

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
July 18, 2023**

B

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

ROLL CALL

Members Present: DiGiovanni, Flack, Foster, Grimes, Lynch, Monroe, Praschan
Members Absent: Nerdrum, Schreier
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Paul Nacario, Innovest(9:00 am arrival)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 June 15, 2023 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Grimes to approve the June 15, 2023 Regular 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	Plan	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Hope Hughes	Community Services	Dual Plan	10 Years, 9.5 Months	Ypsilanti Housing Commission

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.

C-2 EDRO Certification: Andrea M. Koewn v. Jeffrey H. Koewn

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated June 7, 2023, wherein Andrea M. Keown, the Alternate Payee, is awarded certain rights to the benefits of Jeffrey H, Keown, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's benefits payable the Retirement System which is subject to either the Participant or the Alternate Payee making an application for the same, and

WHEREAS, the parties' order provides that the Participant shall designate the Alternate Payee as the surviving spouse for all pre-retirement purposes under the Plan for that portion of the Participant's retirement allowance that is subject to the order, and

WHEREAS, the payments from the plan to the Alternate Payee shall begin when the Participant commences benefits from the Retirement System, unless the Alternate Payee elects to commence his share of the Participant's benefit at any time after the Participant reaches her earliest retirement date, and

WHEREAS, the Board's policy is to require that the costs for the actuary's calculations are to be borne by the parties to the domestic relations proceedings, and the order provides that the parties agree to share any such costs, and that the Alternate Payee's share of said costs shall be in proportion to her share of the Participant's retirement allowance under the EDRO, and

WHEREAS, said matter having been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order and will administer benefits consistent with said order upon application of either the Participant or the Alternate Payee, and further

RESOLVED, that a copy of this Resolution be immediately attached as the top sheet of the Participant's pension file and other appropriate records be retained by the

Retirement System relative to this matter, and further

RESOLVED, that copies of this resolution be sent to Jeffrey H. Keown, the Participant; Melanie Klark Szawara, Esq., attorney for the Participant; Michelle Andrea M. Keown, the Alternate Payee; Andrea M. Banfield, Esq., attorney for the Alternate Payee; and the Board's Actuary.

C-3 Authorization for Conference/Training (\$1900.00 (Estimated))

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, Executive Director, has requested the Board of Trustees' authorization for her travel to Seattle, WA, at Retirement System expense, estimated at \$1900.00 to attend the National Association of Governmental Defined Contribution Administrators (NAGDCA) Annual Conference, to participate in education relevant to her responsibility as a Retirement System Staff person, therefore be it

RESOLVED, the Board of Trustees authorizes the conference and training request of Wendy Orcutt to travel to Seattle, WA, at Retirement System expense, estimated at \$1900.00 to attend the National Association of Governmental Defined Contribution Administrators (NAGDCA) Annual Conference, and

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

C-4 Income Withholding Order for Support Eric v. Ronewicz

WHEREAS, the Board of Trustees is in receipt of an Income Withholding for Support Order dated July 1, 2023, regarding Participant Eric V. Ronewicz and his benefits payable from the Retirement System, and

WHEREAS, the order requests income₃ withholding from Mr. Ronewicz's retirement

benefits payable to the Washtenaw County Friend of the Court, and

WHEREAS, said matter has been discussed with legal counsel who has opined that the applicable terms of said court order is consistent with the provisions of the Retirement System and applicable law, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order as of July 1, 2023, acknowledges said court order is consistent with Plan provisions and applicable law, and hereby indicates that it will withhold income in accordance with the terms of said order from this date forward and commence said payments as soon as administratively feasible to the Washtenaw Friend of the Court, and further

RESOLVED, that a copy of this resolution be immediately attached as the top sheet of the Participant's pension file and other appropriate records be kept for the Retirement System relative to this matter, and

RESOLVED, the copies of this Resolution be sent to Eric V. Ronewicz, the Participant; and the Washtenaw County Friend of the Court.

