

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
April 18, 2019**

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The meeting was called to order by Tom Crawford, at 8:39 a.m.

ROLL CALL

Members Present: Crawford, DiGiovanni, Hastie, Lynch, Monroe (*Via TX*), Peariso (*8:55 a.m. arrival*), Schreier
Members Absent: Flack, Nerdrum
Staff Present: Gustafson, Hollabaugh, Hammond, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Jason Ashline, ICMA-RC
Kevin Monds, ICMA-RC

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B March 22, 2019 Regular Board Meeting

It was **moved** by DiGiovanni and **seconded** by Schreier to approve the March 22, 2019 Regular Board Meeting minutes.

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
Craig Anderson	Public Services	11 Years, 6 Months	Lenawee County
Jennifer Babycz	15 th District Court	4 Years, 6 Months	State of Michigan
Rebecca Elder	15 th District Court	8 Years	Calhoun 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 Hastie and **seconded** by Schreier to approve the consent agenda as presented.

Approved

D. ACTIONS ITEMS

D-1 Proposed FY 2019-2020 Expenditure Budget

Ms. Orcutt presented and reviewed the proposed expenditure budget for Fiscal Year 2019-2020.

It was **moved** by DiGiovanni and **seconded** by Schreier to approve the 2019-20 Expenditure Budget as presented.

Approved

E. DISCUSSION ITEMS

E-1 ICMA-RC Funds Review

Kevin Monds, ICMA-RC Portfolio Manager, was present to review the 401(a) and 457 (b) Fund Lineup, Investment Objective, and the Manager Due Diligence and Monitoring Process.

E-2 ICMA-RC Trends and Education Overview

Jason Ashline was present from ICMA-RC to provide 401(a) and 457(b) plan trends and education overview. The Board also discussed the Administrative Allowance. Mr. Ashline clarified the source of the administrative allowance and informed the Board that this could be used towards participant education, consultants, and other allowable plan expenses.

E-3 Discussion on 2019 Initiatives (DC plan, Actuarial Analysis/Discount Rate Discussion, Tactical Asset Allocation)

Mr. Hastie and Ms. Orcutt presented a list of goals to be completed this year and requested the Board discuss and prioritize which items to complete and whether to delegate certain items to Committees. The Board decided the following:

- Not to hire a consultant for Due Diligence Review of the 457 Plan at this time
- Devote more education/training regarding the 401(a) Plan – Discuss at APC Meeting
- Investment Consultant RFP or RFI – Discuss timing at IPC Meeting

E-4 Committee Agendas on City Calendar/Legistar

This item as postponed due to time constraints.

E-5 Retiree Change Form Verification Process

This item as postponed due to time constraints.

F. REPORTS

F-1 Executive Report – April 18, 2019

SUMMIT PARTNERS

Summit Partners issued a distribution from the Credit Fund II on 3/27/19 in the amount of **\$161,364** to the Retirement System and **\$40,341** to the VEBA consisting of net investment gains and recallable capital.

Summit Partners Credit Fund II, L.P. requested a capital call of 2.6% of our commitment to the Funds in the amount of **\$238,894** for the Retirement Plan and **\$59,724** for the VEBA on 4/15/19 which represents a recall of distributions. With these installments, **CAAERS** will have funded 123.6 % of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.

INVESCO DISTRIBUTION

The Retirement System received INVESCO Mortgage Recovery Loans AIV, L.P. distribution on 3/29/19 in the amount of **\$ 279,354** for return of capital.

DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund VIII on 4/3/19 in the amount of **\$19,856** for the Retirement System and **\$5,840** for the VEBA for return of capital.

CONSTITUTION CAPITAL PARTNERS

Ironsides Direct Investment Fund V, L.P. issued a distribution in the amount of **\$206,078** for the Retirement System and **\$68,692** for VEBA on 3/27/2019. This was net of partnership expenses.

ACTUARY UPDATE

GRS is in the process of replicating the valuation results from Findley targeting the May Audit Committee meeting for discussion.

STAFF OPERATIONS/MISCELLANEOUS

The Pension Analyst conducted 7 pre-sessions and processed 15 estimates.

The employee newsletter was mailed out on April 5, 2019.

The Retirement Office will be closing at 12:00 on Good Friday, April 19.

