

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
May 17, 2012**

The meeting was called to order by David Monroe, Secretary, at 8:36 a.m.

**ROLL CALL**

Members Present: Clark, Crawford, Hastie, Heusel, Monroe, Rogers  
Members Absent: Flack, Nerdrum, Powers  
Staff Present: Kluczynski, Walker  
Others: Michael VanOverbeke, Legal Counsel (9:04)  
Kayla Coleman, City Employee  
Craig DeVoogd, City Retiree  
David Diephuis, City Resident

**AUDIENCE COMMENTS**

**Kayla Coleman**, City Employee, stated that she is present to discuss concerns with the current process of buying back her temporary time: 1) the timing of receiving the buyback calculation from the Retirement Office, and 2) whether the payment is pre-tax or post-tax. Ms. Walker apologized for the delay and acknowledged that in Ms. Coleman's case, her calculation was not returned in a timely manner, noting that they are usually returned to employees sooner, and that Ms. Coleman has requested that the System waive the interest, which the Ordinance does not permit. Ms. Walker stated that she has not had an opportunity to research the post-tax issue, but noted that employees are able to pay via a pre-tax rollover from an ICMA account or by monthly payroll deductions. Ms. Coleman stated that she would like to pay for her buyback in one lump sum out of her regular paycheck, and has been informed by Payroll that this is not possible. As far as the matter of the interest due if the time is bought back, Ms. Walker stated that the System cannot waive it because the money was never in the account, and noted that when it is paid it all goes into the employee's account and not to the System itself.

Ms. Walker stated that she is not familiar with the City's payroll process, and Mr. Crawford stated that perhaps Ms. Walker could follow up with Ms. Schultz in Payroll for further clarification on what can be done as far as withholding a payment from an employee's pay. Mr. Hastie agreed, suggesting that the current process be reviewed to be sure that employees are given the buyback calculations in a timelier manner so that this does not happen again. Mr. Monroe also suggested that Mr. VanOverbeke be requested to express his opinion on the interest situation later in the meeting.

*As discussed later in the meeting:* Ms. Walker summarized Ms. Coleman's situation for Mr. VanOverbeke. Mr. VanOverbeke stated that the Ordinance now allows for pre-tax contributions so her payment may be done with pre-tax money, so he is not aware of any issue in that respect, and it seems that the difficulty is, had she paid the money a while ago, it would have been less, but the Ordinance has built in to the formula the interest factor – you have to pay the amount that you otherwise would have paid at that point in time plus the interest for the date of repayment, so there is, unfortunately, no way for the Board to waive the interest portion. Mr. Hastie explained that she wouldn't be paying interest as if it were a fee, but she is paying what she would have earned had her money been invested in the System and accumulated over the time in question. Mr. VanOverbeke noted that if she decides to terminate employment and denies a pension from the System, she would get all of that money including the interest back.

**David Diephuis** expressed his concerns regarding the Executive Director Evaluation process, stating that in the past many Board members have been "less than enthusiastic" about participating

in the process by not returning the evaluation surveys distributed by the Administrative Policy Committee. Mr. Diephuis stated that one of the Director's duties is overseeing \$30 million in retiree benefits, managing a multi-million dollar budget, as well as being the point person administrating two funds with almost half a billion dollars of assets. Mr. Diephuis stated that the board chose Ms. Walker because she was the best, but to continue at a high-level performance and to maintain excellent communication requires periodic and formal review, and compliments and constructive criticism are an important part of a healthy high quality organization. Mr. Diephuis encouraged all Board members to use the feedback form and provide thorough and prompt responses to APC.

**A. APPROVAL OF REVISED AGENDA**

Revisions to the agenda include the following items:

- E-1 Legal Opinion Regarding Effective Temporary Service Purchase / Plan Participation Date on Vesting Rules, & Healthcare Plan Eligibility
- E-1a Retirement Eligibility and Temporary Service
- F-1 Executive Report
- F-2 Preliminary Investment Report
- F-6 Legal Report – Craig DeVoogd Appeal

It was **moved** by Hastie and **seconded** by Crawford to move Item F-6/Legal Report forward on the agenda for discussion directly following the consent agenda.

**Approved**

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

**Approved as revised**

**B. APPROVAL OF MINUTES**

**B-1 April 19, 2012 Regular Board Meeting Minutes**

It was **moved** by Crawford and **seconded** by Clark to approve the April 19, 2012 Board Meeting minutes as presented.

