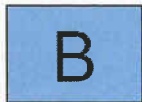


**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
February 19, 2015**



The meeting was called to order by Alexa Nerdrum, Vice-Chairperson, at 8:46 a.m.

**ROLL CALL**

Members Present: Clark, Crawford, Heusel, Monroe, Nerdrum  
Members Absent: Flack, Hastie, Powers  
Staff Present: Kluczynski, Walker  
Others: Michael VanOverbeke, Legal Counsel  
Kelly Beck, Human Resources

**AUDIENCE COMMENTS – None**

**A. APPROVAL OF AGENDA**

It was **moved** by Clark and **seconded** by Crawford to approve the agenda as presented.  
**Approved**

**B. APPROVAL OF MINUTES – January 15, 2015**

It was **moved** by Crawford and **seconded** by Monroe to approve the January 15, 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
Jennifer Alexa	General	8 years, 9 months	Freedom Township 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 Monroe to approve the Consent Agenda as submitted.

**Approved**

**D. EXECUTIVE SESSION – Disability Medical Examination**

An Executive Session was convened for the purpose of discussing a confidential medical report.

*Roll call vote:*

Clark – Yes	Hastie – Absent	Nerdrum - Yes
Crawford - Yes	Heusel – Yes	Powers - Absent
Flack – Absent	Monroe - Yes	

*Executive session time: 8:48 a.m. – 9:25 a.m.*

**E. ACTION ITEMS**

**E-1 Motion Regarding Disability Medical Examination/Discussion**

It was **moved** by Heusel and **seconded** by Crawford that having received Ms. Patten’s request to withdrawal her application for disability retirement benefits, the Board accepts the request, and shall take whatever action is necessary or appropriate to withdraw her application from consideration before the Board of Trustees.

**Approved**

**E-2 Election of Board Officers (Chairperson, Vice-Chairperson, Secretary)**

It was **moved** by Clark and **seconded** by Crawford to keep the current slate of Board Officers as it exists:

Chairperson:	Jeremy Flack
Vice-Chairperson:	Alexa Nerdrum
Secretary:	David Monroe

**Approved**

**E-3 Election of Board Committees: IPC, APC, & AC**

The Board discussed Committee appointments and decided to keep the remaining slate of members and Chairs for each Committee the same with the option to change as needed.

It was **moved** by Heusel and **seconded** by Crawford to keep the members of the Committees as currently exists, it however being understood that any member of the Board wishing to be on a Committee can certainly notify the Board Chair and through the Board Chair that change will be made.

**Approved**

- Investment Policy Committee: *Hastie/Chair, Clark, Flack, Monroe*
- Administrative Policy Committee: *Monroe/Chair, Crawford, Heusel*
- Audit Committee: *Nerdrum/Chair, Clark, Crawford, Monroe*

#### **E-4 IRS New Rollover Requirements and Notice**

Mr. VanOverbeke reviewed the new IRS Rollover Requirements and Notice, and presented the following resolution for Board approval:

**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 Section 402 of the Internal Revenue Code requires the Board to provide notice to recipients of lump sum distributions from the Plan, and

**WHEREAS**, applicable tax law and regulations require said notice to be provided at least thirty (30) days in advance of such distributions, and

**WHEREAS**, legal counsel has prepared a distribution notice and form consistent with IRC Section 402, and

**WHEREAS**, the Board of Trustees has discussed this matter, therefore be it

**RESOLVED**, that the Retirement System is hereby amended to comply with and shall be administered in accordance with the requirements of Notice 2014-54, with respect to the rollover of distributions to multiple destinations, and further

**RESOLVED**, that the Board of Trustees hereby adopts the distribution notice and form, and further

**RESOLVED**, that the Retirement System shall be administered consistent with said notice and IRS Notice 2014-54, and further

**RESOLVED**, that the distribution notice and form be provided to recipients of lump sum distributions from the Retirement System consistent with the Internal Revenue Code, and further

**RESOLVED**, that a copy of this resolution shall be provided to all appropriate parties.

It was **moved** by Heusel and **seconded** by Monroe to adopt the proposed resolution to adopt the new IRS Rollover Requirements and Notice.

**Approved**

#### **F. DISCUSSION ITEMS**

##### **F-1 Proposed Board Retreat Agenda**

Ms. Walker reviewed the proposed Board Retreat agenda, and Ms. Nerdrum stated that her only concern is the length of the Funding Policy Discussion by the Actuary; unless Mr. Langer has additional items to cover, she feels that an hour and a half would be too much time for that one topic. Ms. Walker stated that she will discuss this with Mr. Langer prior to the meeting.