The Annual Retiree Luncheon will be held on May 30th, please contact Laura to RSVP

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended March 31, 2019

Corbin Hammond, Accountant submitted the Financial Report for the month ended March 31, 2019 to the Board of Trustees:

3/31/2019 Asset Value (Preliminary)	\$503,428,390
2/28/2019 Asset Value (Audited by Northern)	\$501,341,261
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$34,716,371
Percent Gain <Loss>	7.3%
April 18, 2019 Asset Value	\$511,412,185

F-3 Investment Policy Committee Minutes – None

F-4 Administrative Policy Committee Minutes – April 9, 2019

Following are the Administrative Policy Committee minutes from the meeting convened at 3:11 p.m. on April 9, 2019:

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

REVISED GOVERNANCE POLICY DRAFT

The Committee reviewed the revised Governance Policy and made some revisions. The Committee will continue to review and revise this draft at the next meeting.

TRUSTEE ATTENDANCE

Ms. Orcutt reviewed the 2018 Board Attendance with the Committee. The Committee agreed this was a good tool to track Board Attendance.

SELF-DIRECTED BROKERAGE UPDATE

Ms. Orcutt updated the committee on the closure of the self-directed brokerage account. Human Resources notified Union Leaders on March 22, 2019, of the change and there have been no responses. The APC feels it has an obligation to notify employees of this change and would like to proceed with the notice. Ms. Orcutt will communicate this with Human Resources.

ADJOURNMENT

It was **moved** by Lynch and **seconded** by Peariso to adjourn the meeting at 4:25 p.m.
Meeting adjourned at 4:25 p.m.

APC Project Tracking Table		
Description	Originated	Status
Revised Governance Policy	7/24/18	Pending
Discussion on Benefit Multiplier Associated with Employee Group Change	November 2017	Pending
Revision to Death Policy	September 2017	Pending
Attendance Policy	2014	Pending
Fiduciary Audit Recommendations & Considerations (Ennis Knupp report) - Continue to discuss priorities and next steps on implementation	October 2009	Placed back on pending list on 8-9-2016

F-5 Audit Committee Minutes – None

F-6 Legal Report

Mr. VanOverbeke informed the Board that he will be participating with a Committee to discuss PA 202 Reporting. The Committee will be meeting in the near future to discuss possible amendments to PA 202 Reporting and will keep the Board updated.

Mr. VanOverbeke also updated the Board regarding the TreeHouse Foods, Inc. Shareholder Derivative Action. Robins Geller has recommended that the Board file a shareholder derivative action on behalf of TreeHouse Foods Inc. against its former top executives. The Board decided to further discuss at the next Board meeting before making a decision.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 May 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	DTE Energy	\$111.84	Gas 2/12/19 - 3/11/19
2	DTE Energy	\$169.28	Electric 2/12/19 - 3/11/19
3	Staples	\$159.83	Miscellaneous Office Supplies
4	DiBella's Subs	\$185.45	Board Retreat Lunch

5	Applied Imaging	\$39.72	Printer Services 2/1/19 - 2/28/19
6	Buck Global, LLC	\$1,583.33	Monthly Hosting Fee February 2019
7	Afternoon Delight	\$167.10	Retiree Luncheon Breakfast March 2019
8	AT&T	\$466.79	Feb-March 2019 Phone Services
9	Aventric Technologies	\$126.00	Heart AED Replacement Kit - Battery 2 Pack
10	Corbin Hammond	\$356.60	GFOA Conference Flight Reimbursement
11	MAPERS	\$375.00	Spring 2019 MAPERS Registration: Dan Gustafson
12	Joe Peariso	\$27.84	MAPERS 1-Day Seminar 3/1/19 Travel Reimbursement
13	Applied Imaging	\$75.35	3/1/19-3/31/19
14	Governemnt Finance Officers Assoc.	\$160.00	Membership Renewal 7/1/19-6/30/2020
15	Buck Global, LLC	\$1,583.33	March Hosting Fee
16	Dollar Bill Copying	\$2,233.82	Annual Newsletter Print/Mail
17	Culligan	\$39.99	Water Service 4/1/19-4/30/19
18	Meketa Investments	\$10,000.00	Investment Consulting Services March 2019
19	Midwest Maintenance	\$175.00	March 2019 Cleaning Services
Total		\$18,036.27	

