

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 15, 2022**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:34 a.m.

ROLL CALL

Members Present: Flack, Grimes, Hastie, Lynch, Monroe, Nerdrum, Praschan, Schreier
Members Absent: DiGiovanni
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Wendy Dominguez (*Via TX, 8:59 – 9:48 AM depart*), Innovest
Paul Nacario (*Via TX, 8:59 – 9:48 AM depart*), Innovest
Troy Jensen (*Via TX, 8:59 – 9:48 AM depart*), Innovest

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 August 18, 2022 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Lynch to approve the August 18, 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
Arianne Slay	City Attorney	Dual	10 Years, 11.5 Months	Washtenaw County

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 Purchase of Military Service Time

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, Section 1:555(C)(3) of the Retirement Ordinance, Chapter 18 of the Code of the City of Ann Arbor allows for prior Military Service Credit, and

WHEREAS, the Board is in receipt of an Application for Purchase of Military Service Time, 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 purchase of Military Service Time:

Name	Employee Group	Requested Military Service Time	Requested Method of Payment	Cost for Purchase of Military Service Time
Stephen Smerek	General	3 Years, 9 Months	Payroll Deductions	\$206.31 <i>*Total cost of \$12,378.60</i>

FURTHER RESOLVED, that the applicant(s) purchasing Military Service Time be notified of the amount of money necessary to buy the Military Service Time, and upon full payment, the member(s) shall be credited the service time.

C-3 GASB Disclosure 67/68

The disclosure has been received and filed.

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

Approved

D. ACTION ITEMS

D-1 Resolution to Terminate IR&M Intermediate TIPS Fund LLC (1-10 Years Index)

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, Meketa as the Retirement System's investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have approved a strategic asset allocation which reduces the policy target of TIPS to 0%, and

WHEREAS, Meketa as the Retirement System's investment consultant, has recommended liquidating funds that are invested in asset classes that have a 0% policy target at the September 15 IPC meeting, and

WHEREAS, the IPC and Meketa Investment Group recommend that the TIPS manager IR&M be terminated in order to align with the asset allocation policy and the proceeds be used to fund benefit payments and capital calls, so be it,

RESOLVED, that the Board of Trustees approves the termination of IR&M by September 30, and the proceeds of such liquidation in the amount of approximately \$3.6 million be used to fund benefit payments and capital calls.

It was **moved** by Monroe and **seconded** by Nerdrum to approve the termination of IR&M by September 30, and the proceeds of such liquidation in the amount of approximately \$3.6 million be used to fund benefit payments and capital calls.

Approved

BOARD RECESS

The Board was called to recess at 8:36 a.m. for the purpose of holding the VEBA Board meeting.

Meeting recessed at 8:36 a.m.

The meeting was reconvened at 8:39 a.m.

The reports were moved as the next agenda item to get through the full agenda prior to the Innovest presentation.

E. DISCUSSION ITEMS

~~**E-1 Innovest Progress Update with MissionSquare**~~

~~**E-2 Innovest Fiduciary Training**
(Moved below, after item I on agenda)~~

F. REPORTS *(moved forward on agenda)*

SUMMIT PARTNERS DISTRIBUTIONS

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$1,082,155** for the Retirement System and **\$300,597** for the VEBA on 8/31/22.

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$203,393** for the Retirement System and **\$50,849** for the VEBA on 8/31/22.

Summit Partners Credit Fund III, L.P. requested a capital call in the amount of **\$320,583** for the Retirement Plan and **\$89,051** for the VEBA on 9/16/22. With these installments, **CAAERS** will have funded 114.8% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund IX on 8/26/22 in the amount of **\$67,266** for the Retirement System and **\$19,874** for the VEBA consisting of a gain on sale and return of capital(unrecallable).

DRA issued a distribution from the Growth and Income Fund X on 9/13/22 in the amount of **\$69,531** for the Retirement System and **\$46,354** for the VEBA consisting of a gain on sale and return of capital (recallable).

TORCHLIGHT CAPITAL CALL

Torchlight Investors requested a capital call for Debt Fund VII in the amount of **\$900,000** for the Retirement Plan and **\$400,000** for VEBA on 9/19/2022 to fund investments.

