

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
July 20, 2017**

The meeting was called to order by David Monroe, Board Secretary, at 9:08 a.m.

ROLL CALL

Members Present: Clark (*Via TX*), Crawford, DiGiovanni, Hastie, Lynch, Monroe, Nerdrum (9:16a.m.)
Members Absent: Flack, Heusel
Staff Present: Hammond, Hollabaugh, Kluczynski, Orcutt
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 June 15, 2017 Regular Board Meeting

It was **moved** by DiGiovanni and **seconded** by Hastie to approve the June 15, 2017 Regular Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

**C-1 Resolution for Conference/Training – 2017 Fall MAPERS Conference –
Orcutt, Monroe, Clark**

WHEREAS, the Board of Trustees (Board) of the City of Ann Arbor Employees' Retirement System (Retirement System) is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees is required to act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims, and

WHEREAS, the Board of Trustees acknowledges that the Retirement System has evolved in complexity such that the circumstances prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims requires continuing education, training, and oversight of its advisors, and

WHEREAS, it is necessary, appropriate and incumbent upon Board trustees and/or Retirement System staff, from time to time, to participate in continuing education, training, and/or conduct due diligence trips in relation to their oversight of Retirement System advisors to ensure that Retirement System participants receive the best possible service, benefit and representation from these responsible persons, and

WHEREAS, Wendy Orcutt, David Monroe and Terry Clark have requested the Board of Trustees' authorization for conference/training in Bellaire, Michigan, at Retirement System expense, estimated at \$1,000 per person, to attend the 2017 Fall MAPERS Conference, to participate in

continuing education in their responsibility as Retirement System Trustees and Staff, and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request Wendy Orcutt, David Monroe and Terry Clark to travel to Bellaire, Michigan, at Retirement System expense, estimated at \$1,000 per person, to attend the 2017 Fall MAPERS Conference, to participate in continuing education in their responsibility as Retirement System Trustees and Staff, and

RESOLVED, that Wendy Orcutt, David Monroe and Terry Clark comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures, and

FURTHER RESOLVED, that approval is granted to any other Trustee or Retirement Staff that wishes to attend.

It was **moved** by Crawford and **seconded** by Hastie to approve the consent agenda item as submitted.

Approved

D. EXECUTIVE SESSION – Disability Re-examination Review & Personnel Matter

It was **moved** by Crawford and **seconded** by Hastie to convene an Executive Session for the purpose of discussing the disability re-examination medical report for Ralonda Robinson as well as a personnel matter.

Approved

Roll call vote:

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

Executive session time: 9:11 a.m. – 9:32 a.m.

E. ACTION ITEMS

E-1 Motion Regarding Disability Re-exam Review

It was **moved** by Hastie and **seconded** by DiGiovanni that the Board acknowledges receipt of the medical report dated June 22, 2017 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.

Approved

Motion Regarding Personnel Matter:

It was **moved** by Nerdrum and **seconded** by Hastie to grant Wendy Orcutt, Executive Director, 40 hours to her vacation bank, giving her a 1.125% prorated pay increase effective July 1, 2017, as well as a .25% lump sum merit.

Approved

E-2 Testimonial Resolution of Appreciation for Lora Kluczynski

WHEREAS, Lora Kluczynski has faithfully served the City of Ann Arbor Employees' Retirement System pursuant to applicable Retirement System provisions, and

WHEREAS, Lora Kluczynski demonstrated a thorough and comprehensive understanding of Retirement System administration and further demonstrated a selfless commitment to serve the Board of Trustees and the members and beneficiaries of the Retirement System for 25 years and 2 months, and

WHEREAS, Lora Kluczynski carried out her responsibilities with dedication, sincerity, scholarship, hard work and honor and provided distinguished service to the Board of Trustees and the members and beneficiaries of the Retirement System, and

WHEREAS, the Board of Trustees, the members and beneficiaries of the Retirement System, the employees and citizenry of the City of Ann Arbor owe a debt of gratitude to Lora Kluczynski for her sacrifice and service to the Retirement System, therefore be it

RESOLVED, that the Board of Trustees, on behalf of itself and all concerned, hereby expresses its gratitude and appreciation to Lora Kluczynski for her honorable and distinguished service to the Retirement System, and be it further

RESOLVED, that the Board of Trustees, on behalf of all the aforementioned parties, officially wishes Lora Kluczynski well in all future endeavors.