**Approved**

**C. CONSENT AGENDA**

**C-1 DRO Certification – Gary Woodard v. Robin Woodard**

**WHEREAS**, the Board is in receipt of a First Amended Domestic Relations Order dated April 19, 2012, wherein Robin Woodard, the Alternate Payee, is awarded certain rights to the benefits of Gary Woodard, the Participant, and

**WHEREAS**, the Alternate Payee is entitled to a portion of the Participant's monthly retirement benefit from the Retirement System while the parties are alive, and

**WHEREAS**, if upon the Participant's death the Alternate Payee is still alive, then the Alternate Payee will receive those survivor benefits associated with Participant's election of the Plan's Option III – 50% Joint and Survivor form of benefit at the time of his retirement, and

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

**RESOLVED**, that the Board acknowledges receipt of said court order and will administer benefits consistent with said order as soon as administratively feasible, 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 retained by the Retirement System relative to this matter, and further

**RESOLVED**, that copies of this resolution be sent to Gary Woodard, the Participant; and Edward M. Shaw, Esq., attorney for the Alternate Payee.

**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 1:561(e) 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:

<b>Name</b>	<b>Department</b>	<b>Requested Military Service Time</b>	<b>Requested Method of Payment</b>	<b>Cost for Purchase of Military Service Time</b>
Scott Harrod	General	4 Years	<i>Combination:</i> Lump Sum & Payroll Deductions	\$ 14,000.00

**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.

It was **moved** by Crawford and **seconded** by Hastie to approve the Consent Agenda as presented.  
**Approved**

**LEGAL REPORT (Moved forward on the agenda):**

**F-6 Legal Report- Opinion Regarding Appeal of Craig DeVoogd**

Mr. VanOverbeke stated that in terms of process, he has provided an opinion for discussion at this meeting, and the Board may then resolve to forward the opinion to Mr. DeVoogd for review and at the next meeting the Board should place this item on the agenda for formal action to either grant or deny his appeal. This will give Mr. DeVoogd more time to review and provide his comments before the June Board meeting. The Board agreed.

Mr. VanOverbeke informed the Board that it has the right to discuss this opinion in a closed session, but once it is provided during an open session, the Board cannot invoke the privilege after

the fact. The Board agreed, opting to discuss the opinion in an open session. Mr. VanOverbeke stated that the Board received a large packet from Mr. DeVoogd quite a while ago with regard to a claim that his FAC was not calculated in accordance with the Plan provisions that were applicable to him, and the Board directed an opinion from legal counsel in this respect. An opinion dated May 14, 2012 has been provided for discussion at this meeting. Mr. Monroe expressed concern that the City's match to a member's 457 plan fits the definition of compensation for services rendered under the Ordinance, and should possibly be included in a member's FAC. Mr. VanOverbeke stated that he has reviewed this matter, gave a brief summary of Mr. DeVoogd's claim, and reviewed the legal opinion with the Board which indicates the following conclusion:

*Based on the foregoing, it is the considered opinion of this writer that the calculation of Mr. DeVoogd's FAC should not include lump sum payments at retirement for accumulated sick time or accumulated vacation time as such payments are expressly excluded from FAC under the applicable CBA and the Retirement Ordinance. Furthermore, the exclusion of uniform allowance and City 457 Plan contributions under the Retirement Ordinance is consistent with applicable law and the past practice of the parties. Consequently, Mr. DeVoogd is not entitled to inclusion of such payments and/or contributions in the calculation of his FAC.*

*Finally, it is noted that Mr. DeVoogd's claim for inclusion of four (4) months prorated longevity in his FAC is moot because his prorated longevity payment was properly included in the calculation of his FAC at retirement.*

Mr. Monroe stated that both he and Mr. Rogers will be at a conference at the time of the next Board meeting on June 21<sup>st</sup>, and asked that this item be placed on the July Board agenda rather than the June agenda. The Board agreed to bring this item back to the July Board agenda for further action.

It was **moved** by Crawford and **seconded** by Hastie to receive and file the opinion dated May 14, 2012 from the Board's legal counsel, and provide a copy to Craig DeVoogd for review and action at the July 19, 2012 regular Board meeting.