PENSION ADMINISTRATION SOFTWARE CONVERSION

Staff continues to meet weekly with Milliman. Please see timeline for updates.

FYE/AUDIT UPDATE

The GASB 67/68 and 74/75 were received on August 24 and sent to the City. The engagement letters and invoices were received from Rehmann on September 1.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 62 estimates, 2 payouts, 7 final calculations, 4 non-vested calcs, and 4 pre sessions as well as working on Census Data and follow up questions for GRS.

TRUSTEE ELECTION UPDATE

The term of Citizen Trustees Julie Lynch and Brock Hastie expire on December 31, 2022. The new term will be from January 1, 2023-December 31, 2025.

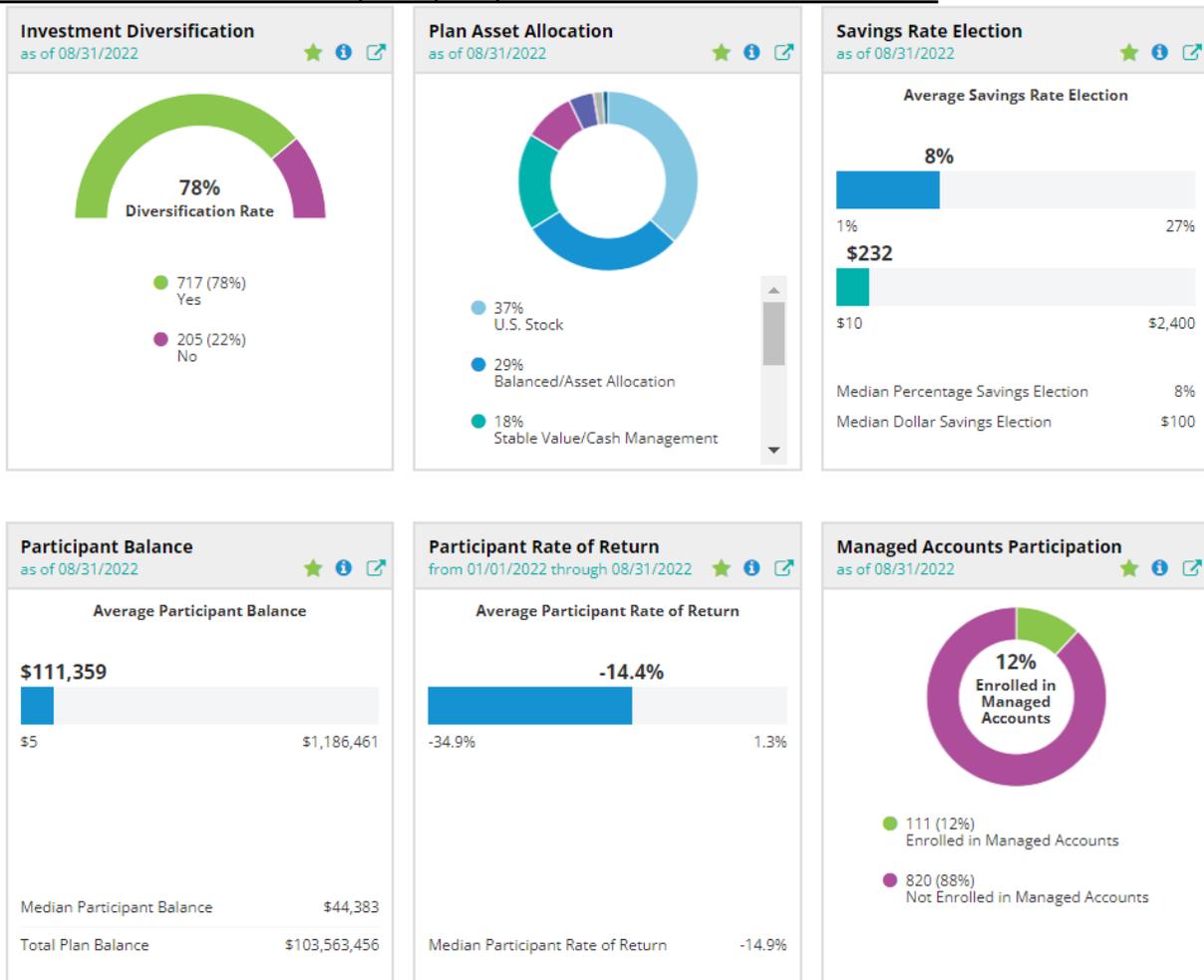
MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with HR, Legal and other City staff on September 1 to discuss the potential rehiring of retirees.

