67/68 Valuation Q3 2022
5	MedSource	\$950.00	J.Gold Re-Exam 6/14/2022
6	Meketa	\$10,000.00	Investment Consultant Fee 6/2022
7	West Arbor Condo Association	\$456.00	Condo Association dues 7/1/2022
8	Allstar Alarm	\$156.00	Fire Alarm Monitoring 8/1/2022-10/31/2022
9	Applied Imaging	\$33.84	Printing Service 6/2022
10	Dollarbill Printing	\$2,998.55	Retiree Newsletter Print/Mail 2022
11	City of Ann Arbor Treasurer	\$2,457.14	K.Spade Time 4/2022-6/2022
12	Milliman	\$2,250.00	MARC Implementation Fee 6/2022
	Total	\$29,402.69	

H-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Union	Years of Service	Department/Service Area
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Christine Schopieray	Age & Service	August 18, 2022	General	NON UNION	17 Years, 1 Month	City Administrator
Derek Wiseley	Age & Service	July 29, 2022	Fire	FIRE	30 Years, 6 Months	Safety Services
Amy Cervantes	Age & Service	August 1, 2022	Police	TEAMSTERS	27 Years, 1.5 Months	Safety Services

H-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Monroe 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**