

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
June 18, 2015**



The meeting was called to order by Jeremy Flack, Chairperson, at 8:50 a.m.

ROLL CALL

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

AUDIENCE COMMENTS – None

A. APPROVAL OF REVISED AGENDA

Two items were added to the packet since first distribution:

- D-3 Audit Engagement Letter for FY 2015/2016
- F-1 Revised Executive Report

It was **moved** by Heusel and **seconded** by Monroe to approve the agenda as revised.
Approved

B. APPROVAL OF MINUTES – May 21, 2015

It was **moved** by Nerdrum and **seconded** by Monroe to approve the May 21, 2015 Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

C-1 Purchase of Military Service Time

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, Section 1:561(e) of the Retirement Ordinance, Chapter 18 of the Code of the City of Ann Arbor allows for prior Military Service Credit, and

WHEREAS, the Board is in receipt of an Application for Purchase of Military Service Time, 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 purchase of Military Service Time:

Name	Employee Group	Requested Military Service Time	Requested Method of Payment	Cost for Purchase of Military Service Time
<u>Brian Miller</u>	General	3 years, 7 Months	Lump Sum	\$ 12,428.43

FURTHER RESOLVED, that the applicant(s) purchasing Military Service Time be notified of the amount of money necessary to buy the Military Service Time, and upon full payment, the member(s) shall be credited the service time.

It was **moved** by Heusel and **seconded** by Hastie to approve the Consent Agenda as submitted.

Approved

D. ACTION ITEMS

D-1 Ethics Policy – Final Draft

A lengthy discussion ensued regarding the gifts and gratuities section of the Policy, with the Board ultimately deciding to approve the Policy as presented.

It was **moved** by Monroe and **seconded** by Nerdrum to accept and approve the proposed Ethics Policy as presented.

Approved

D-2 Proposed Communication to Buck Consultants

Ms. Nerdrum reviewed a proposed letter to Mr. Langer of Buck Consultants addressing concerns and issues, as well as requesting that he attend the July Board meeting to address the concerns and discuss future projects. Ms. Nerdrum stated that the Audit Committee also recommends that the RFP schedule be followed as currently written, with the legal RFP being conducted this year and the actuarial RFP be conducted in 2016. The Board agreed, and decided that the letter to Buck Consultants should be forwarded this month.

It was **moved** by Heusel and **seconded** by Crawford to forward the proposed communication to Mr. Langer of Buck Consultants.

Approved

D-3 Audit Engagement Letter for FY 2015/2016

Ms. Walker reviewed the engagement letter from Rehmann Robson, which outlines the auditors' responsibilities in the audit, including testing and reporting on compliance with laws and regulations and internal control over financial reporting.

It was **moved** by Crawford and **seconded** by Hastie to approve and authorize execution of the FY 2015/2016 Engagement Letter as presented.

Approved

E. DISCUSSION ITEMS

E-1 Dashboard Concepts Discussion

The Board discussed possible ways of reporting the status of current projects by both staff and the various Committees. It was decided that each Committee should discuss its goals and prioritize current projects, and that a "project tracking chart" be added at the bottom of future Committee meeting minutes as a reporting tool.

E-2 Request for Proposals (RFP) Schedule

The Board confirmed that a legal RFP will be conducted this year as scheduled, and that the actuarial RFP will be conducted in 2016.

F. **REPORTS**

F-1 **Executive Report** (revised) – June 18, 2015

CONSTITUTION CAPITAL CALLS

Constitution Capital has called **\$3,320,370.99** for the Co Investment Fund and **\$322,591.44** for the Ironsides Partnership Fund III due June 29, 2015. Meketa has recommended that this funding be sourced from the NT S&P 400 MidCap Index as the system is slightly overweight domestic equity.

SUMMIT CAPITAL CALLS

Summit Partners Credit Fund II, L.P. (the "Fund") has current commitments which necessitated a takedown of three tenths percent (0.3%) of the Retirement System commitment to the Fund in the amount of **\$27,600** on May 26, 2015. With this installment, we will have funded twenty-two percent (22.0%) of the total commitment of \$9,200,000 to Summit Partners Credit Fund II, L.P.

Summit Partners Credit Fund II, L.P. (the "Fund") has current commitments which necessitated a takedown of three tenths percent (0.3%) of the VEBA commitment to the Fund in the amount of **\$6,900** on May 26, 2015. With this installment, we will have funded twenty-two percent (22.0%) of the total commitment of \$2,300,000 to Summit Partners Credit Fund II, L.P.

MANAGER UPDATES

The Investment Manager Agreement side letter and other required documents for the new private equity investment in Constitution Capital Partners Ironsides Fund III have been finalized and executed by both parties.

STAFF ACTIVITY

Rehmann Robson has agreed to advance its audit schedule for benefit payments audits for the FY 2014/2015, and has received the benefit listing from which it will choose the payments to be audited this year. As soon as they provide the request selection staff will pull the files.