G-4 Retirement Report

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Henry Estrada	Early Age & Service	April 21, 2019	General	22 years, 2 months	Public Services
Michael Lamsa	Age & Service	April 27, 2019	General	25 years, 4 months	Public Services

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

G-6 2019 Board Retreat Notes

Board Members Present: Crawford, DiGiovanni, Flack (12:00 p.m. arrival), Hastie, Lynch, Monroe, Nerdrum, Peariso, Schreier

Board Members Absent: None

Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt

Others: Henry Jaung - Meketa Investment Group
Keith Beaudoin – Meketa Investment Group
John Harris – Meketa Investment Group
Michael VanOverbeke - VanOverbeke, Michaud & Timmony, P.C.

*Jim Anderson – Gabriel, Roeder, Smith & Co. (a.m.)
Rich Koch – Gabriel, Roeder, Smith & Co. (a.m.)
Francois Pieterse – Gabriel, Roeder, Smith & Co. (a.m.)*

The Board Retreat convened at 8:44 a.m.

REGULAR BUSINESS

The Board began the Retreat with a brief Board Meeting for the month of March.

ACTUARIAL PRESENTATION

Jim Anderson, Rich Koch & Francois Pieterse, Gabriel, Roeder, Smith & Co.

Mr. Anderson introduced the team and discussed the Pension work plan for the Fiscal Year. Data has been received from Findley and they will begin by running parallel valuations. The results would be presented in May to the Audit Committee.

An overview of the sustainability checklist was reviewed with the Board. A discussion ensued regarding the items on the checklist and the ratings used. The Board discussed further informing the Actuary of some changes they would make to the checklist. Overall, the Board found the checklist useful.

PLAN INVESTMENT REVIEW

Henry Jaung, Keith Beaudoin & John Harris, Meketa Investments

As of February 28, 2019, the balance of the Retirement System Fund was \$501,812,502. The balance of the Retiree Health Care Benefit Plan & Trust fund was \$175,310,863. Mr. Jaung also reviewed the PA 314 Compliance, stating that everything is currently in compliance.

Mr. Jaung discussed Asset Allocation informing the Board that these decisions influence investment results more than any other action and that it is important to review periodically. Mr. Jaung reviewed the Retirement System and VEBA's current policies and considered several alternative policies.

After reviewing the alternative policies, the Board discussed risk and changing the current target ranges. Meketa will determine the process, procedures and timing for taking action during risk and present to IPC. Ultimately, it was decided to discuss this matter further with the IPC and to recommend a new target range at the June Board meeting.

DC PLAN OVERSIGHT

Wendy Orcutt, Executive Director & Brock Hastie, Trustee

Mr. Hastie and Ms. Orcutt provided an overview of the DC Plan, breaking down the Administrative Allowance. Mr. VanOverbeke informed the Board that the Administrative Allowance usage must be separated between the 401 and the 457.

Participant education, Investment Line-Up and Due Diligence study were also reviewed. Discussion ensued regarding whether or not a consultant should be hired. Mr. Ashline from ICMA-RC will be at the April Board meeting to present a plan review and update.

LEGAL FORUM/TOPICS

Michael VanOverbeke, VanOverbeke, Michaud & Timmony, P.C.

Mr. VanOverbeke reviewed the Board's Governance Policies informing the Board of some updates. The Board briefly discussed the policies, agreeing to make updates as needed. Staff will be revising the draft and APC will review.

**RETREAT/OVERVIEW, FINAL COMMENTS, AND
OUTLOOK FOR THE COMING YEAR**

The Board discussed the overview of the Retreat, noting the following items for the coming year:

*Actuary: Stochastic Modeling
Investment Manager: Providing a breakdown of the investment managers and a construction of the portfolio to better educate new trustees.
DC Plan: Resolve open items as discussed in the 401/457 presentation at Retreat.*


The Board Retreat was adjourned at 3:20 p.m.

H. TRUSTEE COMMENTS / SUGGESTIONS

Mr. Crawford informed the Board that the City has begun the RFP Process and has received response from five companies.

I. ADJOURNMENT

It was **moved** by Schreier and **seconded** by Hastie to adjourn the meeting at 11:27 a.m.
Meeting adjourned at 11:27 a.m.



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