

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
August 24, 2023**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 4:08 p.m.

**ROLL CALL**

Members Present: DiGiovanni, Flack, Foster, Grimes, Lynch(4:13 p.m. arrival), Monroe, Praschan, Schreier  
Members Absent: Nerdrum  
Staff Present: Gustafson(Via TX), Hollabaugh(Via TX), Orcutt  
Others: Michael VanOverbeke, Legal Counsel(Via TX)  
Jared Martin, Innovest(Via TX, 4:44 p.m. depart)  
Kyli Soto, Innovest(Via TX, 4:44 p.m. depart)

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**B. APPROVAL OF MINUTES**

**B-1 July 20, 2023 Regular Board Meeting**

It was **moved** by Monroe and **seconded** by Foster to approve the July 20, 2023 Regular Board Meeting minutes as submitted.  
**Approved**

**C. CONSENT AGENDA**

**C-1 Income Withholding Order for Support Bryant E. Micou**

**WHEREAS**, the Board of Trustees is in receipt of an Income Withholding for Support Order dated July 7, 2023, regarding Participant Bryant E. Micou and his benefits payable from the Retirement System, and

**WHEREAS**, the order requests income withholding from Mr. Micou's retirement benefits payable to the Washtenaw County Friend of the Court, and

**WHEREAS**, said matter has been discussed with legal counsel who has opined that the applicable terms of said court order is consistent with the provisions of the Retirement System and applicable law, therefore be it

**RESOLVED**, that the Board acknowledges receipt of said court order as of July 17, 2023, acknowledges said court order is consistent with Plan provisions and applicable law, and hereby indicates that it will withhold income in accordance with the terms of said order from this date forward and commence said payments as soon as administratively feasible to the Washtenaw Friend of the Court, 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 kept for the Retirement

System relative to this matter, and

**RESOLVED**, the copies of this Resolution be sent to Bryant E. Micou, the Participant; and the Washtenaw County Friend of the Court.

**C-2 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:

<b>Name</b>	<b>Classification</b>	<b>Plan</b>	<b>Reciprocal Service Credit</b>	<b>Prior Reciprocal Retirement Unit</b>
<b>Chantel Jackson</b>	Safety Services	Dual Plan	23 Years, 11 Months	University of Michigan

**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 Foster and **seconded** by Schreier to approve the consent agenda as presented.

**Approved**

**D. EXECUTIVE SESSION – Executive Director Annual Evaluation**

This item was postponed due to time constraints.

## **E. ACTION ITEMS**

### **E-1 Motion Regarding the Executive Director Annual Evaluation**

This item was postponed due to time constraints.

### **E-2 Self Directed Brokerage Account**

The Board briefly discussed the status of the Self Directed Brokerage Account(SDBA) and agreed to grandfather the current participants in the account along with the transition to Voya. The Board will revisit after the transition is complete and discuss opening the SDBA to all employees early next year.

It was **moved** by Grimes and **seconded** by Schreier to grandfather the participants in the Self Directed Brokerage Account and transfer to the Schwab brokerage account with Voya.

**Approved**

### **E-3 Capital Preservation Options**

The Board discussed in detail the Capital Preservation Options with Innovest comparing each option with the System's current offering.

It was **moved** by Schreier and **seconded** by DiGiovanni to use the Per-PPT Fee Voya fixed account option.

**Approved**

## **F. DISCUSSION ITEMS**

### **F-1 Notice of Disability Application**

Ms. Orcutt informed the Board of two duty disability applications that were submitted this month. The Board will move forward with the disability process. Mr. VanOverbeke noted that since the applications were duty disabilities, the Board may want to request the opinion from the medical director regarding duty causation.

## **G. REPORTS**

### **G-1 Executive Report – August 24, 2023**

#### **BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS**

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$ 371,089** for the Retirement Plan and **\$ 139,158** for the VEBA on 8/2/23.

#### **CONSTITUTION CAPITAL CALL**

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 96,234** for the Retirement System and **\$32,078** for VEBA to fund current investments and pay management fees on 8/3/23.

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 287,872** for the Retirement System and **\$95,957** for VEBA to fund current investments and pay management fees on 8/10/23.

### **ANGELO GORDON CAPITAL CALLS AND DISTRIBUTION**

Angelo Gordon Direct Lending Fund IV Annex, L.P. issued a distribution in the amount of **\$ 318,124** for the Retirement System and **\$ 132,532** for VEBA on 7/31/23.