It was **moved** by Crawford and **seconded** by DiGiovanni to approve the Testimonial Resolution of Appreciation for Lora Kluczynski.

Approved

E-3 Revised Board Election Policy

Mr. Monroe stated the Ordinance Language on the Board Election Policy was not up to date with the current Ordinance, and needed to be reflected in the Board Election Policy for Article 1 Section 3:

Chapter 18 of the Code of the City of Ann Arbor, Section 1:620(1c-e), and Section 3 states:

(c) One Trustee who is: i) a general City Member or ii) a Retirant and former general City Member (general City Members being members other than Police and Firefighter Members), to be elected by the general City Members;

(d) One Trustee who is: i) a Firefighters Member or ii) a Retirant and a former Firefighter Member, to be elected by the Firefighter Members; and,

(e) One Trustee who is: i) a Police Member or ii) a Retirant and former Police Member, to be elected by the Police Members.

It was **moved** by Nerdrum and **seconded** by Crawford to approve the Revised Board Election Policy as presented.

Approved

E-4 Resolution to Hire Carlyle Realty Partners VIII, L.P. as Opportunistic Real Estate Manager

Mr. Hastie reviewed the purpose for the following resolution as recommended by the IPC and Meketa.

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees is required to act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and

WHEREAS, Meketa as the Retirement System's investment consultant, the Investment Policy Committee, and the Board of Trustees have discussed an allocation to Opportunistic Real Estate, and

WHEREAS, the potential manager, Carlyle Realty Partners VIII, L.P. presented their investment strategy to the IPC on July 12, 2017, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with Carlyle Realty Partners VIII, L.P. in the amount of \$8 million, as it provides exposure to Opportunistic Real Estate, so be it

RESOLVED, that the Board of Trustees approves the hiring of Carlyle Realty Partners VIII, L.P., with a commitment in the amount of approximately \$8 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by DiGiovanni and **seconded** by Crawford to approve the Resolution to Hire Carlyle Realty Partners VIII, L.P. as Opportunistic Real Estate Manager, with a commitment in the amount of approximately \$8 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

F. DISCUSSION ITEMS

F-1 Review of Funding Policy Alternatives

The Board reviewed the Actuarial assumptions and discussed the various alternatives as presented in Conduent's review document. Ms. Nerdrum stated that the Board's objective is to get to 100% funded sooner than the current plan, minimize the additional funding required to meet the requirement, and to reduce the 25 year open aggregate. Mr. Crawford stated that it is desirable to not have to change the policy very often. After further discussion, the Board decided to change the current plan as follows:

It was **moved** by Hastie and **seconded** by Crawford to move from the current policy to a policy that moves from a 25 year amortization of the Unfunded Actuarial Accrued Liability (UAAL) to a 15 year amortization UAAL in 1 year increments, Open, Level Dollar (*Attachment 3 – Policy 2 from Conduent's Report*), with the understanding that additional contributions would be encouraged in the earlier years given the volatility in the market to help smooth out contributions over the term with the goal of getting to a fully funded position sooner. Ms. Nerdrum will draft a letter to City Council outlining the Board's change in policy.

Approved

G. REPORTS

G-1 Executive Report – July 20, 2017

DRA DISTRIBUTIONS

DRA issued a recallable refund of capital in the amount of \$ **147,068** for the Retirement System and **\$43,255** for the VEBA as well as a gain in the amount of \$ **12,948** and **\$3,808** respectively, from the Growth and Income Fund VIII on 6/19/17.