It was **moved** by Foster and **seconded** by Monroe to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Motion Regarding Disability Re-Examination Review

Ms. Orcutt has reviewed the medical report for Mr. Ramirez and it is consistent with the Physician's decision. Ms. Orcutt informed the Board that the Physician has concluded that Mr. Ramirez'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. The Physician also noted that due to Mr. Ramirez's disability condition, it was not necessary to schedule a re-examination in 2024.

It was **moved** by DiGiovanni and **seconded** by Lynch that the Board acknowledges receipt of the medical report date June 7, 2023 from Antoine Geffard, 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, and that a re-examination is not necessary in 2024 due to Mr. Ramirez's disability condition; the Board therefore grants the disability retirement consistent with the Board's Disability Retirement Procedures.

Approved

D-2 Eligible Rollover Distributions Resolution

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(f) of the Internal Revenue Code (the "Code") requires the Board to provide written notice and explanation to recipients of eligible rollover₄ distributions from the Retirement System

(hereinafter, the “Safe Harbor Notice”), and

WHEREAS, applicable tax law and regulations require said Safe Harbor Notice to be provided within a reasonable period of time in advance of such distributions, and

WHEREAS, the SECURE 2.0 Act of 2022 (“SECURE 2.0”) was enacted on December 29, 2022, resulting in the modification of applicable federal retirement laws and regulations, and

WHEREAS, several changes under SECURE 2.0 require modification of the safe harbor explanations that may be used to satisfy the requirements of Code Section 402(f), and

WHEREAS, legal counsel has prepared a revised Safe Harbor Notice consistent with the provisions and SECURE 2.0 and the requirements of Section 402(f), and

WHEREAS, the Board of Trustees has discussed this matter with legal counsel, therefore be it

RESOLVED, that the Retirement System’s Safe-Harbor Notice is hereby amended to comply with the requirements of SECURE 2.0 and Section 402(f) of the Code, and further

RESOLVED, that the Board of Trustees hereby adopts the revised Safe Harbor Notice consistent with the requirements of SECURE 2.0, and further

RESOLVED, that the Safe Harbor Notice be provided to recipients of eligible rollover distributions from the Retirement System consistent with Code Section 402(f), and further

RESOLVED, that a copy of this resolution shall be retained in accordance with the Retirement System’s record retention policy and provided to all appropriate parties.

It was **moved** by DiGiovanni and **seconded** by Foster to acknowledge receipt and retain the Eligible Rollover Distributions Resolution in accordance with the Retirement System’s record retention policy and provide to all appropriate parties.

Approved

D-3 Revised IPS Addendum

The Board reviewed the revised IPS addendum including a rebalancing plan with delegated authority to IPC when time is of the essence due to heightened volatility and agreed to approve.

It was **moved** by Monroe and **seconded** by Foster to approve the revised IPS addendum.

Approved

D-4 Discussion/Decision of Record Keeper Finalists

The Board discussed the RFP interviews and website demos. It was decided to hire Voya as the new record keeper for the 457 and 401a plan.

It was **moved** by Grimes and **seconded** by DiGiovanni to hire Voya as the record keeper for the 457 and 401a plan.

Approved

D-5 Discussion/Decision on Updating Mortality Tables

GRS recommended adopting the Pub-2010 tables as described in their experience study report. The new assumption set would be used in the forthcoming GASB and funding valuations to be delivered in August and October. The Board further discussed the mortality tables.

It was **moved** by Monroe and **seconded** by Foster to adopt the Pub-2010 mortality tables.
Approved

E. DISCUSSION ITEMS

E-1 Communication/Directive from HR

Debra Buckson from Human Resources recently directed the Pension Office to only calculate actual pension amounts based on the current official data for any employee. Furthermore, not to under any circumstances, provide any speculative calculations based on any other data, to any employees. If the City needs any speculative calculations, those requests will come directly from HR or the Attorney's Office.

