

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
December 17, 2020**

B

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

ROLL CALL

Members Present: DiGiovanni(*Via TX, Ann Arbor, MI*), Flack(*Via TX, Wood County, OH*), Hastie(*via TX, Ann Arbor, MI*), Horning(*Via TX, Tawas City, MI*), Lynch(*Via TX, Whitmore Lake, MI*), Monroe(*8:40 a.m. arrival, Via TX, Ann Arbor, MI*), Nerdrum (*Via TX, Ann Arbor, MI*), Peariso(*Via TX, Ann Arbor, MI*), Schreier(*Via TX, Ann Arbor, MI*)

Members Absent: None

Staff Present: Buffone(*via TX*), Gustafson(*via TX*), Hollabaugh(*Via TX*), Orcutt(*via TX*)

Others: Michael VanOverbeke, Legal Counsel(*via TX*)

Ray Fortin, ICMA(*via TX*)

Dan Stewart, ICMA(*via TX, 9:17 depart*)

Gina John, ICMA(*via TX, 9:17 depart*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B-1 November 19, 2020 Regular Board Meeting

It was **moved** by Peariso and **seconded** by Nerdrum to approve the November 19, 2020 Regular Board Meeting minutes.

Approved

C. CONSENT AGENDA – None.

D. ACTION ITEMS

D-1 Summary Annual Report for Fiscal Year End 6/30/2020

Ms. Orcutt presented the Summary Annual Report for the fiscal year ended June 30, 2020. The Board reviewed and approved as submitted.

It was **moved** by Hastie and **seconded** by Schreier to approve the Summary Annual Report for Fiscal Year End 6/30/2020.

Approved

D-2 Member Interest Credits for Calendar Year 2021

GRS submitted a letter regarding the member interest credits, indication that the computed rate of return for the fiscal year ending June 30, 2020 is 7.6%. Therefore, 1.85% regular interest should be credited to member accounts for the quarter ending March 31, 2021 and each of the remaining three quarters in calendar year 2021.

It was **moved** by Nerdrum and **seconded** by Peariso to approve Member Interest Credits for Calendar Year 2021.

Approved

E. DISCUSSION ITEMS

E-1 ICMA-RC Investment Review

Ray Fortin, Dan Stewart and Gina John from ICMA-RC were present to provide a Quarterly Plan Review including an education overview through mid-year. Mr. Hastie requested additional data regarding the investment performance.

E-2 2021 Board Retreat

The Board discussed possible topics for the 2021 Board Retreat and decided to meet virtually for a half day. The Board will discuss possible dates at the January Board meeting.

F. REPORTS

F-1 Executive Report – December 17, 2020

SUMMIT PARTNERS CAPITAL CALLS

*Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$58,085** for the Retirement Plan and **\$14,521** for the VEBA on 12/18/20. With these installments, **CAAERS** will have funded 137.88% of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.*

ARBORETUM CAPITAL CALLS

*Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$560,000** for the Retirement Plan and **\$140,000** for VEBA on 12/3/20 to fund investments. With these installments, **CAAERS** will have funded 23.5 % of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.*

BLACKROCK CAPITAL CALLS

*BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$528,831** for the Retirement Plan and **\$198,311** for the VEBA on 12/14/20. Total commitments to this fund are \$8,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.*

DRA CAPITAL CALLS

*DRA requested a capital call of our commitment to the Growth and Income Fund IX in the amount of **\$ 134,835** for the Retirement Plan and **\$ 39,657** for the VEBA on 12/21/20 for the purpose of funding current commitments.*

*DRA requested a capital call of our commitment to the Growth and Income Fund X in the amount of **\$ 195,789** for the Retirement Plan and **\$ 130,526** for the VEBA on 12/22/20 for the purpose of funding current commitments.*

ACTUARY/AUDIT

Following approval at the November 19 Board meeting, the valuations and the financial statements were sent to the City and posted on the Retirement system website.

