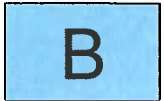


**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
October 17, 2019**



The meeting was called to order by Board Secretary, Dave Monroe, at 9:42 a.m.

ROLL CALL

Members Present: DiGiovanni, Lynch, Monroe, Peariso, Schreier
Members Absent: Crawford, Flack, Hastie, Nerdrum
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Jim Anderson, GRS (*depart at 9:47 a.m.*)
Rich Koch, GRS (*depart at 9:47 a.m.*)
Francois Pieterse, GRS (*depart at 9:47 a.m.*)

The meeting was called to order at 9:42 a.m. due to the lack of a quorum. The Board acknowledges the presentation by Jim Anderson, Rich Koch and Francois Pieterse from GRS of the materials prepared regarding the actuarial valuation prior to the start of today's meeting.

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 September 19, 2019 Regular Board Meeting

It was **moved** by Peariso and **seconded** by Schreier to approve the September 19, 2019 Regular Board Meeting minutes.
Approved

C. CONSENT AGENDA

C-1 GASB Disclosure 67/68

Ms. Orcutt informed the Board that the GASB Disclosure 67/68 has been received and reviewed by the Audit Committee. The disclosure has been received and filed.

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

D. ACTIONS ITEMS

D-1 Letter of Recommendation to Reappoint Brock Hastie as Citizen Trustee

It was **moved** by Peariso and **seconded** by Schreier to approve the letter of recommendation to reappoint Brock Hastie as Citizen Trustee for the term January 1, 2020 – December 31, 2022, and that the letter be forwarded to the Mayor's Office for consideration.

Approved

D-2 Letter of Recommendation to Reappoint Julie Lynch as Citizen Trustee

It was **moved** by Peariso and **seconded** by Schreier to approve the letter of recommendation to reappoint Julie Lynch as Citizen Trustee for the term January 1, 2020 – December 31, 2022, and that the letter be forwarded to the Mayor's Office for consideration.

Approved

D-3 PRESENTATION: FYE June 30, 2019 Actuarial Valuation

Mr. Anderson, Mr. Koch and Mr. Pieterse from GRS were present to review the drafted Actuarial Valuation for fiscal year ending June 30, 2019. GRS discussed current events and other items impacting public sector pensions such as increased life expectancy and the related costs. In summary, the following language was included in the presentation:

Highlights:

- Funded Ratio: 85.44%
- Rate of Return: 6.07%
- Amortization Period: 22 Years

Looking Ahead:

- Contribution rates should trend toward the long-term cost (normal cost) of the benefits over time
 - Rate will decrease more quickly toward new hire accrual rate for General, less so for Police or Fire
 - Experience gains/losses will always serve to deviate contributions from pure normal cost
- Asset smoothing helps reduce the volatility of the employer contributions
 - The funding value of assets is 100.1% of market value
 - Remaining phase-in of past market gains/losses from previous valuations
- Ann Arbor has prudent funding policy
 - Use of level dollar amortization rare among open public sector defined benefit plans

It was **moved** by DiGiovanni and **seconded** by Peariso to acknowledge the receipt of the presentation and materials and to accept the drafted Actuarial Valuation, directing that a copy of the report be forwarded to the Employer.

Approved

D-4 Revised Member Handbook

The Board briefly reviewed the final draft of the handbook. Mr. Monroe made minor revisions to the draft.

It was **moved** by Schreier and **seconded** by Peariso to approve the drafted handbook as revised.

Approved

E. DISCUSSION ITEMS

E-1 MAPERS Conference Re-Cap from Attendees

Ms. Orcutt and Mr. Gustafson briefly reviewed the Fall MAPERS Conference, highlighting topics from various sessions.

F. REPORTS

F-1 Executive Report – October 17, 2019

CONSTITUTION CAPITAL PARTNERS

*Ironsides Direct Investment Fund V, L.P. requested a capital call in the amount of \$ **662,622** for the Retirement System and \$ **220,874** to fund current investments and cover management fees and expenses on 9/30/19.*

DRA DISTRIBUTIONS

*DRA issued a distribution of callable capital from the Growth and Income Fund IX on 9/30/19 in the amount of \$**78,009** for the Retirement System and \$**22,944** for VEBA.*

CARLYLE CAPITAL CALLS

*Carlyle requested a capital call of our commitment to the Carlyle Realty Fund VIII in the amount of \$ **298,275** for the Retirement Plan and \$ **74,569** for the VEBA on 10/9/19 for the purpose of investment funding as well as management fees and expenses.*

SUMMIT PARTNERS CAPITAL CALLS

*Summit Partners Credit Fund II, L.P. requested a capital call of 1.3 % of our commitment to the Funds in the amount of \$**118,169** for the Retirement Plan and \$**29,542** for the VEBA on 10/1/19. With these installments, **CAAERS** will have funded 135 % of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.*

*Summit Partners Credit Fund III, L.P. requested a capital call of 8.3 % of our commitment to the Funds in the amount of \$**749,762** for the Retirement Plan and \$**208,267** for the VEBA on 10/15/19. With these installments, **CAAERS** will have funded 42.9 % of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.*

SUMMIT PARTNERS DISTRIBUTIONS

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$167,408** for the Retirement Plan and **\$41,852** for the VEBA on 9/27/19.

