

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
August 19, 2015**

B

The meeting was called to order by Jeremy Flack, Chairperson, at 8:39 a.m.

**ROLL CALL**

Members Present: Clark, Crawford, DiGiovanni, Flack, Hastie, Heusel, Lynch, Monroe, Nerdrum  
Members Absent: None  
Staff Present: Kluczynski, Walker  
Others: Larry Langer, Buck Consultants (8:39-9:36)  
Sharie Sell, Human Resources (8:39-9:36)

Ms. Walker introduced the two new Citizen Trustees to the Board, Julie Lynch and Tony DiGiovanni.

**AUDIENCE COMMENTS – None**

**A. APPROVAL OF REVISED AGENDA**

Since distribution of the original agenda packet, Mr. Langer had forwarded a letter as part of his presentation which has been added (Item D), and Ms. Walker submitted a revised Executive Report (Item H-1).

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

**Approved**

**B. APPROVAL OF MINUTES – July 16, 2015**

It was **moved** by Crawford and **seconded** by Nerdrum to approve the July 16, 2015 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
Jefferson Robinson	Police	9 months	University of Michigan

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 Heusel and **seconded** by Crawford to approve the Consent Agenda as submitted.

**Approved**

**D. PRESENTATION – Larry Langer, Buck Consultants**

Mr. Langer was present to address concerns submitted to him in a letter dated June 18, 2015 from the Board of Trustees regarding issues and the need for clarification of his funding presentation at this year's Board Retreat. The Board requested that he be present for further clarification.

**E. EXECUTIVE SESSION – Disability Re-Examination, & Executive Director Annual Evaluation**

It was **moved** by Clark and **seconded** by Crawford to convene an Executive Session for the purpose of discussing the disability re-examination medical report for Ralonda Robinson, as well as the Executive Director's annual evaluation.

**Approved**

*Roll call vote:*

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

*Disability Re-Exam session time: 9:36 a.m. – 9:59 a.m.*

*E.D. Evaluation session time: 9:59 – 10:44 a.m.*

**F. ACTION ITEMS**

**F-1 Motion Regarding Disability Re-Examination**

It was **moved** by Hastie and **seconded** by Heusel that the Board acknowledges receipt of the medical report dated July 28, 2015 from Carla Guggenheim, D.O., F.A.C.P., with regards to the independent medical re-evaluation of Ralonda Robinson, noting that the doctor has concluded that she remains totally and permanently incapacitated for duty in the service of the City, and that such incapacity will probably be permanent; the Board therefore grants the continuation of her disability retirement consistent with the Board's Disability Retirement Procedures, and that Ms. Robinson be requested to continue with the annual medical re-examinations per the Board's Policy.

**Approved**

## **F-2 Motion Regarding Executive Director Annual Evaluation**

It was **moved** by Monroe and **seconded** by Crawford to grant Ms. Walker a 2.75% pay adjustment consistent with City policy retroactive to July 1, 2015.

**Approved**

### **G. DISCUSSION ITEMS - None**

### **H. REPORTS**

#### **H-1 Executive Report – August 19, 2015**

##### **INTERCONTINENTAL REIF III DISTRIBUTION**

A distribution from the Intercontinental Real Estate Fund (REIF) III of **\$2,537,357.66**, representing CAAERS pro rata share of a total of \$80,000,000, derived from the sale of two properties, was received July 23, 2015.

##### **DRA GROWTH AND INCOME CAPITAL CALLS**

Capital calls were funded on July 30 for the acquisition of several new properties, and to pay down the Fund's credit facility for existing properties, in the amount of **\$818,519**, for the Retirement System's pro-rata share, and in the amount of **\$240,741**, for the **VEBA's** pro-rata share of the total capital call of \$130,000,000. After this capital call the remaining Commitment to the Fund is \$5,860,931 for the Retirement System and \$1,723,803 for the VEBA.

##### **INVESCO CAPITAL CALL**

INVESCO Mortgage Recovery Loans AIV, L.P. - Capital Call #20 was made on July 24, 2015 in connection with additional funding of portfolio investments. The total amount of the Drawdown: \$7,375,726. Retirement System's allocable share of drawdown: **\$98,189**.