ED met with HR and Legal on September 9 to discuss the non-duty disability procedure.

F-2 Executive Report – MissionSquare (ICMA) Update

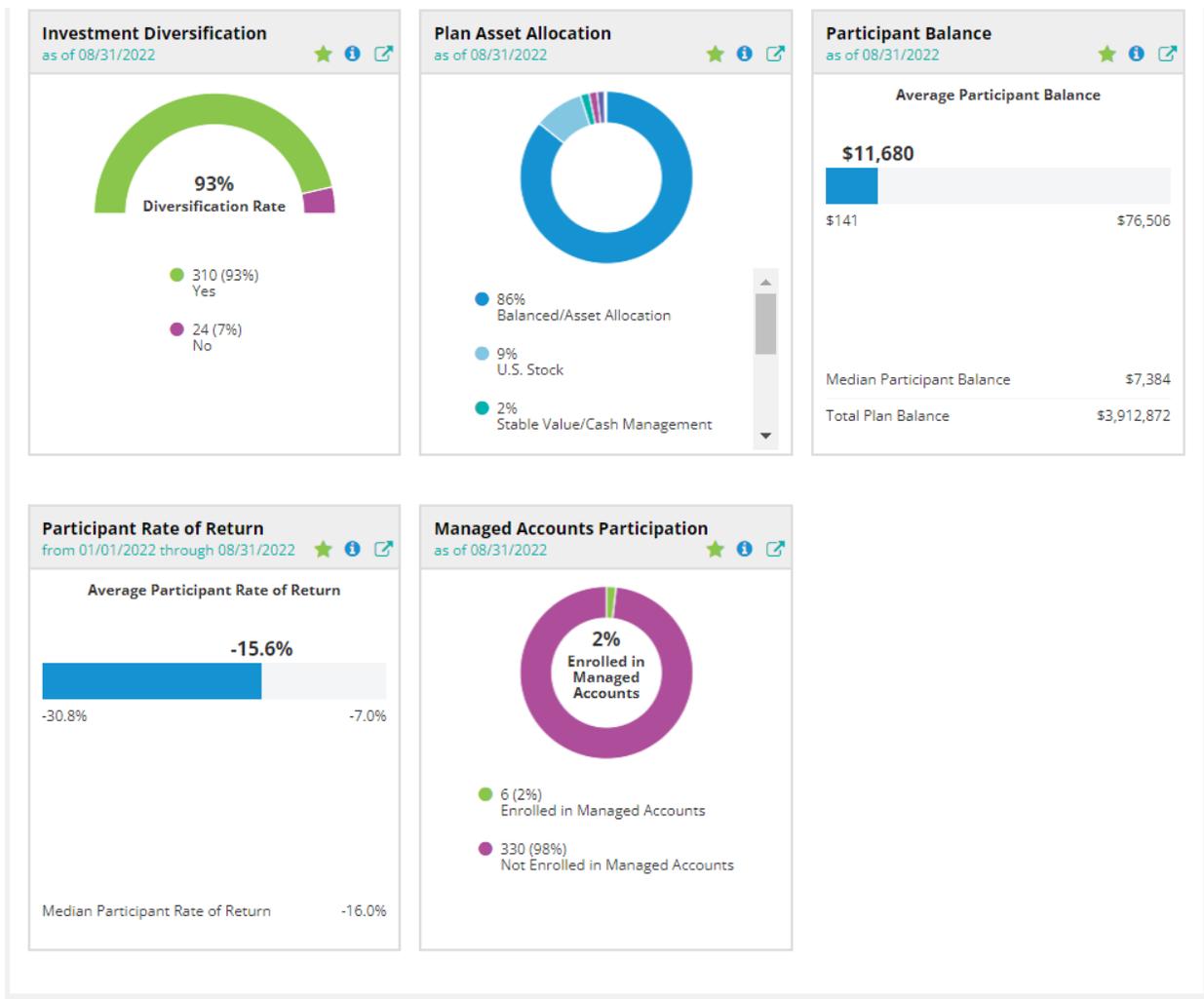
457 Balance at 9/12/22 - \$ 105,330,000 – Statistics as of 8/31/22