8:30 – 9:00 a.m.           **Continental Breakfast**

9:00 – 10:15 a.m.       **Global Macroeconomic Review & Asset Allocation**  
                                   - *Meketa Investment Group*

- 10:15 – 10:30 a.m.     **BREAK**
- 10:30 – 12:00 p.m.   **Fixed Income Manager Panel: Sky Harbor, Beach Point,  
Stone Harbor, IR&M - Meketa Investment Group**
- 12:00 – 1:00 p.m.     **LUNCH**
- 1:00 – 2:30 p.m.     **Funding Policy Discussion**  
- Larry Langer, Buck Consultants
- 2:30 – 2:45 p.m.     **BREAK**
- 2:45 – 4:00 p.m.     **Drafted Ethics Policy**  
- Michael VanOverbeke, VanOverbeke, Michaud & Timmony, P.C.
- 4:00 – 4:15 p.m.     **Retreat Overview, Final Comments, and Outlook for the Coming Year**

**G.     REPORTS**

**G-1   Executive Report – February 19, 2015**

**INTERCONTINENTAL DISTRIBUTION**

Intercontinental Real Estate Investment Fund III, LLC made a distribution in the amount of **\$4,903,800.38** on January 22, 2015 as the System's pro rata share of an overall \$152,000,000 distribution. This reduced the outstanding investment by slightly less than 50%.

**INVESCO CAPITAL TRANSACTIONS**

INVESCO Mortgage Recovery Loans AIV, L.P. made a **distribution** on Friday, January 30, 2015, totaling \$42,503,056 comprised of \$28,218,253 of return of capital and \$14,284,803 of interest income and realized gains. Partner's allocable share of distribution: **\$565,865**.

**Capital Call #18**, in the amount of **\$93,655** was requested on February 13, 2015 for INVESCO Mortgage Recovery Loans AIV, L.P. to fund portfolio investments and expenses.

**DRA DISTRIBUTIONS**

DRA made a distribution to the Retirement System comprised of cash from operations (Dividend) less management fee in the total amount of **\$29,072** (CAAERS share of a distribution of \$4,615,000). The remaining commitment to the Fund is \$7,120,191.00 of the initial \$8.5 million allocation.

DRA made a distribution to the VEBA comprised of cash from operations (Dividend) less management fee in the total amount of **\$8,551** (CAAERS share of a \$ 4,615,000 distribution). The remaining commitment to the Fund is \$2,094,174.00 of the initial \$2.5 million allocation

**ASSET AND MANAGER CHANGES**

Both Blackrock (90%) and Citigroup Orion's redemption funds have been received and TSE Capital and 36 South have been funded in the amounts of \$4.8 million and \$9.4 million respectively.

Optima Discretionary Macro Fund Class B redemption request has been submitted with proceeds expected in early spring with 90% expected April 1, 2015 and the balance within 6 weeks.



The legal documents for IR&M commingled fund have been completed and signed. The transition is in progress.

Per the IPC, \$9.4 million was rebalanced from the Northern Russell Russell 1000 fund equally to DFA and the Northern Trust EAFE index fund to adjust the allocation for large cap domestic equity which was at the very top of its range.

### **BOARD RETREAT**

The Board retreat is scheduled for Friday, February 27<sup>th</sup>, at the WISD building.

### **TRAINING**

Pension ESS training was completed Thursday January 29th 3-4:30 with a full class. February 24th at 10-11.30 will be the next session.

### **G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31**

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

1/31/2015 Asset Value (Preliminary)	\$467,076,343
12/31/2014 Asset Value (Audited by Northern)	\$471,610,537
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$2,073,797)
Percent Gain <Loss>	-0.4%
<b>February 18, 2015 Asset Value</b>	<b>\$474,933,550</b>

### **G-3 Investment Policy Committee Minutes – February 3, 2015**

Following are the Investment Policy Committee minutes from the meeting convened at 3:06 p.m. on February 3, 2015:

*Member(s) Present:* Clark, Flack (3:45), Hastie, Monroe  
*Member(s) Absent:* None  
*Other Trustees Present:* None  
*Staff Present:* Kluczynski, Walker  
*Others Present:* Edward Urban, Meketa Investment Group (via telephone)  
Henry Jaung, Meketa Investment Group (via telephone)

### **DECEMBER 31, 2014 QUARTERLY PERFORMANCE REVIEW**

*Mr. Jaung stated that as of December 31, 2014, the Retirement System was valued at \$471.2 million, a decrease of \$4.4 million for the fiscal year to date. During the fourth quarter, the Retirement System reported net cash outflows of approximately \$7.0 million. The Retirement System returned 1.9% for the fourth quarter, net of fees.*

*The System's fourth quarter return was driven by positive performance by multiple asset classes including domestic equities (5.6%), investment grade bonds (1.2%), real estate (1.7%) and hedge funds (4.1%). Bank loan assets were roughly flat, while emerging market debt (-7.9%), high yield bonds (-2.4%) international developed market equities (-1.2%) and international emerging market equities (-4.8%) declined this quarter. At the end of December, the Retirement System was within all of its asset allocation target ranges.*

