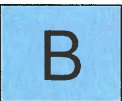


**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
March 16, 2017**



The meeting was called to order by Jeremy Flack, Board Chairperson, at 8:46 a.m.

ROLL CALL

Members Present: Crawford, DiGiovanni, Flack, Heusel, Lynch, Monroe, Nerdrum
Members Absent: Clark, Hastie
Staff Present: Gustafson, Hammond, Kluczynski, Orcutt
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF REVISED AGENDA

Revised agenda items include C-4 – Income Withholding Order, and F-4 – March 14, 2017 APC Minutes.

It was **moved** by DiGiovanni and **seconded** by Crawford to approve the agenda as revised.

Approved

B. APPROVAL OF MINUTES

B-1 February 16, 2017 Regular Board Meeting

It was **moved** by Crawford and **seconded** by Heusel to approve the February 16, 2017 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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Kevin Harrison	General	3 months	University of 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

C-2 Authorization for Conference/Training – GFOA Annual Conference, May 21-24, 2017 - Hammond

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, Corbin Hammond, Accountant, has requested the Board of Trustees’ authorization for his travel to Denver, Colorado, at Retirement System expense, estimated at \$1,549.00, to attend the GFOA Annual Conference, to participate in continuing education in his responsibility as Retirement System Staff person, therefore be it

RESOLVED, the Board of Trustees authorizes the conference and training request of Corbin Hammond to travel to Denver, Colorado, at Retirement System expense, estimated at \$1,549.00, to attend the GFOA Annual Conference, to participate in continuing education in his responsibility as Retirement System Staff person, and

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

C-3 Authorization for Conference/Training – 2017 Spring MAPERS Conference, May 21-23, 2017 - Orcutt

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 has requested the Board of Trustees' authorization for travel to Acme, Michigan, at Retirement System expense, estimated at \$1,220.00, to attend the 2017 Spring MAPERS Conference, to participate in continuing education in her responsibilities as Retirement Staff and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the travel request of Wendy Orcutt to travel to Acme, Michigan, at Retirement System expense, estimated at \$1,220.00 (collectively), to attend the 2017 Spring MAPERS Conference, to participate in continuing education in her responsibilities as Retirement Staff, 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 Patrick Douglas Ouellette v. Laura Jean Ouellette
Income Withholding Order for Support Case No. 912535728**

WHEREAS, the Board of Trustees is in receipt of an Income Withholding for Support Order dated March 7, 2017, regarding Participant Patrick Douglas Ouellette and his benefits payable from the Retirement System, and

WHEREAS, the order requests income withholding from Mr. Ouellette'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 March 14, 2017, 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 Patrick Douglas Ouelette, the Participant; Laura Jean Ouellette, the Participant's Former Spouse; and the Washtenaw County Friend of the Court.

It was **moved** by Monroe and **seconded** by Crawford to approve additional Trustees or Staff members who are interested in attending the 2017 Spring MAPERS Conference in May.

Approved

It was **moved** by Heusel and **seconded** by DiGiovanni to approve the Consent Agenda.

Approved

D. ACTION ITEMS

D-1 Resolution to Hire GQG Partners LLC as Part of the International Emerging Market (EM) Equity Program

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 and reviewed the Retirement System EM Fund Program for efficiency and cost savings, and

WHEREAS, the potential manager, GQG Partners LLC presented their investment strategy to the IPC on March 7, 2017, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with GQG Partners LLC, and

WHEREAS, Meketa Investment Group has recommended funding GQG from the Northern Trust MSCI Emerging Markets Index Fund with approximately \$10 million, so be it

RESOLVED, that the Board of Trustees approves the hiring of GQG with an investment in the amount of approximately \$10 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence, if applicable, and further

RESOLVED, that GQG be funded from the Northern Trust MSCI Emerging Markets Index Fund with approximately \$10 million, and further

RESOLVED, that the Board of Trustees allow Meketa to work with staff and legal counsel to liquidate the Northern Trust MSCI Emerging Markets Index Fund for timely funding of the newly approved mandate.

It was **moved** by Monroe and **seconded** by Crawford to approve the Resolution to Hire GQG Partners LLC as Part of the International Emerging Market (EM) Equity Program as presented.