Current Items/Education:

Dan Stewart conducted appointments during August 23-25 and hosted two webinars – “Investing in Retirement Basics” and “MissionSquare Retirement Will Continue to Work for You”. He met with 13 individuals and 2 people attended the webinar.

401 Balance at 9/12/22 – \$ 4,032,000 - Statistics as of 8/31/22



401 Forfeiture Balance = \$39,000

457 Admin Allowance Balance = \$43,000

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2022

Maria Buffone, Accountant, submitted the Financial Report for the month ended August 31, 2022 to the Board of Trustees:

8/31/2022 Asset Value (Preliminary)	\$587,085,948
7/31/2022 Asset Value (Audited by Northern)	\$593,239,047
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$60,660,660)
Percent Gain <Loss>	-9.2%
September 14, 2022 Asset Value	\$580,172,946

F-4 Investment Policy Committee Minutes – September 6, 2022

Following are the Investment Policy Committee minutes from the meeting convened at 3:13 p.m. on September 6, 2022:

Member(s) Present: DiGiovanni, Flack(Via TX, 3:35 PM arrival), Hastie, Monroe
Member(s) Absent: Praschan
Other Trustees Present: None
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh, Orcutt
Others Present: Henry Jaung(via TX), Meketa Investment Group
Keith Beaudoin(via TX), Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF JULY 31, 2022

Mr. Jaung provided an economic update noting that global markets posted strong results in July on expectations that policy tightening in the US could end early next year due to slowing growth.

Persistently high inflation and the expected policy response, the war in Ukraine, lingering COVID-19 issues, and lockdowns in China will all have considerable economic and financial consequences for the global economy.

EXECUTIVE SUMMARY

The next large capital call expected for the ERS and VEBA is for the JP Morgan Infrastructure Fund with calls of \$14 million and \$6 million, respectively expected to be made on October 1st. Earlier in the year, Meketa recommended allocating 60% of the 2022 private equity commitments to a venture capital fund for both plans with a \$6 million commitment in the ERs and \$2 million in the VEBA to Arboretum Fund IV.

The remaining 40% will be committed to a buyout fund. Meketa will present potential managers at an upcoming IPC meeting this fall.

ERS & VEBA CASH FLOWS

ERS will be receiving ~\$10 million from the Beach Point redemption. Meketa recommends funding the SSGA S&P Global LargeMidCap Natural Resources Index Strategy with the Beach Point redemption for the ERS and to sell \$2 million of the IR&M TIPS Index Fund and \$2 million of the Northern Trust Russell 1000 Index Fund for VEBA. The fund office anticipates \$1 million in City Pension contributions to be made between now and the end of October.

Meketa recommends liquidating the IR&M TIPS Index Fund in ERS for ~\$3.7 million to have cash available for benefit payments and any capital calls between now and the end of October. This will also move TIPS allocation in line with its policy target of 0%.

It was **moved** by Monroe and **seconded** by DiGiovanni to recommend to the Board to liquidate IR&M TIPS Index Fund by September 30 to have cash available for benefit payments and expenses.

Approved

It was **moved** by Monroe and **seconded** by DiGiovanni to recommend to the Board to rebalance \$2 million from the Northern Trust Russell 1000 Fund and \$2 Million from the IR&M TIPS Index Fund to have cash available for benefit payments and expenses.

Approved

RETIREMENT SYSTEM

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

July 31, 2022 Performance Update: As of July 31, 2022, the balance of the Funds was \$597,321,761 for ERS. Fiscal Year to Date performance was 4.2% for ERS net of fees.

