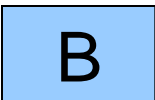


**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
July 15, 2021**



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, Ann Arbor, MI), Hastie(Via TX, Ann Arbor, MI), Lynch(Via TX, Whitmore Lake, MI), Monroe(Via TX, Ann Arbor, MI), Peariso(Via TX, Ann Arbor, MI), Praschan(Via TX, Ann Arbor, MI), Schreier(Via TX, Ann Arbor, MI)

Members Absent: Nerdrum

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

Others: VanOverbeke, Legal Counsel(via TX)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by Peariso and **seconded** by Monroe to approve the agenda as submitted.
Approved

B. APPROVAL OF MINUTES

B-1 June 17, 2021 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Peariso to approve the June 17, 2021 Regular Board Meeting minutes.
Approved

C. CONSENT AGENDA - None

D. EXECUTIVE SESSION – Executive Director Annual Evaluation, Disability Examination & Re-Examination Review

It was **moved** by Peariso and **seconded** by Hastie to convene an Executive Session at the request of Ms. Orcutt for the purpose of discussing the Executive Director Annual Evaluation and Disability Examinations.
Approved

Roll call vote:

DiGiovanni – Yes	Lynch – Yes	Peariso - Yes
Flack – Yes	Monroe – Yes	Praschan – Yes
Hastie – Yes	Nerdrum – Absent	Schreier – Yes

Executive session time: 8:45 a.m. – 9:29 a.m.

E. ACTION ITEMS

E-1 Motion Regarding Executive Director Annual Evaluation

It was **moved** by Monroe and **seconded** by Schreier that the Board has received and accepts the Executive Director Annual Evaluations from each Trustee and to implement the agreed upon compensation changes effective July 1, 2021. This change will be communicated to Human Resources by Ms. Praschan.

Approved

E-2 Motion Regarding Disability Examination Review

It was **moved** by Monroe and **seconded** by Peariso that the Board acknowledges receipt of the medical report date July 8, 2021 from Antoine Geffrard, M.D. with regards to the independent medical evaluation of Pablo Ramirez, noting that the doctor has concluded that he is 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 disability retirement consistent with the Board's Disability Retirement Procedures.

Approved

E-3 Motion Regarding Disability Re-Examination Review

Ms. Orcutt has reviewed the medical report and it is consistent with the Physician's decision. Ms. Orcutt informed the Board that the Physician has concluded that Mr. Whitehead's condition renders him mentally or physically totally incapacitated from performing the customary duties of his City employment held at the time of his disability, and that such incapacity will probably be permanent.

It was **moved** by Monroe and **seconded** by Peariso that the Board acknowledges receipt of the medical report date July 13, 2021 from Jeffrey Parker, M.D. with regards to the independent medical evaluation of Michael Whitehead, noting that the doctor has concluded that he is 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 disability retirement consistent with the Board's Disability Retirement Procedures.

Approved

E-4 Proposed 1 Year Contract Extension with MissionSquare-401

The 401a Administrative Service Agreement will expire on January 1, 2022 while the 457 agreement expires January 2023. The APC recommended extending the 401a plan to January 2023 to have the plans on the same contract end dates going forward. MissionSquare has also reduced the fees by 1.5 basis points. This reduction will go into effect upon execution of the updated agreements which are under review by legal.

It was **moved** by Hastie and **seconded** by DiGiovanni to approve the MissionSquare contract extension for the 401a plan to January 2023 with the reduced fees.

Approved

F. DISCUSSION ITEMS

F-1 Executive Director 2021-22 Goals & Objectives

Ms. Orcutt reviewed the listing of her Goals and Objectives for FYE 2022 as discussed at the July APC meeting. There were no additions or changes made to the listing at this time.

G. REPORTS

G-1 Executive Report – July 15, 2021

DRA CAPITAL CALLS & DISTRIBUTIONS

DRA requested a capital call of our commitment to the Growth and Income Fund X in the amount of **\$ 173,684** for the Retirement Plan and **\$ 115,789** for the VEBA on 6/29/21 for the purpose of funding current commitments

DRA issued a distribution from the Growth and Income Fund VIII on 6/30/21 in the amount of **\$484,993** for the Retirement System and **\$ 142,645** for the VEBA consisting of gains on sales and return of capital(unrecallable).

DRA issued a distribution from the Growth and Income Fund IX on 7/2/21 in the amount of **\$ 628,055** for the Retirement System and **\$ 184,722** for the VEBA consisting of gains on sales and return of capital(unrecallable).