SUMMIT PARTNERS CREDIT FUND II

Summit Partners Credit Fund II, L.P. issued a distribution for the Retirement System in the amount of \$ **654,671** on 6/26/2017 consisting of **\$447,140** in recallable capital and **\$207,531** in interest and gains. The VEBA distribution of \$ **163,667** on 6/26/2017 consisted of \$ **111,785** in recallable capital and \$ **51,882** in interest and gains.

SUMMIT PARTNERS CREDIT FUND II – CAPITAL CALL

Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$1,129,116** for the System and **\$ 282,279** for the VEBA on 7/10/2017.

STAFF OPERATIONS/UPDATE

The Pension Analyst conducted 5 pre-sessions, completed 14 estimates and 5 final calculations.

Gail Jarskey will be returning to assist/train Corbin and ED on July 17-19.

The City issued an increase in pay for Non Union Staff effective July 1. They will be receiving a 2.25% increase and one half percent lump sum payment. Staff that have been employed for less than twelve (12) months, but more than six (6) months, will receive a pro-rated increase and pro-rated lump sum payment. If staff have been employed for less than six (6) months, they are not eligible for an increase or a lump-sum payment for this year.

CPA Renewal dues in the amount of \$200 will be reimbursed to Corbin Hammond.

Once again, Lora Kluczynski's last day is **TOMORROW JULY 21!** We wish you all the best.

DUAL PLAN UPDATE

ICMA forwarded a sample IPS document to be used as a draft for the 401/457 IPS. ED will attend the Plan Review meeting on August 1 at City Hall. Jason Ashline will provide a draft of the 457 contract in the coming weeks as VMT recommended a new contract between the System and ICMA-RC vs. the City assigning the existing agreement. In addition, the City will need to acknowledge the Board by resolution as the 457 Plan fiduciary going forward.

ACTUARIAL VALUATION PROGRESS

The Census data for Retirees and Deferred members was uploaded to the eActuary website on June 23 by Dan.

The Lump Sum and Allowance report was received from the City and uploaded on July 13.

AUDIT UPDATE

The Letters of Engagement for this year's audit were executed by Alexa at the Audit Committee meeting on July 11.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended June 30, 2017

Corbin Hammond, Accountant, submitted the Financial Report for the month ended June 30, 2017

to the Board of Trustees:

6/30/2017 Asset Value (Preliminary)	\$489,313,440
5/31/2017 Asset Value (Audited by Northern)	\$490,853,505
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$30,684,888
Percent Gain <Loss>	6.5%
July 19, 2017 Asset Value	\$492,649,187

G-3 Investment Policy Committee Minutes – July 12, 2017

Following are the Investment Policy Committee minutes from the meeting convened at 3:06 p.m. on July 12, 2017:

Member(s) Present: Clark, Crawford, DiGiovanni, Flack (via TX 3:50p.m.), Hastie, Monroe
Member(s) Absent: None
Other Trustees Present: None
Staff Present: Gustafson, Hammond, Hollabaugh, Kluczynski, Orcutt
Others Present: Henry Jaung, Meketa Investment Group
Keith Beaudin, Meketa Investment Group
David Diephuis, City Resident

RECAP OF TRADES AND DOMESTIC EQUITY REBALANCE

Mr. Jaung gave a brief rebalancing update which included the various fund transfers that have occurred in the last week.

UPDATE ON FISHER LIQUIDATION/FUNDING OF WCM AND HEXAVEST

Mr. Jaung stated that Fisher has been notified of the liquidation. WCM and Hexavest are in place and the documents have been signed. Mr. Jaung indicated that the funds should all be in place by August.

FYTD PERFORMANCE – INTERIM REPORT

Meketa's report indicates that as of May 31, 2017, the balance of the Fund was \$490,173,031, fiscal year-to-date.