ANNUAL BOARD ELECTIONS / APPOINTMENTS

Citizen Trustees Brock Hastie and Julie Lynch have agreed to renew their terms on the Board. The current term expires on December 31, 2019. A letter of recommendation to the Mayor's Office in order to have them reappointed will be sent in October.

ACTUARY UPDATE

The Pension Valuation was reviewed at Audit Committee on October 9th, 2019. The revised draft will be presented at the October Board meeting for approval. HR submitted the final piece of the OPEB data on October 1. GRS will deliver a draft of the valuation by November 4th to be reviewed at the November 7th Audit Committee meeting.

AUDIT UPDATE

Yeo & Yeo delivered a draft of the Financial Statements on October 7 which Staff is in the process of reviewing. Final drafts will be reviewed at the Audit Committee meeting on November 7, 2019.

STAFF OPERATIONS/UPDATE

The Pension Analyst conducted 1 pre-session and processed 11 estimates.

ED will be out of the office 10/28/19 - 11/1/19.

F-2 Executive Report – ICMA-RC Update

Education – Upcoming Schedule:

October 28: 9 am to 3 pm: Individual Consultations. City Hall 5th Floor Conference Room (Rola)

October 29: 9 am to 3 pm: Individual Consultations. Wheeler Service Ctr, Conf, Room B (Rola)

October 29: 8:30 am to 3:30 pm. Pre-Retirement/Retiree Individual Consultations (Nancy Lange, CFP). City Hall. 3rd Floor Conference Room (**meetings with the CFP are reserved for those employees near retirement and who have complex financial planning concerns that go beyond the 457 plan**)

October 29: Noon to 1pm. **Group Presentation titled “Get To Know Your 457 Plan”** Council Chambers, 2nd Floor (Nancy Lange, CFP).

October 30: 8:30 am to 3:30 pm. Pre-Retirement/Retiree Individual Consultations (Nancy Lange, CFP). City Hall,

October 30: Noon to 1pm. **Group Presentation titled “Control What You Can, Investing Do’s and Don’ts”** Council Chambers, 2nd Floor (Nancy Lange, CFP)

Items from the September Board Meeting:

1. Question regarding the “active but not contributing” in the 457 plan - ED requested a roster of these employees from ICMA-RC. Staff researched employment status on each to find only 16 of the 65 listed are active employees. The remainder are retired or terminated. This list will be provided to HR who will update the records.
2. Jason Ashline is working with HR/Payroll to double check the accuracy of the average participant contribution amount/deferral percentage for both the 401 and 457. Once complete, an updated Plan Health Monitor will be shared with the Board.
3. Discussion about flat dollar amount versus percentage contributions – ED asked that Nancy Lange stress the importance of % of pay in the 457 Group Presentation on the 29th and that it is mentioned during individual consultations as well.
4. Possible standalone education sessions on the 401(a) plan – requested several standard ICMA 401(a) PowerPoint presentations from Jason Ashline. Their graphics team can customize these with information specific to our plan. Once completed the thought is to email these to the Dual Plan participants in conjunction with the updated Handbook and a survey gauging interest in educational sessions, time preference/availability, etc.
5. Education Plan for 2020 – Per Jason, the suggested topics were taken from our experience on site in 2019, and also based off of the survey conducted in early 2018 with plan participants. Also, Staff will begin sending surveys to participants who meet with Rola/Nancy to gain feedback on their experience and interest in future educational topics.
6. Discussion around further measures needed to increase 457 participation in light of no match and a growing 401a plan. ED selected **Get To Know Your 457 Plan** for one of the Group Sessions in October. Increased 457 Contributions/Participation is an ongoing initiative.