BUCK CONVERSION

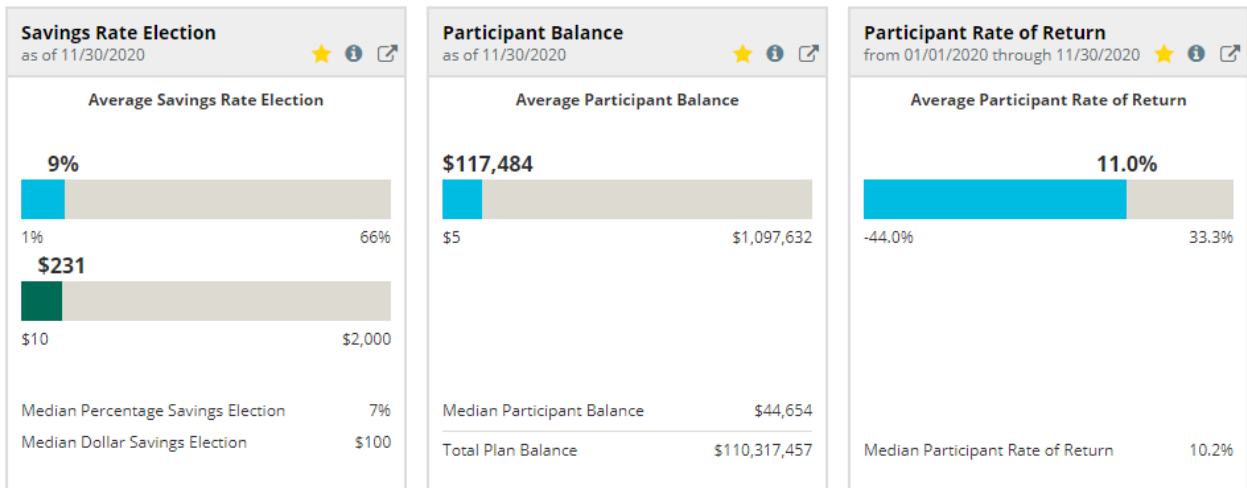
On November 23 ED and Dan met with a fellow retirement system in Michigan that is having the same issues with Buck. It was very helpful to hear about their experience. Based on our conversation it was decided that we should move forward into a production environment and continue to test the Admin site and ESS calculator prior to rolling out to employees. On December 1 the team met with Buck and gave the green light to move data to the production site. Staff will test when available.

STAFF OPERATIONS/UPDATE

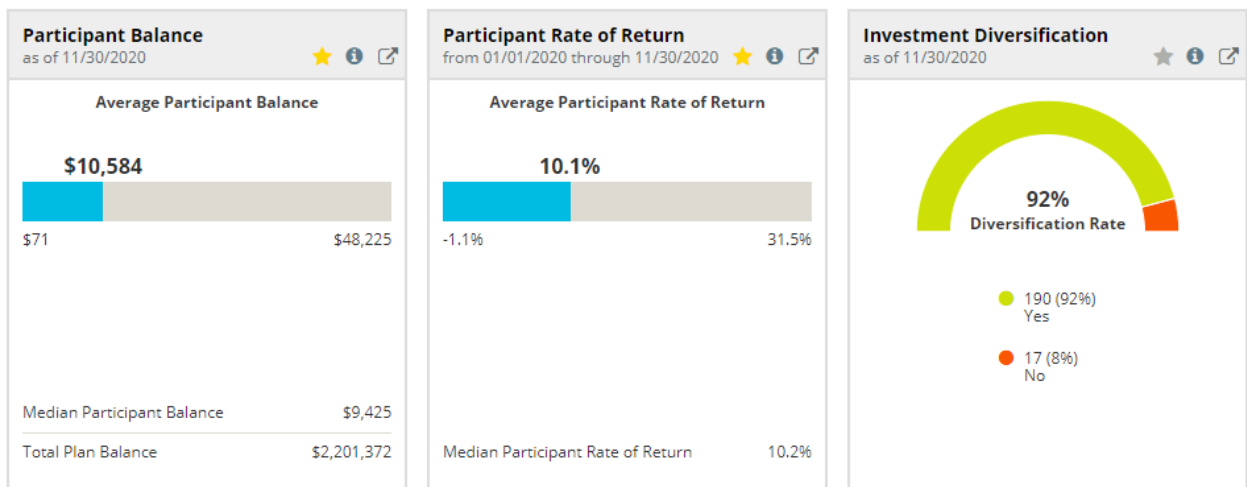
The Pension Analyst processed 24 Estimates, 4 non vested calculations, 4 deceased calculations, 2 payouts and 4 pre-sessions. As referenced above he is also in the midst of testing the new Buck site.

F-2 Executive Report – ICMA-RC Update

457 Balance at 12/9/20 = \$ 112,217,999 – Statistics as of 11/30/20



401 Balance at 12/9/20 = \$ 2,286,803 – Statistics as of 11/30/20



Current Items/Education:

- Gina John will be conducting virtual appointments with employees on December 14/15
- Data Cleanup – ED noted 5 employees with a separated from service status that are still active employees in the 401. ICMA-RC is updating the records.
- Staff is teaming with HR/Payroll to improve the Pre-Retirement and Age 50 Catch Up processes in order to avoid employees exceeding contribution limits.

