

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
April 21, 2016**

The meeting was called to order by Jeremy Flack, Chairperson, at 8:50 a.m.

**ROLL CALL**

Members Present: Clark, DiGiovanni, Flack, Hastie, Lynch, Monroe  
Members Absent: Crawford, Heusel, Nerdrum  
Staff Present: Kluczynski, Walker  
Others: Michael VanOverbeke, Legal Counsel

**AUDIENCE COMMENTS - None**

**A. APPROVAL OF REVISED AGENDA**

Additional and revised items to the agenda included the following:

- D-2 David Bodnar – Vesting Schedule
- D-3 Alternative Investments – Och Ziff

It was **moved** by Clark and **seconded** by Monroe to approve the agenda as revised.

**Approved**

**B. APPROVAL OF MINUTES - March 17, 2016 Regular Board Meeting**

It was **moved** by DiGiovanni and **seconded** by Lynch to approve the March 17, 2016 Regular Board Meeting minutes as submitted.

**Approved**

**C. CONSENT AGENDA - None**

**D. ACTION ITEMS**

**D-1 Proposed 2016/2017 Expenditure Budget**

Ms. Walker reviewed the proposed expenditure budget for fiscal year 2016/2017. Being no changes or suggestions by the Board, a motion was made to approve the budget as presented.

It was **moved** by Hastie and **seconded** by DiGiovanni to approve the Expenditure Budget as presented.

**Approved**

**D-2 David Bodnar – Vesting Schedule**

Mr. VanOverbeke presented a legal opinion regarding David Bodnar, and after discussion and review, the Board agreed to forward the memo to the H.R. Director. Below is an excerpt of the conclusion paragraph:

*"In light of the foregoing, and based upon his hire date of September 26, 2011, it is the considered opinion of this writer that Mr. Bodnar is subject to the provisions of the AFSCME CBA ratified on August 29, 2011. As indicated above, the Board does not have the authority to change to provisions of the AFSCME CBA applicable to Mr. Bodnar. Rather, the terms and conditions of Mr. Bodnar's employment by the City are a labor issue outside the scope of the Board's authority."*

It was **moved** by DiGiovanni and **seconded** by Clark to acknowledge receipt of the legal opinion as presented and discussed, and direct that a copy be forwarded to the appropriate City representatives.

**Approved**

**D-3 Alternative Investment Discussion Regarding Och-Ziff**

Mr. DiGiovanni asked that this item be placed on the agenda for discussion due to a recent news article regarding Och-Ziff, one of the System's current investment managers. The Board briefly discussed this issue, ultimately deciding that it should be further discussed with the System's investment consultant at the next Investment Policy Committee meeting on May 3<sup>rd</sup>.

**E. DISCUSSION ITEMS - None**

**F. REPORTS**

**F-1 Executive Report – April 21, 2016**

**SUMMIT PARTNERS CAPITAL CALLS**

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

<b>Date</b>	<b>Retirement System</b>	<b>VEBA</b>
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

With these installments, CAAERS will have funded 57.4% of our total commitments of \$9,200,000 for the Retirement Plan, and \$2,300,000 for the VEBA. After discussion with Meketa, these calls were funded from cash and the NTQI Barclays Aggregate Bond Index Fund.

**DRA FUND VIII DRAWDOWN OF REMAINING COMMITMENTS**

After drawing down all of our remaining capital commitment last month, DRA refunded **\$598,148** for the Retirement System and **\$175,926** on April 6<sup>th</sup>, due to excess capital requested in conjunction with the Inland REIT acquisition. The amounts shown above now represent the outstanding capital commitments remaining to this manager.

**NORTHERN TRUST EMERGING MARKET INDEX FUND**

The Northern Trust investment in Emerging Markets Index Funds has been funded using investment grade bond funds as the source, pending the Vontobel distribution.