E-2 Executive Director 2023-23 Goals & Objectives

Ms. Orcutt presented her FY 2023-24 goals & objectives to the Board.

E-3 Board Meeting Items July – December

Ms. Orcutt presented the Board calendar for the remainder of the 2023 year. The Board reviewed and agreed with the remaining task items.

F. REPORTS

F-1 Executive Report – July 20, 2023

MESIROW CAPITAL CALL

Mesirow Financial Private Equity Fund VIII-A, L.P. requested a capital call in the amount of **\$1,200,000** for the Retirement Plan and **\$360,000** for the VEBA on 6/30/23. With these installments, **CAAERS** will have funded 46% of our total commitments of \$10,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

CARLYLE DISTRIBUTION

Carlyle Realty Fund VIII issued a distribution in the amount of \$ 172,038 for the Retirement System and \$43,006 for the VEBA on 6/29/23. The distribution was netted against fees and expenses.

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA requested a capital call of our commitment to the Growth and Income Fund X in the amount of **\$120,000** for the Retirement Plan and **\$80,000** for the VEBA on 7/19/23 for the purpose of funding current commitments.

TORCHLIGHT DISTRIBUTION

Torchlight Investors issued a distribution from the Debt Fund VII in the amount of **\$55,339** for the Retirement Plan and **\$24,596** for the VEBA on 7/12/23. These funds are unused capital and subject to recall.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$288,000** for the Retirement Plan and **\$72,000** for VEBA on 7/27/23 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 74% of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

PENSION ADMINISTRATION SOFTWARE CONVERSION

The employee website is expected to be ready for testing by Staff on July 17. Full functionality and roll out was scheduled for August 1 but this may be postponed given staff time constraints for testing. Maria is working extensively on the pay and contribution reporting for quarters ending 3/31 and 6/30. These were the first since the conversion from Buck and there were many items to correct to ensure that all the contribution balance information is captured.

Milliman has provided a statement of work for 3 updates needed that were not part of the initial set up due to changes in collective bargaining agreements such as the FAC cap and change in employee contribution amounts.

FYE/AUDIT UPDATE

Rehmann will be onsite July 17th and 18th to conduct preliminary audit work and testing. Northern Trust will cut off the reporting on July 20th which should enable us to capture as much of the alternative investment statements as possible.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with the City's Legal and HR department to discuss personnel matters on June 20, 21, 23, and 26th.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 29 estimates, 5 final calculations, 4 deceased calcs, 6 non-vested calculations, deferred, 1 payout, and conducted 1 pre-session.

F-2 Executive Report – MissionSquare (ICMA) Update

457 PLAN

Balance at 7/10/23 - \$ 108,721,000

Admin Allowance Balance = \$ 22,734

401A PLAN

Balance at 7/10/23 – \$ 5,612,000

Forfeiture Balance = \$ 67,000

Current Items/Education:

Bill Sims held onsite and virtual appointments during July 10-12, 2023. MSQ has assigned an additional participant educator to Ann Arbor, his name is Gordy NeSmith.

It was discovered that employee records in the 401 were not being updated with reciprocal documentation sent to Mission Square. ED and Staff audited records and coordinated with MSQ and Innovest to rectify. There is one employee who had left City service and is owed employer contributions. This amount was erroneously marked as a forfeiture.

NOTE: Plan Statistics are not available this month as MSQ is revamping how the data is displayed in the illustrations.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended June 30, 2023

Maria Buffone, Accountant, submitted the Financial Report for the month ended June 30, 2023 to the Board of Trustees:

6/30/2023 Asset Value (Preliminary)	\$608,091,750
5/31/2023 Asset Value (Audited by Northern)	\$590,317,250
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$47,935,714
Percent Gain <Loss>	8.3%
July 19, 2023 Asset Value	\$611,242,485

F-4 Investment Policy Committee Minutes – None.