Other Items:

COVID-19 – To date, 13 employees have requested a CRD from the 457 Plan totaling \$315,000.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended November 30, 2020

Maria Buffone, Accountant, submitted the Financial Report for the month ended November 30, 2020 to the Board of Trustees:

11/30/2020 Asset Value (Preliminary)	\$562,783,194
10/31/2020 Asset Value (Audited by Northern)	\$535,401,813
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$48,072,527
Percent Gain <Loss>	9.0%
December 16, 2020 Asset Value	\$573,882,729

F-4 Investment Policy Committee Minutes – December 9, 2020

Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on December 9, 2020:

- Member(s) Present: DiGiovanni(via TX, Ann Arbor, MI), Hastie(via TX, Ann Arbor, MI, 4:04 p.m. depart), Horning(via TX, Whitney Twp., MI), Monroe(via TX, Green Oak Twp., MI)
- Member(s) Absent: Flack
- Other Trustees Present: None
- Staff Present: Buffone(via TX), Gustafson(via TX), Hollabaugh(via TX), Orcutt(via TX)
- Others Present: Henry Jaung(via TX), Meketa Investment Group
Keith Beaudoin(via TX), Meketa Investment Group
John Harris(via Tx), Meketa Investment Group
David Hetzer(via Tx), Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF OCTOBER 31, 2020

Mr. Jaung provided economic and market updates of October 31, 2020. The economic impact has disrupted supply chains, labor force and has declined business and consumer sentiment. The global economy faces major recessionary pressure this year, but optimism remains for improvements in 2021, as economies are expected to gradually reopen despite the spike in virus cases. Meketa will continue to monitor the situation and communicate frequently.

EXECUTIVE SUMMARY

The third quarter was strong, leaving the ERS and VEBA returning 5.5% and 5.6%, respectively, both funds experienced modest negative results in October returning -0.8% and -0.9%.

TSE CAPITAL REDEMPTION

Tse Capital finished strong returning 5.1% in October. Tse expects to distribute 95% of the December 31st value in early January 2021. The remaining 5% will be distributed late in the first quarter of 2021 following the final audit to be conducted by E&Y. Based on benefit payment projections and other cash flow needs, Meketa recommended that the proceeds remain in cash.

CASH FOR BENEFIT PAYMENTS

Mr. Beaudoin informed the Committee that after January 2021 benefit payments, ERS is estimated to have less than \$1 million in cash. To ensure the System has adequate liquidity to meet any required disbursements, Meketa recommended redeeming \$2 million from the NT Barclay's Aggregate Index Fund for cash.

It was **moved** by Horning and **seconded** by DiGiovanni to raise \$2 million from the NT Barclay Aggregate Index Fund for Cash for benefit payments.

Approved

HEXAVEST TRANSITION TO NT EAFE

The transition from Hexavest to NT EAFE Index Fund was completed in two pieces, 11/24 and 12/1. The first tranche was for \$16 million and the second was for \$660K.

INTERNATIONAL EQUITY MANAGER SEARCH

Meketa presented three international equity managers for the Committee to review, Altrinsic Global Advisors, Aristotle Capital Management, and Artisan Partners. The Committee reviewed each managers information and decided to have Altrinsic and Artisan present their strategies at the January IPC meeting.

RETIREMENT SYSTEM

Act 314 Compliance Review: Mr. Jaung reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

August 31, 2020 Investment Review: As of October 31, 2020, the balance of the Funds was \$534,597,486 for ERS. Fiscal Year to Date performance was 4.5% for ERS net of fees.

VEBA

Act 314 Compliance Review: Mr. Jaung reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

August 31, 2020 Investment Review: As of October 31, 2020, the balance of the Funds was \$203,244,425 for VEBA. Fiscal Year to Date performance was 4.7% for VEBA net of fees.

ADJOURNMENT

It was **moved** by Horning and **seconded** by DiGiovanni to adjourn the meeting at 4:16 p.m.
Meeting adjourned at 4:16 p.m.

F-5 Administrative Policy Committee Minutes – December 8, 2020

Following are the Administrative Policy Committee minutes from the meeting convened at 3:04 p.m. on December 8, 2020:

Committee Members Present: Lynch(Via TX, Whitmore Lake, MI), Monroe(Via TX, Ann Arbor, MI), Peariso(Via TX, Pittsfield Township, MI), Schreier(Via TX, Ann Arbor, MI)
Members Absent: None
Other Trustees Present: None
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)
Others Present: None

DRAFTED JUNE 30, 2020 VEBA ANNUAL REPORT

The Committee reviewed and revised to the drafted annual report. A final draft will be presented at the December Board meeting. Mr. Schreier also noted revisions to the Retirement System annual report.

