

City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
June 16, 2016

The meeting was called to order by Jeremy Flack, Chairperson, at 8:35 a.m.

ROLL CALL

Members Present: Clark, DiGiovanni, Flack, Hastie, Heusel, Lynch (8:38), Monroe, Nerdrum
Members Absent: Crawford
Staff Present: Kluczynski, Walker
Others: Michael VanOverbeke, Legal Counsel (dep. at 9:30)
Frank Judd, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES - May 19, 2016 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Heusel to approve the May 19, 2016 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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Jeffrey Ford	Police	1 year, 1 month	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.

It was **moved** by Nerdrum and **seconded** by Monroe to approve the Consent Agenda as presented.

Approved

D. EXECUTIVE SESSION – Executive Director Performance Evaluation

It was **moved** by Clark, and **seconded** by Nerdrum to convene an Executive Session for the purpose of discussing the Executive Director’s performance evaluation.

Approved

Roll call vote:

Clark - Yes	Flack - Yes	Lynch - Yes
Crawford - Absent	Hastie - Yes	Monroe - Yes
DiGiovanni - Yes	Heusel - Yes	Nerdrum - Yes

Executive session time: 8:38 a.m. – 10:51 a.m.

E. ACTION ITEMS

E-1 Approval of Actuarial Assumptions

Ms. Nerdrum reviewed a document explaining the annual process for determining the economic and demographic assumptions, and an outline of the actuarial parameters. Ms. Walker stated that in speaking with Mr. Langer of Buck Consultants, he has no concerns and sees no reason to make changes to the current assumptions. A discussion ensued regarding the inflation assumption, and a question was raised as to if perhaps this rate should be changed from 3.50%, which seems high, to 2.00% or 2.50%, and whether adjusting down the inflation to that would change any of our gross assumptions that are used in the valuation - a question for the actuary. After a brief discussion, the Board decided to accept the process and agree to the assumptions conditional upon further clarification from Buck Consultants regarding the inflation assumption.

It was **moved** by DiGiovanni and **seconded** by Heusel to accept the process for setting the assumptions and agreeing to the assumptions as set forth in the valuation conditional on the response from Buck Consultants that dropping the inflation assumption from 3.50% to 2.50% doesn’t change any of the gross assumptions.

Approved

F. DISCUSSION ITEMS

F-1 Risk Control Listing

Ms. Walker stated that this document was created to address one of the suggestions from Ennis Knupp's fiduciary audit that was performed in 2009. The document outlines and includes potential System risks and the controls currently in place, and will be submitted to the auditor for review and placed on file with other policies and procedures. The Board made no further suggestions or changes and the document was received and filed.

G. REPORTS

G-1 Executive Report – June 16, 2016

SUMMIT PARTNERS CAPITAL CALLS

Summit Partners Credit Fund II, L.P. has requested a series of capital calls as follows:

Date	Retirement System	VEBA
February 26, 2016	\$985,136	\$246,284
March 7, 2016	\$80,386	\$20,097
March 10, 2016	\$805,479	\$201,370
March 15, 2016	\$38,603	\$9,651
April 4, 2016	\$42,392	\$10,598
April 15, 2016	\$18,892	\$4,723
April 29, 2016	\$(105,311)	\$(37,578)
May 12, 2016	\$351,023	\$87,756
May 27, 2016	\$172,296	\$43,074
June 3, 2016	\$57,173	\$14,293

The general partners have created a bank subscription line to consolidate funding efforts and reduce the frequency of capital calls. As of the most recent capital calls, the investments are 64.2% funded.

DRA DISTRIBUTIONS

DRA made distributions in the amount of \$188,889 and \$55,556 to the Retirement System and the VEBA respectively as return of excess capital on May 20, 2016.

INVESCO CAPITAL CALL

INVESCO requested capital call # 22 on June 15, 2016, for a drawdown of funds to be made in connection with additional funding of portfolio investments. Total Amount of Drawdown: \$6,567,808. Partner's allocable share of drawdown: **\$87,433**.

INTERCONTINENTAL DISTRIBUTION

Intercontinental REIF III will be making a distribution 6-16-2016 to the System, in the amount of \$2,537,321.66, our allocable share of the \$78,000,000 proceeds from the sale of River East.

CITY CONTRIBUTION TO PENSION

The City will make a contribution to the Plan of \$3.555 million as administratively feasible to complete the employer yearly contribution to the Pension Plan. An additional \$700,000 in excess of the ARC is also anticipated to be contributed.

The VEBA year-end employer contribution is still being assessed; as per City staff the retiree health care benefits claims are trending higher this year. Therefore, the employer contribution to

the VEBA, which is the difference between the ARC and paid benefits, will be determined when health care claims are finalized.

DRA DISTRIBUTIONS

On June 16, 2016 DRA Growth and Income Fund VIII will distribute **\$470,963** for the Retirement System and **\$138,519** for the VEBA as return of capital.