Mr. Jaung stated that Meketa recommends that the Committee allow 2% of the domestic equity large cap index fund (Northern Trust Russell 1000) be moved to the International Developed and Emerging Market Equity Assets (1% each) in order to rebalance domestic equity, which is currently at the top of its range. After discussion, the Committee agreed and requested that Ms. Walker move forward with directing the transfer of those funds pursuant to the following motion:

It was **moved** by Monroe and **seconded** by Clark to approve the transfer of 2% of the domestic equity large cap index fund (Northern Trust Russell 1000) to be moved to the International Developed and Emerging Market Equity Assets, allocating 1% to each of those funds, specifically, the NT MSCI EAFE Index (Developed) and the DFA (Emerging), and request that Ms. Walker begin the transfers as soon as possible.

**Approved**

**Act 314 Compliance Review:** Mr. Jaung stated that due to the recent liquidations of BlackRock, Optima, and soon to be Orion, the Basket Clause area for both the Retirement System and VEBA is being revised and will be reflected in the next quarterly review.

**Department of Labor Letter:** Mr. Jaung advised the Committee of an upcoming letter that members and legal counsel will receive from the DOL regarding the investigation of a former client of Meketa's.

### **BOARD RETREAT AGENDA**

Meketa presented a drafted Retreat agenda for Friday, February 27<sup>th</sup>, as follows:

9:00 – 10:30 A.M. - Global Macroeconomic Review and Asset Allocation, Ted Urban, Meketa Inv. Group  
10:30 – 12:00 P.M. - Fixed Income Manager Panel, Sky Harbor, Beach Point, Stone Harbor, IR & M  
12:00 – 1:00 P.M. - Lunch  
1:00 – 2:00 P.M. - Regulatory Update, Michael VanOverbeke  
2:00 – 3:00 P.M. – Actuary, Larry Langer, Buck Consultants

The Committee agreed to the proposed agenda, and staff will review the afternoon portion with the Board's legal counsel and actuary for their thoughts.

### **IPC MEETING SCHEDULE**

It was noted that there will be no March IPC meeting due to the Board Retreat on February 27<sup>th</sup>.

### **ADJOURNMENT**

It was **moved** by Monroe and **seconded** by Clark to adjourn the meeting at 4:17 p.m.  
**Meeting adjourned at 4:17 p.m.**

**G-4 Administrative Policy Committee Minutes – None**

**G-5 Audit Committee Minutes – None**

**G-6 Legal Report – None**

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

**H-1 Communications Memorandum**

**H-2 March Planning Calendar**

### H-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	B Green and Clean	245.00	Office cleaning services for Nov & Dec 2014
2	DTE Energy	204.13	Monthly Gas Fee dated January 13, 2015
3	DTE Energy	180.80	Monthly Electric Fee dated January 13, 2015
4	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – Feb-April 2015
5	Meketa Investment Group	9,166.66	Investment Consultant Retainer - December 2014
6	AT&T	327.40	Monthly telephone service
7	Comcast	85.24	Monthly Cable Fee
8	Hasselbring-Clark Co.	46.45	Monthly copier cost per copy
9	Staples Advantage	110.44	Miscellaneous Office supplies
10	Robertson Morrison, Inc.	195.00	Routine maintenance agreement 4/22/2014-4/22/2016
11	Graphic Sciences, Inc.	313.19	Annual scanning of FY retiree files & accounting files
12	West Arbor Office Ctr Condo Assoc	1,981.96	Two bi-annual association dues – 7/1/2014 & 1/1/2015
13	Loomis, Sayles & Company	44,384.67	Inv. management fees – 10/1/2014-12/31/2014
14	Fisher Investments	59,960.39	Inv. management fees – 10/1/2014-12/31/2014
	<b>TOTAL</b>	<b>117,291.33</b>	

### H-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
Laura Ouellette	Age & Service	February 21, 2015	Police	25 years	AAPD Safety Services
Ann Savickas	Age & Service	March 2, 2015	General	13 years, 10 months	15 <sup>th</sup> District Court
Charles Vogel	Age & Service	February 23, 2015	General	35 years <i>(which includes 14 years and 1 month reciprocal credit)</i>	WWTP Public Services
Brent Warford	Age & Service	February 25, 2015	General	27 years, 1 month	Fleet & Facility Public Services

I. TRUSTEE COMMENTS - None

J. ADJOURNMENT

It was **moved** by Heusel and **seconded** by Monroe to adjourn the meeting at 9:58 a.m.  
Meeting adjourned at 9:58 a.m.

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