Approved

D-2 2017 "Letter to Members" Newsletter

Ms. Orcutt presented the proposed Letter to Members annual newsletter. Suggested revisions included a correction to the economic factors information, adding a brief announcement regarding the new dual plan, and updated Trustee information.

It was **moved** by Nerdrum and **seconded** by Monroe to approve the 2017 “Letter to Members” Newsletter as revised per the Board’s discussion.

Approved

E. DISCUSSION ITEMS

E-1 March 24, 2017 Board Retreat Agenda – Final Draft

Ms. Orcutt reviewed the proposed agenda for the upcoming Board Retreat on Friday, March 24, 2017, and a brief discussion ensued regarding whether to have the ICMA representative at the retreat to discuss the Dual Plan. Mr. VanOverbeke briefly discussed the fiduciary aspects for the upcoming Plan, review and RFP possibilities, and suggested that the Board use time at the retreat to discuss these issues with the Board, legal counsel, and the investment consultant to determine everyone’s roles and to come up with additional questions before meeting again with ICMA. There were no additional changes made to the agenda at this time.

F. REPORTS

F-1 Executive Report – March 16, 2017

DRA CAPITAL CALLS

DRA Growth and Income Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 497,097** for the Retirement Plan and **\$ 146,296** for the VEBA on February 24, 2017 for the purpose of funding current commitments. After these installments, AAERS will have funded 86% of total commitments of \$8,500,000 for the Retirement Plan and \$2,500,000 for the VEBA.

DRA DISTRIBUTIONS

DRA distributed dividends in the amount of **\$187,846** for the Retirement System and **\$55,248** for the VEBA from the Growth and Income Fund VIII on 2/15/2017.

DRA issued a recallable refund of capital in the amount of **\$196,973** plus interest for the Retirement System and **\$57,934** for the VEBA from the Growth and Income Fund VIII on 2/17/2017.

DRA distributed dividends in the amount of **\$ 29,826** for the Retirement System and **\$8,872** for the VEBA from the Growth and Income Fund IX on 2/21/2017.

RAISE CASH and AUTOSWEEP FEATURE

The NT Russell 1000 fund was utilized to raise cash to fund benefit payments and expenses. ED liquidated \$5,000,000 from the Russell 1000 with the effective date of 2/22/17. The documents to authorize the auto sweep of cash were executed and forwarded to NT and the feature went live 2/28/17.

DUAL PLAN UPDATE

ED forwarded the Administrative Service Agreement and “red-lined” Ordinance to Michael VanOverbeke for review and is coordinating with representatives from ICMA-RC to field questions from the APC regarding investments and fiduciary responsibilities. ICMA offers training on Fiduciary Roles and Responsibilities which will eventually be scheduled for Board Members and Staff.

STAFF OPERATIONS

The Pension Analyst conducted 3 pre-sessions, completed 6 estimates, 4 final calculations and processed 7 terminated, non-vested employees.

Dan Gustafson passed the first module of the Certified Employee Benefits Specialist (CEBS) program that was approved by the Board on 11/8/16. He will be testing for the second module at the end of the month.

Wendy Orcutt and Corbin Hammond met with Patrick Flanagan from Northern Trust on February 28, 2017 for an introduction and overview of the reporting capabilities on the NT site. ED discussed a possible Due Diligence Visit in the future.

Lora Kluczynski shared her intent to retire from ERS in July 2017.

Wendy Orcutt will be out of the office April 7, April 21 and 24.

OTHER

Retiree Jan Suomala met with ED following the Ex-Officio Meeting on 2/23/17 to inquire on his pension reverting to a straight life due to the death of his nominated beneficiary. He has subsequently remarried and asked if his current spouse would be eligible to receive his benefit upon his death since he not receive a pop-up. Mr. Suomala retired in 1989 prior to the pop-up provision going into effect in 1992. ED replied to Mr. Suomala with appropriate ordinance language as well as documentation from his previous inquiry in 1994.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended February 28, 2017

Corbin Hammond, Accountant, submitted the Financial Report for the month ended February 28, 2017 to the Board of Trustees:

2/28/2017 Asset Value (Preliminary)	\$484,151,350
1/31/2017 Asset Value (Audited by Northern)	\$478,185,370
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$15,371,139
Percent Gain <Loss>	3.2%
March 15, 2017 Asset Value	\$482,062,076

F-3 Investment Policy Committee Minutes – March 7, 2017

Following are the Investment Policy Committee minutes from the meeting convened at 3:11 p.m. on March 7, 2017:

Member(s) Present: Clark, DiGiovanni, Hastie, Monroe
Member(s) Absent: Crawford, Flack
Other Trustees Present: None
Staff Present: Hammond, Orcutt
Others Present: Henry Jaung, Meketa Investment Group
Keith Beaudoin, Meketa Investment Group

Mr. Jaung introduced Keith Beaudoin to the Committee. Mr. Beaudoin is based out of Chicago and will be working along with Mr. Jaung with both the Retirement System and VEBA. Mr. Beaudoin gave a brief work history and stated that he looks forward to working with the System going forward.

FISHER INVESTMENTS – PERFORMANCE UPDATE

Orlando Copeland, Luke Puetz, & Owen Muehlfeld

Representatives for Fisher Investments were present to review their performance update, as well as to discuss active versus passive management.

A discussion ensued after the representatives departed, and Mr. Beaudoin stated that Meketa would research numbers in terms of average fees for active management in this space, price out what it would be as a separate account plus the additional custody costs.

GQG PARTNERS PRESENTATION

Meredith Mertens and Rajiv Jain (via telephone)

Ms. Mertens and Mr. Jain presented GQG Partners Emerging Markets Equity Strategy. GQG is a boutique investment firm focused on long-only global and emerging markets equity strategies, and employs 20 professionals (8 investment and 12 non-investment professionals). The firm was launched in June 2016 by prominent investor Rajiv Jain, former CIO and Co-CEO of Vontobel Asset Management, who brings over 23 years of global equity investing experience. GQG invests for the long-term in high-quality companies with sustainable earnings growth that are available at a reasonable price, and offers three investment strategies with a high alpha proposition over a full market cycle.

After GQG departed, a discussion ensued regarding their strategy. Mr. Jaung stated that if the Committee is interested in hiring GQG Partners, he would recommend committing funds from the DFA and Northern Trust MSCI Emerging Markets Index.

It was **moved** by DiGiovanni and **seconded** by Monroe to recommend that the Board of Trustees hire GQG Partners LLC as an Emerging Market Equity Manager for the Retirement System, and to liquidate the Northern Trust Emerging Market Index.

Approved

JANUARY INTERIM REPORT & BOARD RETREAT TOPICS DISCUSSION

As of January 31, 2017, the balance of the Fund was \$476,428,528. Mr. Jaung also reviewed the PA 314 Compliance, stating that everything is currently in compliance.

As far as topics for the upcoming Board Retreat, Mr. Jaung discussed a potential topic regarding macro risk and gold/gold miners as an asset class.

ADJOURNMENT

It was **moved** by Clark and **seconded** by Monroe to adjourn the meeting at 6:29 p.m.

Meeting adjourned at 6:29 p.m.

F-4 Administrative Policy Committee Minutes – March 14, 2017

Following are the Administrative Policy Committee minutes from the meeting convened at 3:09 p.m. on March 14, 2017:

Committee Members Present:	Crawford, Lynch, Monroe
Members Absent:	Heusel
Other Trustees Present:	None
Staff Present:	Kluczynski, Orcutt
Others Present:	Jason Ashline, ICMA-RC (via tx)

COMMITTEE CHARTER – DISCUSSION TO REVISE QUORUM REQUIREMENT

The Committee reviewed and discussed the “Quorum and Voting” language from the Board’s Governance Policy, specifically with respect to Committee meetings. The language currently states:

“With respect to Committee meetings, a majority of Committee members then serving on the Committee represents a quorum.”

After discussing that the minimum number currently sitting on a Committee is three (with Crawford departing the APC and joining the IPC), it was decided that the current language is applicable, but that the question of what the normal ratio is between members versus a quorum, as well as voting, should be further discussed with legal counsel at the March 16th Board meeting.