STAFF

The IT project to consolidate the historical earnings and contribution data from various databases and systems prior to Buck is continuing.

ED is invited to a meeting July 14th with the Human Resources Director and outside consultant to discuss new pension plan designs.

James Dominguez, our custodial Investment Relationship Manager, is no longer with Northern Trust, as he is taking a new role with another Chicago-based asset management firm. Northern will be advising as to his replacement as soon as a decision is made.

Buck has supplied the valuation data request for the 2016/17 valuations.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended May 31, 2016

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended May 31, 2016 to the Board of Trustees:

5/31/2016 Asset Value (Preliminary)	\$455,170,109
4/30/2016 Asset Value (Audited by Northern)	\$455,817,992
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$11,860,888
Percent Gain <Loss>	2.6%
June 15, 2016 Asset Value	\$ 450,479,497

G-3 Investment Policy Committee Minutes – June 7, 2016

Following are the Investment Policy Committee minutes from the meeting convened at 3:11 p.m. on June 7, 2016:

Member(s) Present: Clark, DiGiovanni, Flack (via tx), Hastie, Monroe
Member(s) Absent: None
Other Trustees Present: None
Staff Present: Jarskey, Kluczynski, Walker
Others Present: Henry Jaung, Meketa Investment Group
Alli Wallace, Meketa Investment Group
Val/Molly/Tim, Meketa Investment Group (via tx)

Mr. Jaung introduced Ms. Wallace, who is a Principal at Meketa Investment Group, and Ms. Wallace provided a brief history of her eight years at Meketa.

CONFERENCE CALL WITH MEKETA PRIVATE EQUITY SPECIALISTS

Members from Meketa Investment Group's private equity group were present via telephone to discuss the private equity review, specifically, RPM Venture Capital and Renaissance Venture Capital.

RENAISSANCE PRESENTATION **Chris Rizik, Chief Executive Officer**

Mr. Rizik presented on behalf of Renaissance Venture Capital, a local Ann Arbor venture capital firm. After Mr. Rizik departed, the Committee briefly discussed the presentation and decided to do further research in this area before making any recommendations to the Board of Trustees.

DRA GROWTH & INCOME FUND

The Committee discussed DRA's Growth & Income Funds, and decided to request that they attend the August 2nd IPC meeting for an update on Fund 8's performance and to discuss the upcoming Fund 9.

APRIL 30, 2016 INTERIM INVESTMENT PERFORMANCE REVIEW

Ms. Wallace presented the Investment Performance Review for the quarter ended April 30, 2016. As of April 30, 2016, the Fund was at \$456.8 million, which is a \$2.8 million increase year to date. All investments are currently in compliance with PA 314.

NEXT MEETING

The Committee decided to cancel the July 5th IPC meeting due to the July 4th holiday, and will meet again on August 2, 2016. Mr. Jaung stated that he will not be available to attend in August, but Ms. Wallace will be at that meeting.

ADJOURNMENT

It was **moved** by Clark and **seconded** by DiGiovanni to adjourn the meeting at 5:46 p.m.
Meeting adjourned at 5:46 p.m.

G-4 Administrative Policy Committee Minutes – June 14, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 3:11 p.m. on June 14, 2016:

Committee Members Present:	Heusel (via tx), Lynch, Monroe
Members Absent:	Crawford
Other Trustees Present:	None
Staff Present:	Kluczynski, Walker
Others Present:	None

REVIEW OF EXECUTIVE DIRECTOR PERFORMANCE EVALUATION FORMS

Mr. Monroe stated that he has received all of the evaluation surveys minus one from Mr. Crawford, who has expressed that due to his recent absence from the Board during his role as

interim City Administrator over the last few months, he feels that it would not be appropriate to submit an evaluation. Mr. Monroe asked Ms. Walker if she would rather discuss the results under a closed session, and she stated that she would. Ms. Kluczynski departed the meeting subsequent to the following motion:

It was **moved** by Heusel and **seconded** by Lynch to move to a closed session for the purposes of discussing the results of the Executive Director Performance Evaluations.

Approved Closed session: 3:18 – 4:10 p.m.

It was noted that the Board will conduct Ms. Walker's annual performance evaluations at the June 16th Board meeting, and the Committee will discuss goal-setting at its next meeting on July 12th.

FIDUCIARY AUDIT RECOMMENDATIONS & CONSIDERATIONS

This item was postponed until July due to time constraints.

ADJOURNMENT

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

Meeting adjourned at 4:12 p.m.

G-5 Audit Committee Minutes – June 14, 2016

Following are the Audit Committee minutes from the meeting convened at 4:17 p.m. on June 14, 2016:

Committee Members Present:	Clark, Monroe, Nerdrum
Members Absent:	Crawford
Other Trustees Present:	None
Staff Present:	Jarskey, Kluczynski, Walker
Others Present:	None

REHMANN FY 2016 ENGAGEMENT LETTER FOR RETIREMENT SYSTEM & VEBA

The Committee reviewed the proposed Engagement Letter from Rehmann Robson for the fiscal year ending June 30, 2016. After a brief discussion, the Committee decided to receive, file, and execute the letter to be returned to Rehmann Robson.