REAL ESTATE REFRESHER AND PACING STUDY

Mr. Jaung gave a brief refresher on real estate including the following points:

- Private real estate strategies are characterized into three general classifications with varying risk and return characteristics: core, value-added, and opportunistic.
- Core investment vehicles are typically open-end while non-core vehicles are typically closed-end.
- Core strategies focus on high-quality, stabilized properties with proven income streams.
- Non-core strategies provide higher risk/return components, including:
 - Lower initial occupancy
 - Higher leverage
 - Lower current income and greater reliance on capital appreciation
- The Employees' Retirement System and VEBA both have exposure to core real estate as well as value added strategies with limited opportunistic exposure.
- The ERS opportunistic investment is the Invesco Recovery Fund, which is liquidating and returning capital.

CARLYLE REALTY PARTNERS VIII
Carolyn Weimer & Mark Schoenfeld, Managing Directors

Representatives from Carlyle Realty Partners VIII were present to review their firm, including their history, team overview, stock selection, and investment process.

It was **moved** by DiGiovanni and **seconded** by Clark to recommend to the Board of Trustees that Carlyle Real Estate Partners VIII be hired as the Systems Real Estate Manager with a commitment of approximately \$8,000,000, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Clark to adjourn the meeting at 4:46 p.m.

Meeting adjourned at 4:46 p.m.

G-4 Administrative Policy Committee Minutes – July 11, 2017

Following are the Administrative Policy Committee minutes from the meeting convened at 3:10 p.m. on July 11, 2017:

Committee Members Present:	Lynch, Monroe
Members Absent:	Heusel
Other Trustees Present:	None
Staff Present:	Gustafson, Hollabaugh, Kluczynski, Orcutt
Others Present:	None

UPDATED BOARD ELECTION POLICY

Mr. Monroe and Ms. Kluczynski discussed the updates needed to be made to the current Board Election Policy. Mr. Monroe stated the Ordinance Language needed to be reflected in the Board Election Policy for Article 1 Section 3. Ms. Lynch and Mr. Monroe reviewed the updates to Article II Section D reflecting the changes to the process of posting election results online to all City Employees. Mr. Monroe stated he would like to know the City Clerk's Office process for tallying votes for the Election of Board of Trustees. The updated policy as discussed will be brought to the July 20, 2017 Board Meeting for approval.

ADMINISTRATION UPDATES

Personnel Request: Ms. Orcutt wished to discuss a personnel matter with the Committee. Staff briefly stepped out. It was ultimately decided that Ms. Orcutt's personnel issue will be discussed with the full Board at the July 20, 2017 Board Meeting under an executive session.

Dual Plan Update: Ms. Orcutt gave a brief update regarding the dual plan stating that she will be attending an upcoming meeting with the City and will further advise the board at the July Meeting.

ADJOURNMENT

It was **moved** by Lynch and **seconded** by Monroe to adjourn the meeting at 3:59 p.m.

Meeting adjourned at 3:59 p.m.

G-5 Audit Committee Minutes – July 11, 2017

Following are the Audit Committee minutes from the meeting convened at 4:02 p.m. on July 11, 2017:

Committee Members Present: Crawford (4:07p.m), Monroe, Nerdrum
Members Absent: Clark
Other Trustees Present: None
Staff Present: Hammond, Gustafson, Hollabaugh, Kluczynski, Orcutt
Others Present: None

YEO & YEO AUDIT ENGAGEMENT LETTERS FOR RS AND VEBA

Ms. Nerdrum reviewed the Engagement Letters for The City of Ann Arbor Employees' Retirement System and Retiree Health Care Benefit Plan & Trust. Letters were executed, as no changes or corrections were necessary.

CONDUENT UPDATE

Ms. Orcutt gave a brief update regarding the administrative turnover at Conduent, and the committee discussed that the actuarial software and hosting fees and the administrative system may be separated out in the upcoming RFP.

REVIEW TIMING FOR ACTUARIAL RFP

The committee discussed the timing for Actuarial RFP and agreed on reviewing the Actuarial RFP in October 2017 excluding the administrative system.