F-5 Administrative Policy Committee Minutes – July 11, 2023

Following are the Administrative Policy Committee minutes from the meeting convened at 3:04 p.m. on July 11, 2023:

*Committee Members Present: Lynch, Monroe, Praschan(3:40 PM departure), Schreier
Members Absent: None
Other Trustees Present: Grimes
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh, Orcutt
Others Present: Paul Nacario, Innovest (3:29 arrival - 3:49PM departure)
Troy Jensen, Innovest (3:29 arrival - 3:49PM departure)*

RECORD KEEPER RFP FOLLOW UP DISCUSSION

The committee discussed the RFP interviews and website demos weighing the pros and cons of each. The committee also discussed the fee structures offered with Innovest in conjunction with the stable value options. It was decided to recommend Voya as the new record keeper to the Board for approval at the July meeting.

*It was **moved** by Schreier and **seconded** by Lynch to recommend Voya as the record keeper.*

MISSIONSQUARE UPDATES

Vesting Issue: Staff did an audit of vesting status for employees with reciprocal time in the Dual Plan and discovered 8 participants who MissionSquare did not update properly. MissionSquare did correct the records however, there was one former employee who took a distribution in 2022 and employer contributions which should have been paid to her were marked as a forfeiture. MissionSquare is researching how this error occurred and determine if any earnings should be associated with the corrective distribution of these funds. Staff is working with Innovest and MSQ to correct.

Forfeitures: Staff is tracking the timing of forfeitures to ensure that funds would be used in compliance with the IRS guidelines.

2022-23 EXECUTIVE DIRECTOR EVALUATION

Ms. Orcutt presented her completed goals and objectives for the FYE 22-2023 as well as the evaluation form. The Committee agreed to have the evaluation form and completed goals sent to the Board in the coming week and will provide a final review at the August Board meeting.

FY 2023-24 EXECUTIVE DIRECTOR GOALS & OBJECTIVES

Ms. Orcutt presented her goals and objectives for the FYE 23-2024.

SECURE ACT 2.0 ELIGIBLE ROLLOVER DISTRIBUTIONS MEMO

This item was informational and will be placed on the Board agenda for approval.

RETIREE COLA INQUIRY

This item was postponed due to time restrictions.

AUGUST APC MEETING

The Committee will review schedules for August and inform staff of availability.

ADJOURNMENT

It was ***moved*** by Schreier and ***seconded*** by Lynch to adjourn the meeting at 4:03 p.m.
Meeting adjourned at 4:03 p.m.

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

F-7 **Legal Report**

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

G-1 **Communications Memorandum**

G-2 **August 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	Applied Imaging	\$49.47	Printing Services 5/2023
2	Laura Hollabaugh	\$163.77	DTE Electric Service 5/13/2023-6/13/2023
3	Laura Hollabaugh	\$18.63	DTE Gas Service 5/13/2023-6/13/2023
4	Milliman	\$5,777.00	MARC Implementation Fee 6/2023
5	Staples	\$82.78	Misc. Office Supplies
6	Allstar Alarm	\$156.00	Fire Alarm Monitoring 8/1/2023-10/31/2023
7	American Express	\$673.94	GFOA membership, Kroger, Panera Bread, Potbelly, Culligan
8	Applied Imaging	\$44.97	Printing Services 6/2023
9	GRS	\$22,500.00	Final Experience Study Report 5/11/2023
10	Laura Hollabaugh	\$105.99	Office Keurig Replacement Order
11	City of Ann Arbor	\$1,161.55	K.Spade time Q4
12	MedSource	\$225.00	Disability Exam P.Ramirez
13	Meketa	\$10,000.00	Investment Consulting Fee 6/2023
	Total	\$40,959.10	

G-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Union	Years of Service	Dept./Service Area
Robin Lee	Age & Service	July 29, 2023	Police	AAPOA	25 Years, 1.5 Months	Safety Services

G-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Foster to adjourn the meeting at 10:09 a.m.
Meeting adjourned at 10:09 a.m.

Wendy Orcutt

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