It was **moved** by Monroe and **seconded** by Clark to receive, file, and execute the Engagement Letter as presented.

Approved

REVIEW OF DRAFTED RFP FOR ACTUARIAL SERVICES

Ms. Walker presented the drafted RFP for Actuarial Services, scheduled to be issued on July 1, 2016. During review, Ms. Nerdrum suggested that 30 days may be a more appropriate timeframe rather than 45, and Ms. Walker stated that she would adjust the issue date to July 15 with a due date of August 15. Ms. Nerdrum suggested various minor revisions and additions to the RFP, and Ms. Walker stated that she would make the revisions and bring the final draft back to the Committee at its next meeting on July 12th for final review. Ms. Nerdrum requested that Ms. Walker also include a listing of which outlets the RFP will be distributed to on July 15th.

ACTUARIAL VALUATION ASSUMPTIONS

Ms. Walker reviewed her memo to the Committee which assessed the current selection of actuarial assumptions and parameters, with the current investment rate of return being 7%. Ms. Nerdrum asked if Ms. Walker has spoken with Mr. Langer of Buck Consultants regarding his thoughts on the current assumptions, and Ms. Walker stated that he had last discussed his thoughts at the recent Board Retreat. Ms. Nerdrum suggested that he be contacted regarding this memo before it is taken to the June Board meeting for approval, in case he has further suggestions or concerns, noting that she has no concerns regarding the current rates. Ms. Walker stated that she would attempt to contact him prior to the June Board meeting.

RISK CONTROL MATRIX

Ms. Walker reviewed the Risk Control Matrix, which comes from the APC's Fiduciary Audit Recommendation Checklist, and includes potential System risks and the controls currently in place. Ms. Nerdrum suggested adding an additional item regarding the Fiduciary Policy Statement, and the Committee agreed. Ms. Walker stated that this item is scheduled for approval at the upcoming Board meeting on June 16th, and will be revised prior to the meeting.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Clark to adjourn the meeting at 5:14 p.m.
Meeting adjourned at 5:14 p.m.

G-6 Legal Report – “Recent Legal Issues & Decisions”

Mr. Judd presented his firm's document that was recently provided at the Spring MAPERS Conference regarding recent legal issues and decisions relating to pension cases in Michigan.

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 July Planning Calendar

H-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	36.30	Monthly Gas Fee dated May 12, 2016
2	DTE Energy	145.35	Monthly Electric Fee dated May 12, 2016
3	AT&T	402.08	Monthly telephone service
4	Staples Advantage	138.64	Miscellaneous Office supplies
5	City of Ann Arbor Treasurer	933.10	ITSU Service Charge (K. Spade) for April 2016
6	Buck Consultants	1,583.33	Monthly hosting fees for April 2016
7	Hasselbring-Clark Co.	46.37	Monthly copier cost per copy – April 2016
8	Comcast	89.49	Monthly Cable Fee
9	West Arbor Office Center Condo Assoc.	247.75	Balance of remaining Association Dues
10	Culligan of Ann Arbor/Detroit	7.00	Water service – May 2016
11	Meketa Investment Group	10,000.00	Investment consulting services for April 2016
12	Hasselbring-Clark Co.	45.60	Monthly copier cost per copy - March 2016
13	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for May 2016
14	Sheraton Ann Arbor	4,453.00	Annual Retiree Educational Seminar – May 26, 2016

15	Kolossos Printing, Inc.	86.25	Programs for May 26 th Education Seminar
16	Notary Service and Bonding Agency, Inc	64.95	Kluczynski Notary Renewal
17	Meketa Investment Group	10,000.00	Investment consulting services for May 2016
18	Comcast	99.08	Monthly Cable Fee
19	Culligan of Ann Arbor/Detroit	7.00	Water service – June 2016
20	City of Ann Arbor Treasurer	599.85	ITSU Service Charge (K. Spade) for May 2016
21	David Monroe	734.76	Reimbursement for 2016 Spring MAPERS Conference
TOTAL		29,894.90	

H-4 Retirement Report

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

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Craig Flocken	Age & Service	July 17, 2016	Police	26 years, 4 months	Safety Services Police Department
Robert Vogel	Age & Service	June 29, 2016	Fire	25 years, 7 months	Safety Services Fire Department

H-5 Analysis of Page Views on City Intranet / Retirement System Page

H-6 Rehmann Robson Engagement Letter for FY 6/30/2016

I. TRUSTEE COMMENTS / SUGGESTIONS - None

J. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Heusel to adjourn the meeting at 11:21 a.m.
Meeting adjourned at 11:21 a.m.



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