Balances @ 10/10/19:

457 - \$ 95,450,094

401 - \$ 1,022,384

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended September 30, 2019

Maria Buffone, Accountant, submitted the Financial Report for the month ended September 30, 2019 to the Board of Trustees:

9/30/2019 Asset Value (Preliminary)	\$518,439,444
8/31/2019 Asset Value (Audited by Northern)	\$517,187,784
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$55,838,286
Percent Gain <Loss>	11.7%
October 17, 2019 Asset Value	\$516,683,659

F-4 Investment Policy Committee Minutes – None

F-5 Administrative Policy Committee Minutes – None

F-6 Audit Committee Minutes – October 9, 2019

Following are the Audit Committee minutes from the meeting convened at 4:07 p.m. on October 9, 2019:

Committee Members Present: Crawford, Monroe, Nerdrum
Members Absent: None

Other Trustees Present: None
Staff Present: Buffone, Hollabaugh, Orcutt
Others Present: Jim Anderson, GRS (via TX)
Rich Koch, GRS (via TX)

REVIEW GASB 67/68 & GASB 74/75

The Committee reviewed the GASB 67/68 & 74/75 with Jim Anderson and Rich Koch from GRS. There was a brief discussion regarding the increase in the total OPEB liability, which is due in large part to assumption changes as a result of the most recent experience study from 2018.

It was **moved** by Crawford and **seconded** by Monroe to accept the GASB 67/68 & GASB 74/75 for June 30, 2019 as discussed and recommend receipt and file of the reports at the October 17, 2019 regular Board Meeting.

Approved

REVIEW DRAFT OF RS ACTUARIAL VALUATION FOR FYE JUNE 30, 2019

The Committee reviewed the Actuarial Valuation for the Retirement System with Jim Anderson and Rich Koch from GRS. The Committee noted some minor edits and changes to graphs. Jim Anderson noted the Boards used of level dollar amortization versus level percentage of pay. GRS will update and have the final drafts prepared for the October Board Meeting.

DISCUSSION ON INACTIVE MEMBERS (TERMINATED VESTED)

This item was postponed due to time constraints.

STATUS UPDATE ON JUNE 30, 2019 VEBA VALUATION

GRS informed the committee that the VEBA Valuation will be delivered by November 4th for the Audit Committee to review.

DISCUSS NOVEMBER AVAILABILITY

The Committee reviewed schedules and decided on meeting Thursday, November 7 at 3:00 p.m. The Committee will review the VEBA Valuation at this time.

ADJOURNMENT

It was ***moved*** by Crawford and ***seconded*** by Monroe to adjourn the meeting at 5:16 p.m.

Meeting adjourned at 5:16 p.m.

F-7 Legal Report

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 November 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	\$312.38	Electric 8/13/19-9/12/19
2	Buck	\$1,583.33	8/2019 Hosting Fee
3	Maria Buffone	\$84.95	Notary Fee
4	Applied Imaging	\$33.33	Printing Service 8/2019
5	Print-Tech	\$155.36	M. Buffone Business Cards & Name Plate
6	Michigan Urgent Care	\$35.00	M. Buffone New Hire Drug Screen
7	Pro Screening	\$19.00	M. Buffone New Hire Driving Record Screen
8	Laura Hollabaugh	\$235.74	Petty Cash Reimbursement
9	Wendy Orcutt	\$100.69	Office Equipment Reimbursement: Vacuum (Target)
10	Hexavest	\$22,383.41	Q3 Management Fee 7/1/19-9/30/19
11	Culligan	\$27.49	Office Water Supply 10/2019
12	Daniel Gustafson	\$411.66	MAPERS Fall Kalamazoo 9/2019 Reimbursement
13	Jeremy Flack	\$762.89	MAPERS Fall Kalamazoo 9/2019 Reimbursement
14	Midwest Maintenance	\$175.00	9/2019 Office Cleaning Service
15	Meketa Investment Group	\$10,000.00	9/2019 Investment Consulting Services
16	IFEBP	\$1,465.00	2020 Board Membership Renewal
17	Arbor Inspection Services	\$280.00	Annual Backflow Testing 8/2019
19	Arbor Inspection Services	\$250.00	Annual Fire Sprinkler Inspection 9/2019
20	City of Ann Arbor Treasury	\$819.72	Kyle Spade Pension Transmittal July -Sept 2019
21	AT&T	\$509.11	Phone Service 8/26/19-9/25/19
22	Wendy Orcutt	\$441.74	MAPERS Fall Kalamazoo 9/2019 Reimbursement
	Total	\$40,085.80	

G-4 Retirement Report

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Karen Lancaster	Age & Service	October 26, 2019	General	23 years, 9 months	Financial & Administrative
Carla Baumann	Deferred Age & Service	December 22, 2019	General	16 years, 6 months	Public Services

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

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Schreier and **seconded** by Peariso to adjourn the meeting at 10:09 a.m.
Meeting adjourned at 10:09 a.m.



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