##### **INVESCO DISTRIBUTIONS**

INVESCO Mortgage Recovery Loans AIV, L.P. made a distribution on Wednesday, July 29, 2015, totaling \$46,933,028, comprised of \$34,118,404 of return of capital and \$12,814,624 of realized gains. Retirement System's allocable share of distribution: **\$624,791**.

##### **IRONSIDES COINVESTMENT FUND III**

A capital call in the amount of **\$520,149.13** was issued for August 10, 2015 for Constitution Capital Partners Ironsides Co-Investment Fund III.

##### **SUMMIT PARTNERS CREDIT FUND**

On August 17, 2015, **\$248,400** was returned to the Retirement System and **\$62,100** to the VEBA from Summit Partners Credit Fund II, L.P. (the "Fund"). With this return, we will have funded twenty-six and nine-tenths percent (26.9%) of your total commitment to Summit Partners Credit Fund II, L.P. The capital was called in anticipation of closing on a specific investment, which has been put on hold.

##### **ACTUARIAL VALUATION PROGRESS**

For the pension census files, the new hire, termination, lump sums and allowance files, as well as the inactive retired and deferred retiree files have been completed and sent to Buck well in

advance of the scheduled date of July 31<sup>st</sup>. Buck submitted requests for clarification, and fluctuation analysis which are being completed by staff.

Submission dates:

- Data Request file with the new retirees and deferred members - July 7<sup>th</sup>
- Allowances and Lump Sum report - July 7<sup>th</sup>
- Termination Data - July 9<sup>th</sup>
- New Hire Report - July 9<sup>th</sup>
- Active Annual and Hourly Rates - July 13<sup>th</sup>
- Active Pay and Contribution Report - July 14<sup>th</sup>

The Retiree Health care census files and claims data were received by Kelly Beck, Benefits Manager at the City, August 12; however she stated she experienced trouble opening the files. As of 8-17- 2015 Kelly indicated all VEBA census information has been provided.

The accounting reports for FYE 2015 for the City have all been submitted on or before the due dates.

### STAFF ACTIVITY

Staff has conducted one Retirement System Employee Self-Service presentation/training sessions, August 13, and scheduled another September 10, in early a.m., for Wheeler field operations staff at their facility. Initial sign up for the August 10<sup>th</sup> session was only 2 people, but there were additional walk-ins.

The RFP for legal services was issued on August 3 with a due date of September 8, 2015. The RFP was posted on the System's website, on the MAPERS website, advertised as a legal notice on the Michigan bar website, and on the MLive website under legal notices. No responses have been received yet.

#### **H-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended July 31, 2015**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended July 31, 2015 to the Board of Trustees:

7/31/2015 Asset Value (Preliminary)	\$470,046,511
6/30/2015 Asset Value (Audited by Northern)	\$474,330,128
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$8,304,473
Percent Gain <Loss>	1.8%
<b>August 18, 2015 Asset Value</b>	<b>\$ 473,967,604</b>

#### **H-3 Investment Policy Committee Minutes – August 4, 2015 (Hastie)**

Following are the Investment Policy Committee minutes from the meeting convened at 3:05 p.m. on August 4, 2015:

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

### **JUNE 30, 2015 QUARTERLY INVESTMENT REVIEW**

As of June 30, 2015, the Retirement System was valued at \$474.1 million, a decrease of \$1.4 million for the fiscal year.

- During the fiscal year, the Retirement System reported net cash outflows of approximately \$19.1 million.

The Retirement System returned -0.1% for the second quarter, and 3.6% for the fiscal year, net of fees.

- The Retirement System's second quarter return was driven by mixed performance among the asset classes.
- Equities posted negative performance for the quarter, excluding international emerging markets. Both domestic and international developed equities returned -0.1% for the quarter. International emerging markets posted gains of 0.7%.
- High yield bond assets achieved the highest return within fixed income (+0.7%), followed by bank loans (+0.6%). Investment grade bonds, TIPS, and emerging market debt all declined for the quarter, posting returns of -1.0%, -0.2%, and -0.6%, respectively.
- Real estate performance was positive at 2.4%, while hedge funds declined 0.5%.

At the end of June, the Retirement System was within all of its asset allocation target ranges.