It was moved by Monroe and seconded by Schreier to submit the VEBA Summary Annual Report as revised to the Board for approval.

APPROVED

It was moved by Schreier and seconded by Lynch to submit the revised Retirement System Summary Annual Report as revised to the Board for approval.

APPROVED

ICMA UPDATE

Catch Ups: Ms. Orcutt and Staff continue to audit employees utilizing the two catch up provisions to ensure the payroll system is allowing the correct contributions. Ms. Orcutt informed the Committee that employees interested in the Age 50 Catch up must complete a form with the Retirement Office which is then sent to HR/Payroll to set up the correct contribution codes in the system. Ms. Orcutt has met with ICMA and has requested that they provide education regarding the Age 50 and Pre-retirement options early next year. ICMA will also be present at the December Board meeting.

Pre-Retirement & Age 50 Process/Updates: Ms. Orcutt informed the Committee that she has been working with HR closely to ensure the annual limit codes are working correctly. The new coding appears to be working as there have not been any issues thus far. Staff will continue to annually audit to prevent overages.

Mr. Schreier questioned if there have been any employees who have been terminated, withdrew contributions from their 457 and then were rehired and continued to contribute. The Committee discussed what the formal process or time period was for similar situations. The Committee agreed to discuss with legal for a better understanding and implement a policy if needed.

BUCK ADMINISTRATIVE SOFTWARE STATUS UPDATE

Ms. Orcutt mentioned that she recently spoke with legal regarding the Buck Software issue. Staff is tracking time spent on testing and correcting the Buck administrative system. After speaking with another County administrator who also uses Buck and is having similar issues, Ms. Orcutt decided it's best to activate the live site and continue making modifications as needed. Ms. Orcutt has also spoken with the City's IT department who agreed it made sense to activate the live site. Staff will be working closely with IT, legal and Buck to move forward with this process.

ADJOURNMENT

It was ***moved*** by Peariso and ***seconded*** by Schreier to adjourn the meeting at 3:48 p.m.
Meeting adjourned at 3:48 p.m.

F-6 **Audit Committee Minutes – None.**

F-7 **Legal Report**

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

G-1 **Communications Memorandum**

G-2 **January 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	\$88.04	Electric 10/14/2020-11/11/2020
2	DTE	\$53.60	Gas 10/14/2020 - 11/11/2020
3	City of Ann Arbor	\$99.13	Fire Inspection 10/30/2020
4	GRS	\$1,750.00	PA 202 Compliance
5	Laura Hollabaugh	\$88.48	Reimbursement for DTE Electric 9/14/2020 - 10/13/2020
6	Laura Hollabaugh	\$16.39	Reimbursement for DTE Gas 9/14/2020 - 10/13/2020
7	MAPERS	\$200.00	2021 Membership Renewal
8	Meketa	\$10,000.00	Investment Consulting 10/2020
9	Staples	\$91.75	Miscellaneous office supplies
10	West Arbor Condo Association	\$546.00	Association Dues 11/2020 and 12/2020
11	Yeo & Yeo	\$500.00	6/30/2020 Audit Services
12	Applied Imaging	\$20.80	Printing Services 11/2020
13	Culligan	\$11.00	Water Service 12/2020
14	IFEBP	\$1,465.00	2021 Membership Renewal
15	Meketa	\$10,000.00	Investment Consulting 11/2020
	Total	\$24,930.19	

G-4 Retirement Report

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Kristen Larcom	Age & Service	January 5, 2021	General	30 Years, 3.5 Months	City Attorney
Christopher Rachwal	Age & Service	January 9, 2021	General	20 Years, 8.5 Months	Public Services
Susan Pollay	Age & Service	February 1, 2021	General	24 Years, 5 Months	Downtown Development Authority
Rick Norman	Age & Service	January 9, 2021	Fire	8 Years, 11.5 Months	Safety Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

Mr. Monroe reminded the Board that the mortality tables that are used to determine optional forms of payment needed more discussion. The Board continued to discuss whether the tables needed to be updated or not. Mr. VanOverbeke informed the Board that the changes would have to be approved by Council and the City Unions as they are incorporated in the Ordinance. The Board consensus was to have GRS draft a letter to the City and Unions informing them of this issue. Ms. Orcutt will follow up with GRS and the Board will review the drafted letter at the January Board meeting.

I. ADJOURNMENT

It was **moved** by Peariso and **seconded** by Monroe to adjourn the meeting at 9:49 a.m.
Meeting adjourned at 9:49 a.m.

Wendy Orcutt

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