### **DRA CAPITAL CALLS AND DISTRIBUTIONS**

DRA issued a distribution from the Growth and Income Fund IX on 8/11/23 in the amount of **\$75,508** for the Retirement System and **\$22,208** for the VEBA consisting of cash from operations (dividends) and return of capital netted against management fees.

DRA issued a distribution from the Growth and Income Fund X on 8/15/23 in the amount of **\$55,219** for the Retirement System and **\$36,813** for the VEBA consisting of cash from operations (dividends) netted against management fees.

### **AEW CORE PROPERTY DISTRIBUTIONS**

AEW Core Property Trust issued distributions in the amount of **\$ 330,616** for the Retirement Plan and **\$ 44,082** for the VEBA on 8/15/23. The redemption requests in the amount of \$15,000,000 for ERS and \$2,000,000 were made in November 2022. After this distribution, \$13.5 million for ERS and \$1.8 million for VEBA remain to be redeemed.

### **PENSION ADMINISTRATION SOFTWARE CONVERSION**

The employee website was released to Staff for testing but Milliman discovered an error during their review which was not factoring reciprocal time when using the default NRA instead of putting in an actual date. All the changes to the look and language on the site pages were completed. Staff hopes to resume testing the week of the 14<sup>th</sup>. An update was placed in the A2 News to notify employees.

Milliman provided a statement of work for 3 updates needed that were not part of the initial set up due to changes in collective bargaining agreements such as the FAC cap and change in employee contribution amounts. In order to not have to change the coding each time a union adopts one of those changes (which is likely to occur) Milliman is building in tables that will allow Staff to incorporate as needed.

### **FYE/AUDIT UPDATE**

The census data and corresponding follow up questions were completed on August 4<sup>th</sup>, The financial statement information for the GASB reports and valuations was submitted to GRS on 8/9/2023.

### **MEETINGS AND COMMUNICATIONS WITH CITY STAFF**

ED met with HR on August 8<sup>th</sup> and 10<sup>th</sup> to discuss the transition to Voya and how to proceed with the Executive 401(a) plan.

ED met with legal on August 9<sup>th</sup> to discuss a personnel matter.

## STAFF OPERATIONS/UPDATE

The Pension Analyst processed 21 estimates, 3 final calculations, 3 non-vested calculations, 1 deferred, 1 payout, and conducted 4 pre-sessions.

ED will be out of office (working remotely part of the time) August 28 – September 1.

Laura Hollabaugh will be on vacation August 28 – September 1.

Dan and Wendy will be attending the MAPERS conference September 9-12 in Bellaire.

### **G-2 Executive Report – MissionSquare (ICMA) Update**

#### **457 PLAN**

**Balance at 8/9/23 - \$ 107,662,000**

**Admin Allowance Balance = \$ 26,000**

#### **401A PLAN**

**Balance at 8/9/23 – \$ 5,673,000**

**Forfeiture Balance = \$ 67,000**

#### **Current Items/Education:**

Bill Sims will be conducting onsite and virtual appointments during August 23-24, 2023. MSQ will be sending notification to the former employee advising her of their error and notifying her that the \$16,900 was redeposited to her account. This amount was previously marked as a forfeiture in error.

NOTE: Plan Statistics are not available this month as MSQ is revamping how the data is displayed in the illustrations.

### **G-3 FY23 Training and Education Expenses**

#### **FY 23 Travel Expenses**

<b>Trustee/Staff</b>	<b>Conference Name/ Date/Location</b>	<b>Total Spent</b>
Wendy Orcutt	MAPERS Fall Conference 9/17/2022-9/20/2022 Mackinac Island, MI	\$2,161.52
Dan Gustafson	MAPERS Fall Conference 9/17/2022-9/20/2022 Mackinac Island, MI	\$2,528.12
Jeremy Flack	MAPERS Fall Conference 9/17/2022-9/20/2022 Mackinac Island, MI	\$2,223.25