CONSTITUTION CAPITAL PARTNERS

Ironsides Partnership Fund III issued a distribution in the amount of **\$ 621,476** for the Retirement System on 6/30/21 comprised of gains on sales netted against a call for investments and expenses.

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 150,000** for the Retirement System and **\$ 50,000** for VEBA to fund current investments on 7/23/21.

CARLYLE DISTRIBUTION

Carlyle Realty Fund VIII issued a distribution in the amount of **\$ 308,510** for the Retirement System and **\$ 77,121** for the VEBA on 06/30/21. The distribution was netted against additional investment funding, fees and expenses.

SUMMIT PARTNERS CAPITAL CALL

Summit Partners Credit Fund III, L.P. requested a capital call in the amount of **\$7,178** for the Retirement Plan and **\$1,994** for the VEBA on 6/28/21. With these installments, **CAAERS** will have funded 90.44% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

BUCK CONVERSION

The ESS site has been released to employees. Staff continues to have weekly calls and email communications with Buck. The remaining issues to be resolved are the turnaround time on Pension Transmittals and the Buyback calculation process.

PENSION ADMINISTRATION SOFTWARE RFP

Any follow up questions were due in writing to ED by June 30 and 10 questions were received. Answers were distributed to all firms on July 9 along with a reminder of the July 22 deadline for responses.

FYE AUDIT UPDATE

Dan Beard from Yeo & Yeo was onsite July 7, 2021 to conduct preliminary work and will be back onsite August 26 and 27 to conduct the annual audit.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 52 estimates, 3 non-vested calculations, 3 deceased calculations, 8 final calculations, 1 pre-session, and 1 payout.

Projects: Pension Analyst has been working on the Census Data for FYE which is due to GRS by July 16.

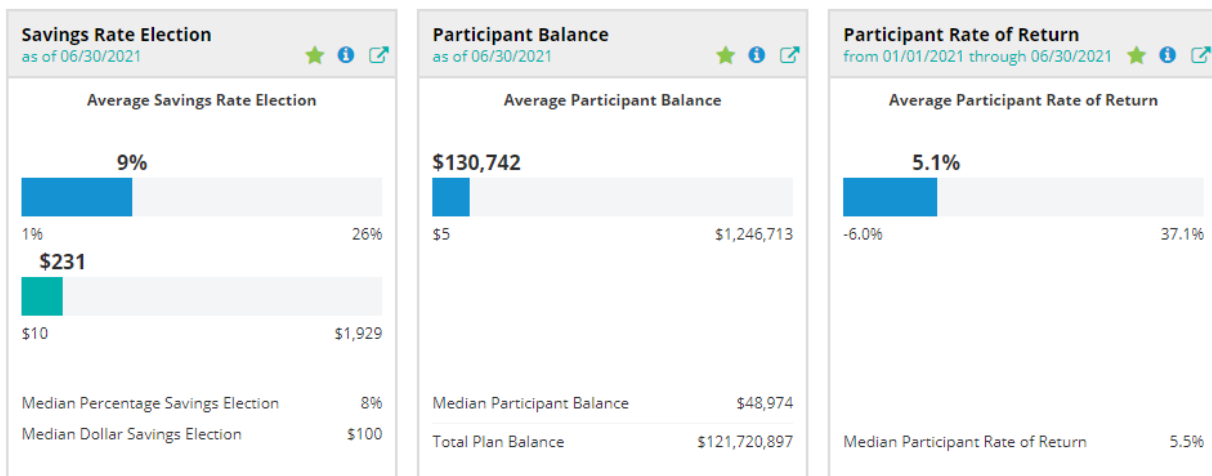
OFFICE OPENING UPDATE

Effective July 6 the office is open by appointment only. This was communicated via A2 News & Notes, the System's website and there is a sign on the office door. At least one staff member is in the office daily. ED will be discussing the Telecommuting Policy for the Pension office at the August APC and Board meetings.