**Approved**

***At this point in the meeting, Mr. Monroe departed and called in to attend the meeting via conference call, with Mr. Crawford taking over to chair the meeting.***

**D. ACTION ITEMS**

**D-1 Resolution to Approve Funding for Stone Harbor Investment Partners**

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the City of Ann Arbor Employees' 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 Investment Group has advised the Investment Policy Committee to add an Emerging Markets Debt Manager to the portfolio congruent with a new asset allocation policy, funding 2% of the portfolio (approximately \$8 million); and

WHEREAS, the Retirement Board of Trustees approved the hiring of Stone Harbor Investment Partners on March 15, 2012, with contractual negotiations being successfully finalized and executed, and

WHEREAS, Meketa Investment Group has recommended funding Stone Harbor Investment Partners with approximately \$8 million from the following equity portfolios: Russell 1000 (\$4 million), S&P 400 (\$2 million), and Loomis Sayles (\$2 million); so be it

RESOLVED, that Stone Harbor Investment Partners be funded from the Equities portfolio with approximately \$8 million from the following portfolios: Russell 1000 (\$4 million), S&P 400 (\$2 million), and Loomis Sayles (\$2 million).

It was **moved** by Hastie and **seconded** by Heusel to approve the Resolution to Approve Funding for Stone Harbor Investment Partners (\$8 million) as presented.

**Approved**

**D-2 Annual Disability Re-Examinations**

Ms. Walker presented a memorandum which indicates that per the Board’s Policies and Procedures, disability retirees who have not met voluntary retirement age may be recalled for a medical re-examination at least once each year during the first five years after their approved disability retirement, then at least once in every three-year period thereafter. Per the policy amendment approved on July 21, 2011, the Re-Exam policy states:

*The Retirement Board shall review the files of all disability retirees twice a year to determine which retirees must undergo a medical re-examination by the Board’s Medical Director. The files shall be reviewed each May for disability retirements that commenced or had a re-examination in the prior year January through June time frame, and each November for disability retirements that commenced or had a re-examination in the prior year July through December timeframe.*

The following persons would qualify for a medical re-examination per the Board’s policy:

DISABILITY RETIREE	DATE BOARD GRANTED DISABILITY	DATE OF LAST RE-EXAMINATION	EXECUTIVE DIRECTOR’S RECOMMENDATION FOR RE-EXAMINATION
Ingram Davis	December 17, 2009	June 23, 2011	Yes
William Mueller	February 21, 2008	June 27, 2011	Yes

It was **moved** by Heusel and **seconded** by Clark to direct that William Mueller and Ingram Davis be subject to a re-examination this year.

**Approved**

**D-3 Resolution to Hire SKY Harbor Capital Management as the High Yield Bond Manager**

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the City of Ann Arbor Employees’ 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 Investment Group has advised the Investment Policy Committee to add a High Yield Bond Manager to the portfolio congruent with a new asset allocation policy; and

WHEREAS, the Investment Policy Committee interviewed the following three firms for Emerging Market Debt Managers on May 1, 2012: Neuberger Berman, Columbia Management, and SKY Harbor Capital Management; and

WHEREAS, the Investment Policy Committee and Meketa concluded that the SKY Harbor Capital Management provided the best fit for the Retirement System to achieve its portfolio strategic objective in the addition of a High Yield Bond Manager; and

WHEREAS, the Investment Policy Committee and Meketa Investment Group recommend funding the Emerging Market Debt Manager mandate in an amount to be determined after the June 5<sup>th</sup> Manager Forum, so be it

RESOLVED, that SKY Harbor Capital Management be added to the portfolio after successful contractual negotiations with the Board's Legal Counsel and Executive Director for Board approval. Timing of the allocations will be determined in conjunction with the Board and Meketa's recommendation.

It was **moved** by Hastie and **seconded** by Clark to approve the Resolution to Hire SKY Harbor Capital Management as the High Yield Bond Manager as presented.

**Approved**

**E. DISCUSSION ITEMS**

**E-1 Legal Opinion Regarding Effective Temporary Service Purchase / Plan Participation Date on Vesting Rules**

As discussed at the April 19<sup>th</sup> Board meeting, Mr. VanOverbeke was requested to provide a legal opinion regarding this matter. An employee had inquired as to what their vesting time would be (5 or 10 years) after purchasing their temporary time going back to 2009 and being hired as permanent after the new 10-year vesting Ordinance change for those hired after July 1, 2011. The employee's participation date would change, placing them back to the 2009 time period when 5 year vesting was in place.