Dave Monroe	MAPERS Fall Conference 9/17/2022-9/20/2022 Mackinac Island, MI	\$2,094.52
Tony DiGiovanni	MAPERS Fall Conference 9/17/2022-9/20/2022 Mackinac Island, MI	\$1,956.83
Dave Monroe	MAPERS 1-Day Conference 3/3/2023 Troy, MI	\$425.48
Wendy Orcutt	MAPERS 1-Day Conference 3/3/2023 Troy, MI	\$218.23
Wendy Orcutt	MAPERS Spring Conference May 21-23, 2023 Kalamaroo, MI	\$991.17
Dan Gustafson	MAPERS Spring Conference May 21-23, 2023 Kalamaroo, MI	\$935.98
Jeremy Flack	MAPERS Spring Conference May 21-23, 2023 Kalamaroo, MI	\$926.02
Dave Monroe	MAPERS Spring Conference May 21-23, 2023 Kalamaroo, MI	\$981.96
<b>Total</b>		<b>\$15,443.08</b>

**G-4 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended July 31, 2023**

Maria Buffone, Accountant, submitted the Financial Report for the month ended July 31, 2023 to the Board of Trustees:

7/31/2023 Asset Value (Preliminary)	\$614,725,038
6/30/2023 Asset Value (Audited by Northern)	\$607,636,637
Calendar YTD Increase/Decrease in Assets ( <i>excludes non-investment receipts and disbursements</i> )	\$57,052,595
Percent Gain <Loss>	9.9%
<b>August 23, 2023 Asset Value</b>	<b>\$600,936,501</b>

**G-5 Investment Policy Committee Minutes – August 8, 2023**

TO: Board of Trustees, City of Ann Arbor Employees' Retirement System and Retiree Health Care Benefit Plan & Trust

FROM: Tony DiGiovanni, Trustee

DATE: August 17, 2023

RE: Investment Policy Committee Minutes – Retirement System & VEBA

Following are the Investment Policy Committee minutes from the meeting convened at 3:09 p.m. on August 8, 2023:

Member(s) Present: DiGiovanni, Flack(Via TX), Foster, Praschan  
Member(s) Absent: Monroe  
Other Trustees Present: None  
Staff Present: Hollabaugh, Orcutt  
Others Present: Henry Jaung, Meketa Investment Group  
John Harris, Meketa Investment Group  
Mike Acton, AEW(3:40 - 4:24 PM Via TX)  
Emily Margolis, AEW(3:40 – 4:24 PM Via TX)  
Ximena Galvez, PIMCO(4:25 -4:54 PM Via TX)  
Wes Stueve, PIMCO(4:25 -4:54 PM Via TX)

### **ECONOMIC AND MARKET UPDATE DATA AS OF JUNE 30, 2023**

Mr. Jaung provided an economic update noting that asset returns were positive in June with US and Non US equities posting gains, while fixed income sectors sold-off on expectations for further interest rate hikes later this year. Except for commodities, most public market asset classes remain up for the year. This year, the path of inflation and monetary policy, slowing global growth, and the war in Ukraine, will all be key.

### **EXECUTIVE SUMMARY**

Over the past 3, 5, 7, and 10 years, the ERS has returned 10.1%, 8.2%, 8.5% and 7.8%. These returns have outperformed the 60% equity /40% Bonds benchmarks as well as the primary benchmark in most periods. The system has ranked in the top decile (3,5,7 trailing years) and top quintile (10 years) amongst its peer group.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 8.4%, 7.2%, 7.9% and 7.1%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods. VEBA has ranked in the top decile in all time periods amongst its peer group.

Meketa has been working on private markets pacing studies to identify potential new manager/mandates. The study calls for another commitment to private debt, \$12 million for the ERS and \$5 million for VEBA, to continue to move the private debt allocations to their targets of 7%.

### **RETIREMENT SYSTEM**

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

April 30, 2023 Performance Update: As of June 30, 2023, the balance of the Funds was \$607,879,219 for ERS. Fiscal Year to Date performance was 10.0% for ERS net of

fees.

## **VEBA**

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

April 30, 2023 Performance Update: As of June 30, 2023, the balance of the Funds was \$250,232,028 for VEBA. Fiscal Year to Date performance was 9.7% for VEBA net of fees.

## **CURRENT ISSUES**

AEW Real Estate Market Review: Mike Acton and Emily Margolis from AEW were present to provide a market review.

PIMCO Private Credit Strategy Review: Ximena Galvez and Wez Stueve from PIMCO were present to provide a market review.

The Committee discussed both funds and decided to get more information before making a decision. Meketa will follow up with AEW and PIMCO and the Committee will discuss at the next IPC meeting.

## **RETIREMENT SYSTEM AND VEBA PORTFOLIO REVIEWS**

Meketa provided the portfolio reviews for both the Retirement System and VEBA.