**VONTOBEL DISTRIBUTION**

About 90% of the redemption funds have been received as of 4-12-2016 (**\$7,867,559.48** for the RS and **\$2,888,190.87** for the VEBA). The balance is expected 4-14-2016. These monies will be invested in the IR&M TIPS portfolio as soon as possible.

## STAFF

A new training session is set up for April 28 at City Hall for hands-on ESS instruction. Also, on May 2, 2016 staff will be participating in a study regarding On-Base, the City's on line document storage and retention system, to evaluate the current functionality and discuss possible improvements. On-Base stores our retiree files, employee contribution and other financial work papers, and Board meeting documentation.

### **F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended March 31, 2016**

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

3/31/2016 Asset Value (Preliminary)	\$453,476,318
2/29/2016 Asset Value (Audited by Northern)	\$436,837,621
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$5,306,465
Percent Gain <Loss>	1.2%
<b>April 20, 2016 Asset Value</b>	<b>\$466,025,339</b>

### **F-3 Investment Policy Committee Minutes – April 5, 2016**

Following are the Investment Policy Committee minutes from the meeting convened at 3:14 p.m. on April 5, 2016:

*Member(s) Present:* Clark, Flack (via tx @ 3:38), Hastie, Monroe (dep @ 5:35)  
*Member(s) Absent:* DiGiovanni  
*Other Trustees Present:* None  
*Staff Present:* Jarskey, Kluczynski, Walker  
*Others Present:* Henry Jaung, Meketa Investment Group

#### **FEBRUARY 29, 2016 INTERIM INVESTMENT REVIEW**

*Mr. Jaung presented the Interim Investment Review for February 29, 2016. As of February 29, 2016, the Fund was at \$436.3 million. Mr. Jaung also provided a brief investment performance review*

#### **NORTHERN TRUST CASH MANAGEMENT TOOLS**

*The Committee discussed the need for a more formal process for handling cash management transactions, capital calls, and benefit payments. Mr. Jaung reviewed the current procedure which involves identifying the necessary amounts and timing, reviewing the asset allocations, the momentum, short and intermediate return of each asset class, and then Meketa ultimately makes a recommendation to the Retirement Office. If the transaction is beyond the typical benefit payments, the IPC Chair is also advised, and some transactions may require a Committee vote. After discussion, the Committee agreed to request Mr. Jaung to draft a proposal outlining an official process to use going forward. Mr. Jaung stated he would possibly have the draft for review at the next IPC meeting on May 3rd.*

#### **RPM VENTURES PRESENTATION & OVERVIEW** **Marc Weiser, Tony Grover, & Adam Boyden, Managing Directors**

*RPM Ventures attended the meeting to provide information to the Committee regarding their Fund III Investment, as well as the performance history of their Fund I and Fund II Investments.*

After their departure, Mr. Jaung suggested that other firms be looked at before making a decision at this time.

### **TIPS OPPORTUNITY**

Mr. Jaung discussed recent TIPS performance, and suggested that the Committee consider investing, perhaps starting lower and increasing over the next six months to a year. After discussion, the Committee agreed to fund 2% into Intermediate TIPS using the cash from the Vontobel liquidation, and made the following motion:

It was **moved** by Monroe and **seconded** by Clark to invest with Intermediate TIPS at 2% of the portfolio with cash from the recent Vontobel liquidation, allocating approximately \$9 million for the Retirement System and approximately \$3 million for the VEBA Trust.

**Approved**

### **ADJOURNMENT**

It was **moved** by Clark and **seconded** by Flack to adjourn the meeting at 5:56 p.m.