VEBA

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

July 31, 2022 Performance Update: As of July 31, 2022, the balance of the Funds was \$236,807,035 for VEBA. Fiscal Year to Date performance was 4.8% for VEBA net of fees.

OTHER

Ms. Orcutt asked about the status of the Custodial Bank RFI. Meketa has this project slated for the 4th quarter. The Committee discussed upcoming meetings and decided to cancel the October IPC.

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by DiGiovanni to adjourn the meeting at 4:13 p.m.
Meeting adjourned at 4:13 p.m.

F-5 Administrative Policy Committee Minutes – None.

F-6 Audit Committee Minutes – September 13, 2022

Following are the Audit Committee minutes from the meeting convened at 2:05 p.m. on September 13, 2022:

Committee Members Present: Monroe, Nerdrum
Members Absent: Praschan
Other Trustees Present: None
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh, Orcutt
Others Present: Rich Koch, GRS(Via TX, 2:24 PM depart)

GASB REPORTS

The Committee reviewed the GASB Statements 67/68 & 74/75 for FYE June 30, 2022.

It was ***moved*** by Monroe and ***seconded*** by Nerdrum to accept the GASB Statements 67/68 & 74/75 for June 30, 2022 as discussed and recommend receipt and file of the reports at the September 15, 2022 regular Board Meeting.

Approved

ENGAGEMENT LETTERS FROM REHMANN

Ms. Orcutt informed the Committee that the engagement letters are ready for signature. Ms. Nerdrum signed the letters and Staff will send out.

FYE AUDIT UPDATE

Audit work is in progress and currently on track. Rehmann will be onsite at the end of September/early October for the audit.

MILLIMAN CONVERSION UPDATE

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. It was noted that Milliman has exceeded the 240-hour mark for the total MARC implementation data and report work. Ms. Orcutt will research what the hourly rate is for the Milliman team and follow up with the committee.

OCTOBER AUDIT COMMITTEE MEETING DATE

The Committee tentatively set the next meeting for October 11 at 3:00 PM.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Nerdrum to adjourn the meeting at 2:35 p.m.

Meeting adjourned at 2:35 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.

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Buck	\$1,924.35	7/2022 Administrative Software Hosting Fee
2	Buck	\$11,546.10	1/2022-6/2022 Administrative Software Hosting Fee
3	DTE	\$176.36	Electric service
4	DTE	\$43.88	Gas Service
5	Robertson Morrison	\$130.00	Conference Room Ceiling Leak
6	Staples	\$43.99	Copy Paper
7	American Express	\$672.51	Office/Meeting Supplies, Cleaning MAPERS
8	Applied Imaging	\$46.96	Printing Service 8/2022
9	Meketa	\$10,000.00	Investment Consultant Fees 8/2022
10	Milliman	\$2,250.00	MARC Implementation Fee 8/2022
11	Robertson Morrison	\$55.00	Conference Room Ceiling Leak Repair
12	Staples	\$77.63	Misc. Office Supplies

13	Buck	\$1,924.34	7/2022 Administrative Software Hosting Fee
14	West Arbor Condo Association	\$456.00	Condo Association Dues 9/2022
Total		\$29,347.12	

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	Department/Service Area
Brigitte Burke	Deferred Age & Service	August 1, 2022	General	NON UNION	6 Years, 1.5 Months	City Administration
Laura Hill	Age & Service	October 12, 2022	General	NON UNION	32 Years, 1 Month	15th District Court
Jenifer Garcia	EDRO Recipient	June 3, 2022	Police	COAM	N/A	Safety Services

G-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

E. DISCUSSION ITEMS

E-1 Innovest Progress Update with MissionSquare

Mr. Nacario informed the Board that MissionSquare's contract expires at the end of this year. It was recommended by Innovest to renew the contract for 1 year.

E-2 Innovest Fiduciary Training

Paul Nacario, Wendy Dominguez and Troy Jensen were present from Innovest to provide Fiduciary Education for the Board.

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Grimes to adjourn the meeting at 9:50 a.m.
Meeting adjourned at 9:50 a.m.

Wendy Orcutt

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