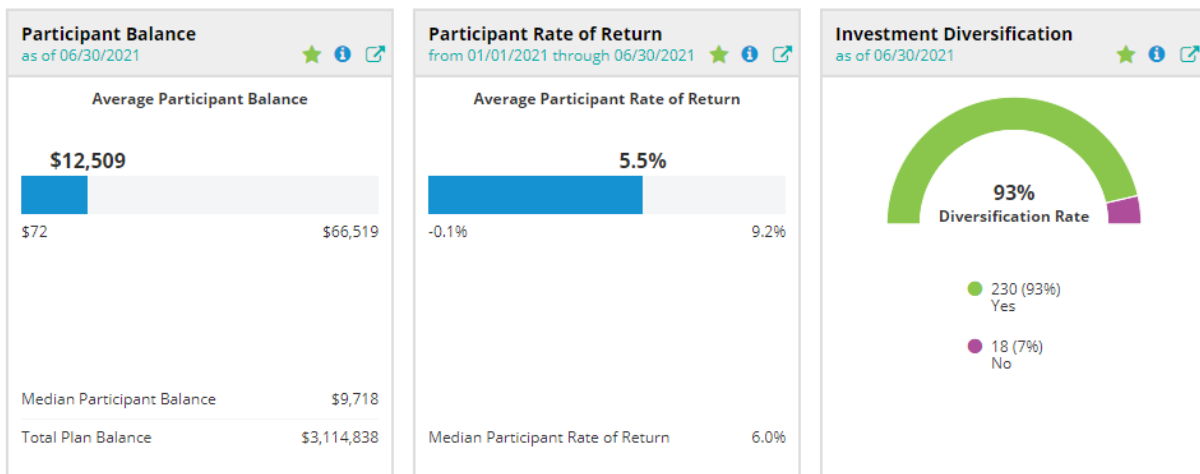
Ms. Orcutt advised the Board that on Tuesday, an error was discovered regarding the 3/31/2021 accrued benefit statements that were generated by employees on the ESS site. While demographic, employment, contributions, account balances, service credits, and beneficiary information was correct, the accrued benefit section was overstated in some cases because the 2021 salary used in the Final Average pay component was not being limited to what was earned as of 3/31/2021. This issue has been corrected by Buck and Staff met with the Buck team on Wednesday to discuss next steps. It appears that 96 employees may have been effected. Buck is going to provide the names and the erroneous vs corrected statements to Staff. We will then determine which communication, if any, is appropriate. Ms. Buffone added that all final calculations and estimates obtained through the Pension office are reviewed for accuracy. This issue was isolated to the ESS site.

G-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 7/9/21 - \$121,694,831 – Statistics as of 6/30/21



401 Balance at 7/9/21 = \$3,103,137 – Statistics as of 6/30/21



Current Items/Education:

- Gina John conducted 7 virtual appointments and during June 23/24.
- Dan Stewart will be conducting virtual appointments and hosting a webinar July 20th and 21st.

Other Items:

The conversion of eligible enrolled employees into the Age 50 Catch up code is complete. The July 9 paycheck reflects the deduction under the updated code.

Ray Fontin shared a proposed fee reduction for the 401/457 fund lineup. He will be joining the APC meeting on Tuesday, July 12 to discuss.

ED discussed Wellness Credits for attending webinars with Ray Fontin. He is following up to determine the best way to track participation.

ED verified the current contract terms with MissionSquare. The 401 is up 1/1/2022 while the 457 is in place until 1/1/2023. APC/Board will discuss the possible extension of the 401 so the two plans are aligned.

G-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended June 30, 2021

Maria Buffone, Accountant, submitted the Financial Report for the month ended June 30, 2021 to the Board of Trustees:

6/30/2021 Asset Value (Preliminary)	\$628,616,498
5/31/2021 Asset Value (Audited by Northern)	\$620,294,622
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$57,616,728
Percent Gain <Loss>	9.9%
June 16, 2021 Asset Value	\$628,182,893

G-4 Investment Policy Committee Minutes – July 12, 2021

Following are the Investment Policy Committee minutes from the meeting convened at 3:06 p.m. on July 12, 2021:

Member(s) Present: DiGiovanni(via TX, Livonia, MI), Hastie(via TX, Ann Arbor, MI, 4:07 pm depart), Monroe(via TX, Ann Arbor, MI) Praschan(via TX, Ann Arbor, 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
Adam Toczyłowski(via TX), Meketa Investment Group*

EXECUTIVE SUMMARY

The longer historical returns outperform the 60/40 benchmarks and the discount rate by significant amounts. With the new approved IPS for the ERS, there is a new pacing study and search schedule for private equity, private loans, and infrastructure.

RETIREMENT SYSTEM

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

May 31, 2021 Performance Update: As of May 31, 2021, the balance of the Funds was \$619,903,656 for ERS. Fiscal Year to Date performance was 25.0% for ERS net of fees. The estimated return for the full fiscal year is approximately 26%.

VEBA

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

May 31, 2021 Performance Update: As of May 31, 2021, the balance of the Funds was \$240,973,639 for VEBA. Fiscal Year to Date performance was 23.6% for VEBA net of fees. The estimated return for the full fiscal year is approximately 24.5%.

PACING STUDY REVIEW

Meketa provided a pacing study and reviewed with the Committee.