Update-the auditors were in on Wednesday 6-16-2015 to review the benefit payments.

A site name Retirement Resources has been added to the A2 Central intranet site. This contains the link to the ESS calculation, the Employee Handbook, Social Security and IRS websites. Because the new intranet was rolled out May 19, the announcement of the site in the A2 newsletter (internal communication) also occurred on that date.

CITY COUNCIL

The updated language for Board composition changes has received its first and second reading at City Council. The Ordinance changes were enacted.

Below is the extract from the action minutes of the Council Meeting.

B-4 15-0610 An Ordinance to Amend Sections 1:553(1) and (3) of Chapter 18 (Employees Retirement System), Title I of the Code of the City of Ann Arbor to Implement a Change in Board Composition Approved by Ballot Measure and Collective Bargaining (Ordinance No. ORD-15-10)

Adopted on Second Reading; Published 6/22/15; Effective 7/2/15
Enactment No: ORD-15-10

B-5 15-0657 An Ordinance to Amend Sections 1:748 of Chapter 21, Retiree Health Benefits Plan and Trust, Title I of the Code of the City of Ann Arbor to Implement a Change in Board Composition Consistent with the Pension Ordinance, Chapter 18, Employees Retirement System (Ordinance No. ORD-15-11)

Adopted on Second Reading; Published 6/22/15; Effective 7/2/15

Enactment No: ORD-15-11

Board discussion:

Mr. Crawford requested that the certain Citizen Trustee terms be adjusted to be on a calendar year basis, because over the years some Trustee seats were filled mid-term, which resulted in the schedule becoming out of line, and ideally the terms should stagger. The Board agreed that Mr. Crawford should move forward with taking the necessary steps to make the adjustments for City Council approval.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended May 31, 2015

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

5/31/2015 Asset Value (Preliminary)	\$478,152,315
4/30/2015 Asset Value (Audited by Northern)	\$478,840,896
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$17,312,157
Percent Gain <Loss>	3.7%
June 17, 2015 Asset Value	\$473,154,541

F-3 Investment Policy Committee Minutes – June 2, 2015

Following are the Investment Policy Committee minutes from the meeting convened at 3:08 p.m. on June 2, 2015:

Member(s) Present: Clark, Flack, Hastie, Monroe
Member(s) Absent: None
Other Trustees Present: None
Staff Present: Kluczynski, Walker
Others Present: Henry Jaung, Meketa Investment Group

PRIVATE EQUITY PRIMER

Mr. Jaung provided an overview on private equity investments - specifically Venture Capital, and the return expectations, 20-year expected return, current cycle, and the typical fee structure.

ARBORETUM VENTURES PRESENTATION

Paul Mcreadie & Tim Petersen, Managing Directors

Paul Mcreadie and Tim Petersen were present to discuss Arboretum Ventures, a healthcare venture capital firm based in Ann Arbor and founded in 2002. The firm focuses exclusively on healthcare (medical devices, diagnostics, healthcare IT, and healthcare services). The firm's investment performance history was reviewed, as well as an overview of the upcoming Arboretum IV Fund in mid-June.

After Mr. Mcreadie and Mr. Petersen departed, the Committee decided that the members

were interested in investing, and may make a recommendation to the Board of Trustees pending information on the ability to enter this fund before moving forward.

It was **moved** by Flack and **seconded** by Monroe to make a recommendation to the Board of Trustees at the June 18, 2015 meeting to invest in the Arboretum IV Fund with \$5 million pending the opportunity exists and legal review.

Approved

APRIL 30, 2015 INTERIM INVESTMENT REVIEW

Mr. Jaung stated that as of April 30, 2015, the Retirement System was valued at \$479.9 million, a slight increase from March 31, 2015 (\$478.2 million).

ADJOURNMENT

It was **moved** by Flack and **seconded** by Clark to adjourn the meeting at 5:40 p.m.

Meeting adjourned at 5:40 p.m.

F-4 Administrative Policy Committee Minutes – June 9, 2015

Following are the Administrative Policy Committee minutes from the meeting convened at 12:01 p.m. on June 9, 2015:

Committee Members Present:	Crawford, Monroe, Heusel (via telephone)
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Kluczynski, Walker
Others Present:	None

FAC RECALCULATION POLICY

Due to time constraints, this item was postponed until the July 14th APC meeting.

EXECUTIVE DIRECTOR EVALUATION PREPARATION

The Committee discussed how the evaluation process will be conducted this year, including revisions to the survey/checklist for the Board members' feedback. Mr. Crawford stated that he will put together and email the packets for Trustee feedback, with a request to return them to Mr. Monroe for consolidation by July 4th. The Committee will then discuss the responses at the July 14th APC meeting in anticipation of the Board's discussion at its July 16th regular meeting.

REVISED DRAFT – ETHICS POLICY

The Committee further reviewed the drafted Ethics Policy, specifically, language regarding gifts and gratuities, meals, conferences as redrafted by Mr. Heusel per the May APC discussion.