DUAL PLAN DISCUSSION WITH JASON ASHLINE OF ICMA-RC

The Committee spoke with John Ashline of ICMA-RC via conference call regarding questions about the upcoming Dual Plan and what responsibilities will be allocated to the Board of Trustees and Staff during and after the transition. Mr. Ashline gave a brief review, stating that ICMA is a non-profit 401(a) plan, which is modeled after an ERISA 404(c) plan, with fees currently at 20 basis points (with ongoing lower expenses on investment funds), and new pricing will be coming out in April. The new contract with the City includes both the 401(a) and 457 with a 5-year term.

Regarding fiduciary responsibilities, Mr. Ashline stated that while ICMA acts in a fiduciary role, they perform due diligence, select and manage the funds, that the Board will ultimately be the fiduciary. ICMA does the revenue record keeping (a non-fiduciary responsibility). When asked what Vantage Trust incorporates, Mr. Ashline stated that they have 30-40 investment professionals in Washington who perform fieldwork and research, and there are 50 funds in their standard line-up, which includes all significant asset classes. It was noted that ICMA would be available to attend Plan Review Meetings for reporting and updates on a quarterly or semi-annual basis, whatever is preferred by the Board of Trustees.

At this point, the Committee had no further questions, and discussed the possibility of Mr. Ashline attending either the next Board meeting or the upcoming Retreat for further discussion and potential questions from other Board members. It was determined that Ms. Orcutt would follow up with Mr. Ashline regarding his availability, and report back to the Board on March 16th.

PROPOSED BOARD RETREAT AGENDA

The Committee briefly reviewed the drafted Board Retreat agenda, and decided that no changes should be made at this time, noting that it has also been added as a discussion item on the upcoming March 16th Board agenda.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Crawford to adjourn the meeting at 4:39 p.m.
Meeting adjourned at 4:39 p.m.

F-5 Audit Committee Minutes – No Report

F-6 Legal Report – No Report

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 April Planning Calendar

G-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	Meketa Investment Group	10,000.00	Investment Consultant Retainer - January 2017
2	Comcast	81.29	Monthly Cable Fee
3	Culligan of Ann Arbor/Detroit	32.49	Water service – January-February 2017
4	City of Ann Arbor Treasurer	369.18	ITSU Service Charge (K. Spade) for January 2017
5	Hasselbring-Clark Co.	63.78	Monthly copier cost per copy – January 2017
6	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for January 2017
7	VanOverbeke, Michaud & Timmony, P.C.	12,521.00	Legal Services – 7/1/2016 – 9/30/2016
8	VanOverbeke, Michaud & Timmony, P.C.	11,210.00	Legal Services – 10/1/2016 – 12/31/2016
9	Print-Tech, Inc.	235.49	Orcutt & Hammond business cards & name plates
10	Med Source Services/Consulting Phys.	875.00	Disability Medical Exam & Report – M. Cozart
11	MAPERS	180.00	One-Day Seminar reg.fees for Clark/Orcutt/Gustafson
12	Hasselbring-Clark Co.	88.99	Monthly copier cost per copy – February 2017
13	Buck Consultants	1,599.12	Monthly hosting fees for January 2017
14	AT&T	527.96	Monthly telephone service
15	DTE Energy	133.98	Monthly Gas Fee dated February 10, 2017
16	DTE Energy	172.92	Monthly Electric Fee dated February 10, 2017
17	Staples Advantage	163.95	Miscellaneous Office supplies
18	Lora Kluczynski	241.06	Petty cash reimbursement
	TOTAL	38,671.21	

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
Bernard Key	Age & Service	April 8, 2017	General	25 years, 1 month	Public Services Field Operations

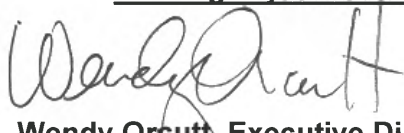
G-5 Analysis of Page Views on City Intranet / Retirement System Page

G-6 MAPERS One-Day Seminar Report - 3/10/2017 (Verbal)

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by DiGiovanni to adjourn the meeting at 10:04 a.m.
Meeting adjourned at 10:04 a.m.


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