Mr. VanOverbeke reviewed his legal opinion dated May 14, 2012 entitled, "Temporary Service Credit and Vesting", which concludes that:

*It is clear from the newly revised language of Section 1:565 that the effective date for vesting purposes refers to date that the member is **hired or rehired** with no other further qualification. Further it is clear that the temporary employees' service is considered Service under Section 1:552(39) once it is purchased pursuant to Section 1:561 of the Retirement Ordinance. Accordingly, it is this writer's opinion that those temporary employees who (i) were originally hired or rehired prior the applicable date required to be eligible for 5 year vesting; and (ii) thereafter became permanent employees of the City on or after the effective date for 10 year vesting, shall be eligible for 5 years vesting upon purchase of their temporary service credit pursuant to Section 1:561(h) of the Retirement Ordinance.*

After a brief discussion, the Board agreed with the legal opinion and decided to receive and file the opinion as presented.

It was **moved** by Clark and **seconded** by Rogers to receive and file the legal report as presented

and reviewed by Mr. VanOverbeke.

**Approved**

**E-1a Retirement Eligibility and Temporary Service**

*This item was stricken from the agenda and discussed during the Retiree Health Care Benefit Plan & Trust meeting, being that it relates to retiree healthcare eligibility.*

It was **moved** by Clark and **seconded** by Hastie to remove this item from the agenda and place it on the Retiree Health Care Benefit Plan & Trust regular meeting agenda.

**Approved**

**E-2 Extend Decision Time for Withdrawal of Contributions for Vested-Deferred Employees to 120 Days(?)**

Ms. Walker stated that currently, those employees who are terminating from the City and are not immediately eligible for retirement have 90 days to make a decision on whether or not they wish to withdraw their contributions, and the reason that she has placed this item on the agenda is due to the current dispatcher situation. Ms. Walker stated that this is a large group of employees who will be vested-deferred and many are still unsure of their employment situation, so she is requesting that the Board consider extending their decision time from 90 to 120 days. Mr. VanOverbeke agreed that the time frame is tight, and can see no problem as long as the language is part of Board policy rather than written in the Ordinance. Mr. Hastie asked if it would be a tight situation for dispatchers only, or everyone in general. Ms. Walker believes it is a tight timeframe for everyone. Mr. Crawford stated that this group of employees were informed of the situation with Washtenaw County a long time ago and the decision has been implemented now for months, and he is not opposed to providing flexibility, but is a little leery about changing the precedent or the policy. Mr. Clark stated that some of the employees have been trying to get hired in other positions in the City and aren't even getting interviews which he feels is sad on the City's part because they are qualified and the City is hiring from outside instead, which is very frustrating.

Mr. Monroe added that for many months it appeared unsure as to if the transition was going to take place and he had heard that the union had grievances in place as well. Mr. Hastie asked if it would cause more problems to only allow the extension for a certain group of employees, and Ms. Walker stated that it is possible. Mr. VanOverbeke stated that from a Plan standpoint, it doesn't result in any additional actuarial cost one way or the other, and because there is a rational basis to amend the policy, the Board has the ability to make a change because of the unique circumstances of this situation, and that the deadline could be extended from 90 days to 120 days. The Board agreed.

It was **moved** by Heusel and **seconded** by Monroe to amend the current deferred retirement policy to allow an employee up to 120 days to make an election regarding their retirement contributions.

**Approved**

**MEETING TEMPORARILY ADJOURNED**

It was **moved** by Hastie and **seconded** by Rogers to temporarily adjourn the meeting at 10:16 a.m. in order to conduct business on the Retiree Health Care Benefit Plan & Trust agenda.

**Approved**

**MEETING RECONVENED**

**ROLL CALL**

Members Present: Clark, Crawford, Hastie, Heusel, Rogers  
Members Absent: Flack, Monroe, Nerdrum, Powers

Staff Present: Kluczynski, Walker  
 Others: Michael VanOverbeke, Legal Counsel  
 David Diephuis, City Resident

The meeting was reconvened at 10:33 a.m.