After review, the Committee decided to implement the language changes as discussed and present the revised policy for approval at the June Board meeting.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Heusel to adjourn the meeting at 1:21 p.m.

Meeting adjourned at 1:21 p.m.

F-5 Audit Committee Minutes – June 9, 2015

Following are the Audit Committee minutes from the meeting convened at 4:10 p.m. on June 9, 2015:

Committee Members Present: Clark, Monroe, Nerdrum
Members Absent: Crawford
Other Trustees Present: None
Staff Present: Jarskey, Kluczynski, Walker
Others Present: David Diephuis, City Resident

REVIEW OF ACTUARIAL ASSUMPTIONS

The Committee discussed the economic and demographic assumptions, mortality rates, as well as the actuarial parameters and how to proceed with this year's valuation.

It was **moved** by Clark and **seconded** by Monroe that the Committee, having reviewed the economic and demographic assumptions and recognizing that the economic assumptions were discussed at this year's Board Retreat as well as prior discussions, and the demographic and other actuarial parameters are either dictated by GASB requirements or were reconfirmed in the 2013 Experience Study, therefore recommends no changes from the prior valuation going forward.

Approved

REVIEW OF NECESSITY OF ACTUARIAL RFP VS. COMMUNICATION TO ACTUARY OF BOARD'S EVALUATION

Ms. Nerdrum stated that this has been placed on the agenda because both the legal and actuarial RFP's are due to be conducted soon, and this was also discussed at the May Board meeting. At the May meeting, the Board had discussed certain concerns with the current actuary and decided to move forward with conducting an actuarial RFP this year with the legal RFP to be conducted in May 2016. Mr. Monroe stated that after the May meeting, he and Ms. Nerdrum discussed the issue further and recommends that Mr. Langer be given the Board's concerns in writing in order to give him a chance to respond before moving forward with an RFP this year. Mr. Monroe believes this will help the Trustees to make a better decision during the RFP process, and that the legal RFP should be conducted per the current schedule.

The Committee reviewed a drafted letter to Mr. Langer indicating the areas of Board/Staff satisfaction as well as areas of the Board's constructive feedback, and it was decided that the letter be recommended to the full Board of Trustees for review at the June meeting before being sent to Mr. Langer.

It was **moved** by Monroe and **seconded** by Clark to present the drafted letter to the Board of Trustees as discussed, have Mr. Langer attend the July AC meeting to discuss his feedback and amortization issues, and recommend to keep the regular RFP schedule as outlined in our policy, which will entail conducting the legal RFP prior to the actuarial RFP.

Approved

ADJOURNMENT

It was **moved** by Clark and **seconded** by Monroe to adjourn the meeting at 4:55 p.m.
Meeting adjourned at 4:55 p.m.

F-6 Legal Report – No Report

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 July Planning Calendar

G-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	B Green and Clean	210.00	Office cleaning services for January and April 2015
2	DTE Energy	40.36	Monthly Gas Fee dated May 13, 2015
3	DTE Energy	179.75	Monthly Electric Fee dated May 13, 2015
4	Buck Consultants	2,483.33	April monthly hosting fees & Pieske EDRO
5	Kolossos Printing, Inc.	83.15	Programs for Retiree Educational Session on 5/26/15
6	AT&T	319.33	Monthly telephone service
7	Sheraton Ann Arbor Hotel	5,515.50	Retiree Educational Session held on 5/26/2015
8	Hasselbring-Clark Co.	46.51	Monthly copier cost per copy
9	Government Finance Officers Assoc.	160.00	Membership renewal for 7/1/2015 – 6/30/2016
10	VanOverbeke, Michaud & Timmony PC	11,007.50	Payment for Legal services: 9/1/2014-12/31/2014
11	Meketa Investment Group	9,166.66	Investment Consultant Retainer - May 2015
12	Sheraton Ann Arbor Hotel	5,203.30	Retiree educational seminar – 5/26/2015
13	Culligan of Ann Arbor/Detroit	7.00	Water service – June 2015
14	David Monroe	443.23	Travel Reimbursement – 2015 Spring MAPERS
15	Nancy Walker	34.88	Travel Reimbursement – 2015 Spring MAPERS
16	Terry Clark	25.08	Travel Reimbursement – 2015 Spring MAPERS
	TOTAL	34,925.58	

G-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
Adele El-Ayoubi	Age & Service	July 7, 2015	General	25 years, 5 months	Safety Services Police Department
Kathleen Flynn	Age & Service	July 7, 2015	General	27 years, 7 months	Safety Services Police Department

G-5 IR&M Correspondence re: Personnel Changes

G-6 Spring MAPERS Certificates of Attendance

G-7 Meketa Management Transition

H. TRUSTEE COMMENTS - None

I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Monroe to adjourn the meeting at 11:11 a.m.

Meeting adjourned at 11:11 a.m.



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