**Meeting adjourned at 5:56 p.m.**

**F-4 Administrative Policy Committee Minutes – No Report**

**F-5 Audit Committee Minutes – No Report**

**F-6 Legal Report – “House Bill No. 5438, Public Employee Retirement Benefit Calculation Act”**

Mr. VanOverbeke reviewed the following memo discussing proposed House Bill N. 5438 for the Board’s information:

*House Bill No. 5438 (“HB 5438”) was introduced by Representative Pat Somerville on March 9, 2016. HB 5438 proposes the enactment of a new law to be known as the “public employee retirement benefit calculation act” which would prescribe the compensation utilized to calculate pension benefits for employees of certain public employers. As it currently reads, HB 5438 would limit the compensation used to calculate pension benefits under defined benefit plans maintained by the political subdivisions of the state. Specifically, under HB 5438, only base pay would be permitted to be considered in computing final average compensation for purposes of calculating the pension benefits payable under a municipality’s defined benefit plan. HB 5438 defines base pay as follows:*

*(a) “Base pay” means the remuneration paid to an employee on account of the employee’s service. Base pay does not include any of the following:*

- (i) Payment for overtime services.*
- (ii) Remuneration paid instead of accumulated sick leave.*
- (iii) Remuneration received as a bonus.*
- (iv) Payment for accrued vacation pay.*
- (v) One-time lump-sum payments.*
- (vi) The cost of fringe benefits, including, but not limited to, a medical benefit plan. As used in this subparagraph, “medical benefit plan” means that term as defined in section 2 of the publicly funded health insurance contribution act, 2011 PA 152, MCL 15.562.*
- (vii) Remuneration paid for the specific purpose of increasing the final average compensation.*

*HB 5438, if enacted as proposed, would take effect on January 1, 2017. Existing collective bargaining agreements in effect as of January 1, 2017, would not be affected by the provisions set forth in HB 5438. However, collective bargaining agreements ratified on or after January 1, 2017 would be subject to the provisions of HB 5438.*

**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:

	<b>PAYEE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
1	DTE Energy	104.30	Monthly Gas Fee dated March 14, 2016
2	DTE Energy	142.28	Monthly Electric Fee dated March 14, 2016
3	AT&T	414.45	Monthly telephone service
4	Meketa Investment Group	10,000.00	Investment Consultant Retainer - March 2016
5	Hasselbring-Clark Co.	45.47	Monthly copier cost per copy
6	Comcast	89.49	Monthly Cable Fee
7	Robertson Morrison, Inc.	220.00	Routine Service Agreement – Quarterly Billing
8	Culligan of Ann Arbor/Detroit	7.00	Water service – April 2016
	<b>TOTAL</b>	<b>11,022.99</b>	

**G-4 Retirement Report**

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

<b>Name</b>	<b>Type of Retirement</b>	<b>Effective Date</b>	<b>Group</b>	<b>Years of Service</b>	<b>Service Area</b>
Christopher Fitzpatrick	Age & Service	April 28, 2016	Police	28 years, 7 months	Safety Services Police Department
Gregory Bazick	Age & Service	April 30, 2016	Police	25 years	Safety Services Police Department
Willie Higgs	Age & Service	April 30, 2016	General	28 years, 1 month <i>(which includes 23 years &amp; 6 months reciprocal credit)</i>	Public Services Field Operations
John McGinnis	Age & Service	May 12, 2016	General	42 years, 10 months <i>(which includes 30 years &amp; 2 months reciprocal credit)</i>	Public Services Wastewater Treatment
Paul Curtis	Age & Service	May 14, 2016	Police	25 years	Safety Services Police Department
Deloras Painter	Age & Service	June 4, 2016	General	12 years, 2 months	Public Services Wastewater Treatment

**G-5 Correspondence from Fisher Investments Re: New Chief Executive Officer**

**G-6 Analysis of Page Views on City Intranet / Retirement System Page**

**G-7 Correspondence from Meketa Re: Expansion of Employee Ownership Team**

**H. TRUSTEE COMMENTS / SUGGESTIONS - None**

**I. ADJOURNMENT**

It was **moved** by Monroe and **seconded** by Clark to adjourn the meeting at 9:57 a.m.

**Meeting adjourned at 9:57 a.m.**

A handwritten signature in cursive script that reads "Nancy R. Walker".

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