**F. REPORTS**

**F-1 Executive Report – May 17, 2012**

**INVESCO CAPITAL CALL**

INVESCO MORTGAGE RECOVERY LOAN AIV FUND L.P. had a capital call due on 5/7/12. Total Amount of Drawdown: \$11,678,535. **Partner’s allocable share of drawdown: \$155,469.**

**OAKTREE CAPITAL CALL**

The Oaktree PPIP Private Fund, L.P., notified CAAERS that there will be a drawdown of 6.12% of the total committed amount from each Limited Partner due on May 21, 2012. Based on a commitment amount of \$7,144,000.00, **the Retirement System’s share of the drawdown is \$436,967.00.** The remaining capital commitment after this funding will be \$4,341,840.00 or 60.78%.

Oaktree PPIP Private Fund, L.P., notified City of Ann Arbor VEBA that there will be a drawdown of 6.12% of the total committed amount from each Limited Partner due on May 21, 2012. Based on a commitment amount of \$2,573,000.00, **the VEBA’s share of the drawdown is \$157,379.00.** The VEBA’s remaining capital commitment after this funding will be \$1,563,767.00 or 60.78%.

**CITY OF ANN ARBOR AUDIT SERVICES**

The System is evaluating Rehmanns’ audit engagement letter and has asked for some clarification as to the scope of the audit. Staff met with Rehmann principal who had questions about the timing of the availability of the yearend figures. Staff presented Rehmann some examples of statements of the investments that are not mutual funds or commingled funds for which the monthly closing may take a little longer than a daily valued fund. The draft letter will be provided to the board attorney for comment as well. **Update 5-15-2012:** The auditor was unclear on the Audit Committee request for more clarity on the scope of the audit. ED provided some examples from prior audit engagement letters, emphasizing that the board’s intention was to ensure a thorough audit.

**Update 5-14-12**

**BEACH POINT PERFORMANCE**

Beach Point’s April performance report did not reach Northern Trust in time to be included in the April 30, 2012 closing. However, the fund returned .81 % for both the VEBA and Retirement system investments.

**F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended April 30, 2012**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended April 30, 2012 to the Board of Trustees:

4/30/2012 Asset Value (Preliminary)	\$412,619,691
3/31/2012 Asset Value (Audited by Northern)	\$414,877,225
Calendar YTD Increase/Decrease in Assets	\$30,987,172

<i>(excludes non-investment receipts and disbursements)</i>	
Percent Gain <Loss>	7.9%
<b>May 16, 2012 Asset Value</b>	<b>\$401,454,279</b>

**F-3 Investment Policy Committee Minutes – May 1, 2012**

Following are the Investment Policy Committee minutes from the meeting convened at 1:05 p.m. on May 1, 2012:

Member(s) Present: Clark, Flack, Hastie, Monroe, Rogers  
 Member(s) Absent: None  
 Other Trustees Present: None  
 Staff Present: Kluczynski, Walker  
 Others Present: Henry Jaung, Meketa Investment Group

**HIGH YIELD BOND MANAGER INTERVIEWS**

**NEUBERGER BERMAN**

Aisha Haque, Managing Director of Client Services  
 Tom O'Reilly, Managing Director, CFA

**COLUMBIA MANAGEMENT**

Wendy E. Price, Director, Institutional Credit Strategies  
 Matthew Addesa, Region Manager, U.S. Institutional Business Development

**SKY HARBOR CAPITAL MANAGEMENT**

Hannah H. Strasser, CFA, Managing Director/Senior Portfolio Manager  
 David W. Kinsley, CFA, Principal/Senior Portfolio Manager

**DISCUSSION**

*The Committee discussed the three managers, ultimately deciding that SKY Harbor would be the best fit for the Retirement System, and that a hiring recommendation should be made to the Board of Trustees at the May 17<sup>th</sup> regular Board meeting.*

*It was **moved** by Flack and **seconded** by Clark to recommend that the Board of Trustees hire SKY Harbor Capital Management as the new High Yield Bond Manager.*

**Approved**

**ADJOURNMENT**

*It was **moved** by Clark and **seconded** by Flack to adjourn the meeting at 4:12 p.m.*

**Meeting adjourned at 4:12 p.m.**

**F-4 Administrative Policy Committee Minutes – May 8, 2012**

Following are the Administrative Policy Committee minutes from the meeting convened at 3:16 p.m. on May 8, 2012:

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

## **FEEDBACK FORM FOR EXECUTIVE DIRECTOR'S ANNUAL REVIEW**

Mr. Heusel submitted a drafted Executive Director Performance Evaluation form for the Committee's consideration. The Committee reviewed and made minor revisions to the form, which will be distributed to each Trustee to complete and return to the Committee prior to the evaluation. A discussion ensued regarding past Board participation with such evaluations, and Mr. Crawford stated that it has been very difficult to get full participation and feedback from the entire Board of Trustees. Mr. Heusel stated that he feels the Board members should be accountable for contributing in the evaluation and there should be individual assessments. Ms. Walker noted that there are many new Board members who were not involved in past evaluations. After further discussion, it was decided that the members' names should be included when completing the form in order to help solicit entire feedback from everyone, and at least for the current year, only Board members will be asked to participate in the evaluation rather than including outside vendors.

Mr. Heusel stated that he will make the revisions as discussed and send the final form to the Board of Trustees, asking everyone to complete and return the form back to him with a due date of May 30, 2012 so that the APC can discuss the feedback at its June 12<sup>th</sup> meeting and take a recommendation to the full Board at the regular meeting on June 21, 2012.

## **PAYING BUILDING/MAINTENANCE EXPENSES FROM THE VEBA(?)**

Ms. Walker had raised the question as to why there is no staff time and building expenses allocated to VEBA funds, so she placed this item on the pending list a while back. Mr. Crawford stated that it may be helpful to do a high-level assessment of the expenses that are going out before having that discussion, and Mr. Monroe suggested that there may be a legal opinion associated with this issue as well. The Committee decided to discuss this matter at a later date after further information is gathered. Mr. Jeff Rentschler had stated in a phone call with Ms. Walker that he would like to have an opportunity to be heard on this.

## **ADJOURNMENT**

It was ***moved*** by Monroe and ***seconded*** by Heusel to adjourn the meeting at 4:06 p.m.

**Meeting adjourned at 4:06 p.m.**

### **F-5 Audit Committee Minutes – May 8, 2012**

Following are the Audit Committee minutes from the meeting convened at 4:08 p.m. on May 8, 2012:

Committee Members Present:	Crawford (dep. 4:33), Monroe, Nerdrum
Members Absent:	Clark
Other Trustees Present:	None
Staff Present:	Jarskey, Kluczynski, Walker
Others Present:	David Diephuis, City Resident

## **REVIEW OF DRAFTED REHMANN ROBSON ENGAGEMENT LETTER**

Ms. Nerdrum reviewed the engagement letter from Rehmann Robson, the newly-acquired auditors for the City of Ann Arbor, stating that in reading the letter it appears that everything has been included from a content perspective, but feels that it would be nice if their scope of services was better articulated. Ms. Nerdrum suggested that Mr. VanOverbeke be requested to review the document, and Ms. Walker agreed and will forward the letter.

Ms. Walker added that she would like clarification from Rehmann Robson regarding what is expected as far as fees and staff's involvement in preparing the financial statements as well as the City's expected timeline, because the auditor has expressed that they would like the audit to be completed by the end of September 2012. The Committee discussed the timing of the various reports for the upcoming months and determined that further clarification be requested and that the letter be forwarded to Mr. VanOverbeke before consenting to the drafted version of the letter.

### **DISCUSSION OF AUDITOR'S REQUEST FOR READ-ONLY ONLINE ACCESS TO NORTHERN TRUST'S INVESTMENT SYSTEM**

Ms. Walker stated that Rehmann Robson would like read-only access to the System's investment information on The Northern Trust Company's website, and after discussing this with Northern Trust, found out that it is common practice. Ms. Nerdrum suggested that Ms. Walker speak with Mr. VanOverbeke to find out if he has any concerns, but she feels that it shouldn't be a problem as long as they are seeking online investment information only and not retiree or beneficiary information.

### **UPDATE ON BUCK SOFTWARE SYSTEM**

Ms. Walker updated the Committee on the progress of Buck Consultants' software system, stating that they are having problems with loading information, the software has pulled wrong information into calculations, and there have been concerns with one of the programmers working on the system. Ms. Walker stated that she will be speaking with Mr. Langer soon with these concerns, and Ms. Nerdrum suggested that he be requested to provide a list of the remaining final items and when they are going to be completed, and confirmation from him that that is the end date, as well as possibly requesting a different point of contact from the programming side of the project. Ms. Walker agreed.