### DISCUSSION REGARDING RECENT FOIA

The Committee discussed a recent FOIA request for information pertaining to investment manager performance; Ms. Walker stated that these requests are becoming more frequent and often require significant staff time. The Committee, along with Meketa, decided that going forward staff will include additional performance detail from Meketa's quarterly reports on the System's website in order to make the information more accessible to the public.

### IPC PROJECT TRACKING

Due to time constraints, this item was postponed until the October IPC meeting.

### ADJOURNMENT

It was **moved** by Flack and **seconded** by Clark to adjourn the meeting at 4:47 p.m.  
**Meeting adjourned at 4:47 p.m.**

<i>IPC Project Tracking Table</i>		
<i>Description</i>	<i>Originated</i>	<i>Status</i>
<i>Board's Preliminary Financial Report: Add benchmark info on reports – stock market index</i>		<i>Pending</i>
<i>Custom Benchmarks</i>		<i>Pending</i>

#### **H-4 Administrative Policy Committee Minutes – August 11, 2015 (Monroe)**

Following are the Administrative Policy Committee minutes from the meeting convened at 1:46 p.m. on August 11, 2015:

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

**EXECUTIVE DIRECTOR EVALUATION PREPARATION**

The Committee convened a closed session to discuss Ms. Walker's annual evaluation (1:49-2:28 p.m.). It was decided that a formal evaluation will be conducted with the full Board of Trustees at the August 19<sup>th</sup> regular meeting.

**FAC RECALCULATION POLICY**

The Committee continued their discussion regarding the revised FAC Recalculation Policy. After discussion regarding the proposed language and the various case-by-case scenarios, Mr. Monroe stated that he still is not comfortable with the language as presented, and believes a brief discussion with the Board of Trustees may be necessary. Due to time constraints, the Committee decided to postpone further discussion until the September APC meeting.

**APC PROJECT TRACKING**

Due to time constraints, the project tracking table was postponed until the September APC meeting.

**ADJOURNMENT**

It was **moved** by Heusel and **seconded** by Crawford to adjourn the meeting at 3:00 p.m.  
**Meeting adjourned at 3:00 p.m.**

<b>APC Project Tracking Table</b>		
<b>Description</b>	<b>Originated</b>	<b>Status</b>
Attendance Policy		Pending
Fiduciary Audit Recommendations & Considerations (Ennis Knupp report) - Continue to discuss priorities and next steps on implementation		Pending
Issue with Worker's Compensation & Pension Payment Integration for a Disability Retiree	12/9/2014	Pending

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

**H-6 Legal Report – No Report**

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

**I-1 Communications Memorandum**

**I-2 September Planning Calendar**

**I-3 Record of Paid Invoices**

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

	PAYEE	AMOUNT	DESCRIPTION
1	Hasselbring-Clark Co.	132.34	Monthly copier cost per copy – May & June 2015
2	Arbor Inspection Services, LLC	235.00	Annual fire sprinkler/alarm inspection
3	Fall MAPERS Registrations	825.00	Clark, Walker, Kluczynski
4	Fisher Investments	62,965.03	Investment mgmt. fees: 4/30/2015 - 6/30/2015
5	DTE Energy	12.04	Monthly Gas Fee dated
6	DTE Energy	256.11	Monthly Electric Fee dated
7	AT&T	382.34	Monthly telephone service
8	Loomis, Sayles & Company	46,403.10	Investment manager fees for 4/1/2015-6/30/2015
9	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – August-October 2015
10	B Green and Clean	140.00	Office cleaning services for October 2015
11	Staples Advantage	84.06	Miscellaneous Office supplies
	<b>TOTAL</b>	<b>111,525.02</b>	

I-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
Wendy Rampson-Gage	Age & Service	September 5, 2015	General	31 years, 3 months	Community Services Planning & Development

J. TRUSTEE COMMENTS

Mr. Monroe informed Ms. Lynch and Mr. DiGiovanni of the Fall MAPERS Conference in September, suggesting that they let staff know if they wish to attend in order to arrange registrations.

K. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Hastie to adjourn the meeting at 11:17 a.m.  
Meeting adjourned at 11:17 a.m.



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