## **ADJOURNMENT**

It was ***moved*** by Praschan and ***seconded*** by Foster to adjourn the meeting at 5:13 p.m.  
**Meeting adjourned at 5:13 p.m.**

### **G-6 Administrative Policy Committee Minutes – August 15, 2023**

TO: Board of Trustees  
City of Ann Arbor Employees' Retirement System

FROM: David Monroe, Chairperson

DATE: August 17, 2023

RE: Administrative Policy Committee Minutes

Following are the Administrative Policy Committee minutes from the meeting convened at 1:17 p.m. on August 15, 2023:

Committee Members Present: Lynch, Monroe, Praschan, Schreier

Members Absent: None

Other Trustees Present: Grimes(Via TX)

Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh, Orcutt

Others Present: Gregory Anderson, VOYA(Via TX)(1:32 PM depart)

Joe Harrell, VOYA(Via TX)(1:32 PM depart)

## **SELF-DIRECTED BROKERAGE DISCUSSION -VOYA**

The Committee discussed the self-directed brokerage option with Voya. Currently there are a small number of people grandfathered into the SDBA with Mission Square. Voya stated that they are able to transfer this group over or open the SDBA to all participants should the Board choose to do so. This item will be discussed at the Board meeting on the 17<sup>th</sup>. Representatives from both Voya and Innovest will be in attendance.

The Committee also discussed the blackout period for the recordkeeper transition which is scheduled for November 6<sup>th</sup>-16<sup>th</sup>.

## **FYE 23 EXECUTIVE DIRECTOR EVALUATION**

The Committee reviewed the results of the FYE 2023 Executive Director Evaluation Forms. Staff was dismissed at this time.

## **RECORD KEEPER CONVERSION UPDATE**

Ms. Orcutt provided an update regarding the record keeper conversion noting that Staff, HR, IT and Payroll will meet weekly throughout the transition.

## **NORTHERN TRUST BENEFIT PAYMENT PORTAL**

Ms. Orcutt informed the Committee that Northern Trust offers an employee portal at no additional cost. The Committee discussed the benefits of adding this option. The Committee inquired whether the option to go paperless with monthly statements would be incorporated as well. Staff will follow up on this item following the Custodial Bank RFI which will be discussed at the Investment Policy Committee next month.

Mr. Monroe noted the Michigan tax changes and that it may be beneficial to send out notices to retirees.

## **OTHER**

Ms. Orcutt informed the Committee of a retiree who repeatedly calls yearly requesting information on the poverty level benefit increases. Staff has spoken with legal counsel and has been in contact with the retiree, providing the requested information.

## **SEPTEMBER APC MEETING DATE**

The Committee reviewed schedules and decided to meet September 26<sup>th</sup> at 3:00 PM.

## **ADJOURNMENT**

It was ***moved*** by Schreier and ***seconded*** by Lynch to adjourn the meeting at 2:18 p.m.  
**Meeting adjourned at 2:18 p.m.**

**G-7 Audit Committee Minutes – None.**

**G-8 Legal Report – None.**

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

H-1 Communications Memorandum

H-2 September 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	\$1,108.03	GFOA, Kroger, NAGDCA, SJ Cleaning
2	Applied Imaging	\$33.61	Printing 7/2023
3	Bergeron Plumbing	\$225.00	Backflow Inspection 7/21/2023
4	Laura Hollabaugh	\$217.72	DTE Electric 6/14/2023-7/13/2023
5	Laura Hollabaugh	\$17.80	DTE Gas 6/14/2023-/13/2023
6	City of Ann Arbor Treasurer	\$2,546.48	K.Spade Time Worked 7/2022-9/2022
7	Loomis Sayles	\$36,546.34	Investment Manager Fee 6/30/2023
8	Meketa	\$10,000.00	Investment Consultant Fee 7/2023
9	Milliman	\$5,777.06	MARC Implementation Fee 7/2023
10	Rhumblin	\$16,799.00	Investment Manager Fee 6/30/2023
	<b>Total</b>	<b>\$73,271.04</b>	

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	Dept./Service Area
Deborah Carmack	Age & Service	August 12, 2023	General	Non Union	18 Years, 1.5 Months	City Administration

H-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Lynch to adjourn the meeting at 5:01 p.m.  
**Meeting adjourned at 5:01 p.m.**

*Wendy Orcutt*

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