CORE INFRASTRUCTURE SEARCH

Meketa reviewed their completed investment memoranda, manager offering materials, including pitch decks and PPMs, and collected additional information if/as needed from the managers to present to the Committee. Meketa provided a comparison of four open-ended infrastructure funds, IFM Global Infrastructure Fund, JPM Infrastructure Investments Fund, KKR Diversified Core Infrastructure Fund and Ullico Infrastructure Fund. After discussion, the Committee agreed to interview IFM and JPM at their next meeting.

ADJOURNMENT

*It was **moved** by Monroe and **seconded** by Praschan to adjourn the meeting at 4:26 p.m.
Meeting adjourned at 4:26 p.m.*

G-5 Administrative Policy Committee Minutes – July 13, 2021

Following are the Administrative Policy Committee minutes from the meeting convened at 12:36 p.m. on July 13, 2021:

Committee Members Present: Lynch(via TX, Dexter, MI), Monroe(Via TX, Ann Arbor, MI), Peariso(Via TX, Ann Arbor, MI), Praschan(Via TX, Saline, 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: Ray Fortin, MissionSquare(Via TX, 12:45 pm depart)

MISSIONSQUARE

Ray Fortin from MissionSquare was present to discuss the contract end dates, a proposed fee reduction and 401 contact extension. Mr. Fortin offered a 1.5 basis points fee reduction for the Committee to review for the 457/401a plans as well as informed the Committee of MissionSquare's interest to continue providing recordkeeping, administration, and investment services. The 401a Administrative Service Agreement will expire on January 1, 2022 while the 457 plan agreement expires January 2023. Mr. Fortin recommended extending the 401a plan to January 2023 to have the plans on the same contract end dates going forward.

It was **moved** by Peariso and **seconded** by Lynch to recommend the MissionSquare contract extension for the 401a plan to January 2023 with the reduced fees.

Approved

2020-21 EXECUTIVE DIRECTOR EVALUATION

The Committee reviewed the results of the 2020-21 Executive Director Evaluation Forms. Staff was dismissed at this time.

2021-22 EXECUTIVE DIRECTOR GOALS & OBJECTIVES

Staff was dismissed during this time.

FYI TAX REPORTING UPDATE FROM HR

Ms. Orcutt informed the Committee of the tax reporting update provided by Human Resources.

DC PLAN DUE DILIGENCE REVIEW/RFP DISCUSSION

The Committee discussed the RFP process and timing for the DC Plans Review. It was decided to begin the process in the fall of 2021. The Committee would like to have a member from IPC assist with the process as well.

AUGUST APC FORMAT

The Committee agreed to meet virtually on August 10th at 1:00 PM.

ADJOURNMENT

It was ***moved*** by Schreier and ***seconded*** by Praschan to adjourn the meeting at 1:28 p.m.

Meeting adjourned at 1:28 p.m.

G-6 Audit Committee Minutes – None.

G-7 Legal Report – None.

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.

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Applied Imaging	\$14.17	Printing Services 5/2021
2	Culligan	\$12.00	Water Service 6/2021
3	VanOverbeke, Michaud & Timmony	\$10,100.00	Legal Services 1/1/2021 - 3/31/2021
4	GRS	\$1,500.00	EDRO Fee: Pelzel
5	MedSource	\$950.00	Disability Re-Exam Fee J.Gold 6/10/2021
6	City of Ann Arbor Treasurer	\$3,078.63	K.Spade Time 8/27/2021 - 6/2/2021
7	Allstar Alarm	\$156.00	Fire Alarm Monitoring/System 8/1/2021-10/31/2021
8	American Express	\$5.90	USPS Certified Mail: M.Whitehead
9	DTE	\$98.07	Electric 5/14/2021-6/14/2021
10	MAPERS	\$200.00	Fall Conference Registration: Orcutt & Gustafson
11	West Arbor Condo Association	\$456.00	Condo Association Dues 7/2021
	Total	\$16,570.77	

H-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Union	Years of Service	Department/Service Area
Ronald Ross	Age & Service	July 10, 2021	Police	AAPOA	25 Years, 5 Months	Safety Services
Michael Nearing	Age & Service	July 24, 2021	General	Non Union	33 Years, 0.5 Months	Public Services

Dena Waddell	Age & Service	August 28, 2021	General	AFSCME	24 Years, 9.5 Months	City Administration
Randy Kapala	Deferred Age & Service	July 1, 2021	General	AFSCME	8 Years, 6 Months	City Administration

H-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was **moved** by Schreier and **seconded** by Hastie to adjourn the meeting at 9:48 a.m.
Meeting adjourned at 9:48 a.m.

Wendy Orcutt

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