### **ADJOURNMENT**

**Meeting adjourned at 4:45 p.m.**

#### **F-6 Legal Report- ~~Opinion Regarding Appeal of Craig DeVoogd~~**

The appeal discussion appears after the Consent Agenda above.

Mr. VanOverbeke provided an update on Senate Bill 797, which should appear on the Senate floor by the end of May and will likely be approved before the summer recess, and then back in the House after the summer recess.

Mr. VanOverbeke also discussed the Governor's Economic Vitality Incentive Program (EVIP), which communities use in order to get revenue sharing, with the three platforms: consolidation of services, public visibility, and employee compensation (retirement benefits). This is a one-year law because it is the budget for the next year. Mr. VanOverbeke stated that many public employees have been worried about the new law that mandates a lower multiplier, but basically what the law said was, for an employer to get their 1/3 employee compensation credit, they had to certify that they were working towards moving toward these goals that were set out. This year the Governor has included additional counties that weren't included last year, and he is now going to require that they have *achieved* all of these things rather than only working towards them. There has been a lot of opposition and issues arising, and as a result there is a new piece of legislation amending the law from last year, Public Act 107 of 2012, which went into place on May 1, 2012. Because many communities didn't get the revenue sharing, there is a lot of money in the prior year's budget that was supposed to go out into the cities and townships that half of them could not qualify or decided not to go through, so they reopened the platforms and are now calling it 'grants' that can be applied

for. What they are doing in terms of the employee compensation piece is just a certification that they have met the requirements of Public Act 152 which was a maximum hardcap on healthcare, and they are doing away with the lowering of multipliers, and it is suspected that all of this will be in the budget bill coming up for next year, although it appears that they will still be keeping the new hire restrictions on retirement benefits. Mr. VanOverbeke wanted to make it clear that changing the multipliers should not be appearing in the upcoming budget bill.

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

**G-1 Communications Memorandum**

**G-2 June Planning Calendar**

**G-3 Record of Paid Invoices**

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

	<b>PAYEE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
1	Allstar Alarm, LLC	90.00	3 Months Central Station Monitoring (May-July 2012)
2	DTE Energy	145.10	Monthly Gas Fee dated April 12, 2012
3	DTE Energy	294.22	Monthly Electric Fee dated April 12, 2012
4	Buck Consultants	6,333.33	3 <sup>rd</sup> qtr actuarial services & March hosting fees
5	Fifth Third Bank/Maple Office	338.69	Condo association dues – May 2012
6	Lora Kluczynski	363.98	Petty cash reimbursement
7	AT&T	140.14	Monthly Telephone Service - 3/14/12 - 4/13/12
8	Coverall North America, Inc.	140.00	Office Cleaning Services for May 2012
9	Meketa Investment Group	8,750.00	Investment Consultant Retainer – April 2012
10	Comcast	76.22	Monthly Cable Fee
11	Hasselbring-Clark	31.65	Monthly copier cost per copy
12	AT&T	91.72	Monthly Toll-Free Telephone Service
13	Dollarbill Copying	1,317.22	2012 Employee & Retiree Newsletters
14	City of Ann Arbor Treasurer	9.33	Municipal Code – Annual Internet Fee
15	Bradford & Marzec, Inc.	43,848.87	Investment Mgmt Fee: 1/1/2012-3/31/2012
16	Loomis, Sayles & Company	39,796.60	Investment Mgmt Fee: 1/1/2012-3/31/2012
	<b>TOTAL</b>	<b>101,767.07</b>	

**G-4 Retirement Report**

The following employee(s) have completed their paperwork for retirement:

<b>Name</b>	<b>Type of Retirement</b>	<b>Effective Date</b>	<b>Group</b>	<b>Years of Service</b>	<b>Service Area</b>
Robert Millett	Early/ Age & Service	June 9, 2012	General	23 years, 8.5 months	Public Services/ Field Operations
William (Denny) Zink	Early/ Age & Service	May 26, 2012	General	20 years, 8 months	Public Services/ Field Operations
Patrick Irish	Age & Service	June 16, 2012	General	26 years, 3 months	Public Services/ Water Treatment

I. **ADJOURNMENT**

It was **moved** by Heusel and **seconded** by Clark to adjourn the meeting at 10:54 a.m.  
**Meeting adjourned at 10:54 a.m.**

A handwritten signature in blue ink, appearing to read "Nancy R. Walker".

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

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