REVIEW OF FUNDING POLICY ALTERNATIVES

The Committee reviewed the Actuarial assumptions and discussed the various alternatives as presented in Conduent's review document. Mr. Crawford stated that the current policy is the City's benchmark and that it is inadequate. The committee agreed that the 25 year open aggregate is not sufficient. Ms. Nerdrum stated that the Board's objective is to get to 100% funded in a reasonable amount of time. After further discussion, It was determined that the committee would like to discuss the Funding Policy Alternatives with the Board of Trustees at the July Board Meeting.

DISCUSSION ON ACTUARIAL EQUIVALENCY ASSUMPTIONS – ANNUITY

It was decided to move this item to the August 8, 2017 Audit Committee Meeting.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Monroe to adjourn the meeting at 5:15 p.m.
Meeting adjourned at 5:15 p.m.

G-6 Legal Report – Retirement Reform Task Force Report

Mr. VanOverbeke provided a verbal report regarding the Retirement Reform Task Force Report Press Release that was released by the Governor on Tuesday, July 18, 2017 stating that the next step is waiting for the Legislature's actions.

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 August Planning Calendar

H-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	26.45	Monthly Gas Fee dated June 14, 2017
2	DTE Energy	307.11	Monthly Electric Fee dated June 14, 2017
3	Hasselbring-Clark Co.	53.25	Monthly copier cost per copy
4	AT&T	528.72	Monthly telephone service
5	Conduent HR Consulting, LLC	6,576.87	May Quarterly Actuarial Services/Hosting Fees
6	Daniel Gustafson	725.00	Reimbursement for IFEBP CEBS Training Materials
7	Staples Advantage	183.20	Miscellaneous Office supplies
8	Robertson Morrison Inc.	220.00	Routine Maintenance Per Contract 3/17/16-3/17/18
9	Laura Hollabaugh	245.35	Petty Cash Reimbursement
10	Meketa Investment Group	10,000.00	Investment Consultant Retainer - June 2017
11	Culligan of Ann Arbor/Detroit	25.49	Water service – July 2017
12	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for June 2017
13	Government Finance Officers Assoc.	160.00	Corbin Hammond Annual Membership Dues
14	Wendy Orcutt	99.00	Reimbursement for Microsoft Excel Training
15	Corbin Hammond	285.00	Reimbursement for CPA License Renewal & Training
16	Conduent HR Consulting, LLC	6576.87	June Quarterly Actuarial Services/Hosting Fees
17	Yeo & Yeo	975.00	Research, Review plan info. & Conference Call
18	Robertson Morrison Inc.	220.00	Quarterly Inspection
19	Shred It	222.43	On-Site Shredding Service 6/23/17
20	Comcast	81.41	Monthly Cable Fee
21	MedSource Svs/Consulting Physicians	1500.00	Disability Re-examination & report – R. Robinson
	TOTAL	28,211.15	

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
John Diefenbacher	Age & Service	July 15, 2017	General	15 years, 4 months <i>(Includes 10 yrs, 4 mths reciprocal credit)</i>	Community Services Planning and Development
Darlene Kelley	Age & Service	July 21, 2017	General	30 years	Safety Service Police Department
Amy Kuras	Age & Service	July 29, 2017	General	27 years, 10 months	Community Services
Michael Williamson	Deferred Age & Service	July 1, 2017	General	20 years, 1 month <i>(includes 4 yrs military service credit)</i>	Safety Services Police Department
Carl Hein	Age & Service	August 11, 2017	Fire	25 years, 6 months	Safety Services Fire Department

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

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

J. **ADJOURNMENT**

It was **moved** by Hastie and **seconded** by Nerdrum to adjourn the meeting at 10:26 a.m.
Meeting adjourned at 10:26 a.m.

A handwritten signature in black ink, appearing to read "Wendy Orcutt". The signature is fluid and cursive, with a large initial "W" and "O".

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