

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
March 17, 2022**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:36 a.m.

ROLL CALL

Members Present: DiGiovanni, Flack, Grimes, Hastie, Lynch, Monroe, Nerdrum, Praschan,
Schreier
Members Absent: None
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Frank Judd, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 February 17, 2022 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Hastie to approve the February 17, 2022
Regular Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA

C-1 DRO Certification: Lisa Stabley v. Daniel Guy Stabley

WHEREAS, the Board is in receipt of a Domestic Relations Order dated January 27,
2022, wherein Lisa Stabley, the Alternate Payee, is awarded certain rights to the benefits
of Daniel Guy Stabley, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's monthly
retirement benefit from the Retirement System while the parties are alive, and

WHEREAS, if upon the Participant's death the Alternate Payee is still alive, then the
Alternate Payee will receive those survivor benefits associated with Participant's election
of the Plan's Option II – 100% Joint and Survivor form of benefit at the time of his
retirement, 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 as soon as administratively feasible, 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 Daniel Guy Stabley, the Participant; Mitchell J. Perrault, Esq., attorney for the Participant; Lisa Stabley, the Alternate Payee; and Karen A. Carver, Esq., attorney for the Alternate Payee.

C-2 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
Maria Buffone	Pension	Dual	4 Year, 7 Months	City of Dearborn
Jared Zygmontowicz	Safety Services	Dual	5 Years, 5 Months	City of Roseville
Patrick Chase	15th District Court	Dual	28 Years, 0.5 Months	Ann Arbor Public Schools

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.

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

Approved

D. ACTION ITEMS

D-1 Revised FY 2023 Expenditure Budget

Ms. Buffone presented and reviewed the revised expenditure budget for Fiscal Year 2022-2023. The budget was revised to reflect the correct retirement contribution as reduced by the City, insurance premiums and investment fees due to significant fluctuations in market values.

It was **moved** by Nerdrum and **seconded** by Schreier to approve the 2022-2023 revised Expenditure Budget as presented.

Approved

D-2 Proposed April 22, 2022 Board Retreat Agenda

The Board reviewed the proposed April 22, 2022 Board Retreat agenda and agreed to approve.

It was **moved** by Hastie and **seconded** by Monroe to approve the April 22, 2022 Board agenda as submitted.

Approved

D-3 2022 Annual Members Newsletter

The Board reviewed the 2022 Annual Members Newsletter and agreed to approve and mail out.

It was **moved** by Monroe and **seconded** by Schreier to approve the 2022 Annual Newsletter as submitted.

Approved

D-4 Resolution to Adopt NT Custodial and Index Fee

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, the System's investment consultant, Meketa Investment Group, has negotiated a proposal with Northern Trust, the System's Custodial Bank, thereby reducing the management fees on the 5 equity and fixed income index funds in conjunction with a nominal increase in the flat custodial rate, and

WHEREAS, this fee proposal will result in an approximate annual savings of \$25,000, so be it,

RESOLVED, that the Board of Trustees approve the recommended adoption of the proposed fee changes pending review of the amendment documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Monroe and **seconded** by DiGiovanni to adopt the proposed fee changes pending review of the amendment documents by the Board's legal counsel and any recommended additional due diligence.

Approved

D-5 Resolution to Adopt IRM Revised Fee Structure

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, the System's investment consultant, Meketa Investment Group, has negotiated a reduced fee proposal with IR&M, thereby reducing the fees on the TIPS fund from .08% to .05%, and,

WHEREAS, this fee proposal will result in an approximate annual savings of \$5,500, so be it,

RESOLVED, that the Board of Trustees approve the recommended adoption of the proposed fee change pending review of the amendment documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by DiGiovanni and **seconded** by Monroe to approve the proposed fee change pending review of the amendment documents by the Board's legal counsel and any recommended additional due diligence.

Approved

D-6 Resolution to Invest in Arboretum Fund VI

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 Investment Group, as the Retirement System's investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have discussed an allocation to Private Equity in the amount of a 7% target, and

WHEREAS, Meketa Investment Group and the Investment Policy Committee have recommended an additional investment with Arboretum Ventures in the Arboretum Ventures Fund VI, L.P, so be it,

RESOLVED, that the Board of Trustees approve the investment with Arboretum Ventures Fund VI, L.P. with a commitment in the amount of approximately \$6 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Monroe and **seconded** by DiGiovanni to approve the investment with Arboretum Ventures Fund VI, L.P. with a commitment in the amount of approximately \$6 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

E. DISCUSSION ITEMS

E-1 2022 Spring MAPERS Conference, May 21-24, 2022

Ms. Orcutt informed the Board of the upcoming Spring MAPERS Conference. Ms. Orcutt requested that any Board members interested in attending should notify the Retirement Office.

It was **moved** by Hastie and **seconded** by Monroe to approve any interested Staff or Board Member to attend the Spring MAPERS Conference.

Approved

E-2 MAPERS One Day Seminar Recap from Attendees

Mr. Gustafson and Mr. Judd briefly reviewed the MAPERS Conference, highlighting topics from various sessions.

E-3 Notice of Contract Termination (Buck)

Ms. Orcutt informed the Board of the Buck contract expiration on June 30, 2022 and is set to auto renew. The contract calls for a 90 notice to terminate so Staff is working with legal to notify Buck of termination date and to extend the contract through calendar year end.

F. REPORTS

F-1 Executive Report – March 17, 2022

MESIROW CAPITAL CALLS

Mesirow Financial Private Equity Fund VIII-A, L.P. requested a capital call in the amount of **\$2,909,332** for the Retirement Plan and **\$872,800** for the VEBA on 2/25/22. With these installments, **CAAERS** will have funded 28% of our total commitments of \$10,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

SUMMIT PARTNERS CAPITAL CALL

Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$62,858** for the Retirement Plan and **\$15,714** for the VEBA on 3/4/22. With these installments,

CAAERS will have funded 140.16% of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund VIII on 2/25/22 in the amount of **\$378,541** for the Retirement System and **\$111,335** for the VEBA consisting of a gain on sale, dividends and return of capital(unrecallable).

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 158,787** for the Retirement System and **\$ 52,929** for VEBA to fund current investments and pay partnership expenses on 3/2/22.

Ironsides Co-Investment Fund III issued a distribution in the amount of **\$944,216** for the Retirement System on 3/8/22 comprised of sale proceeds netted against management fees.

TORCHLIGHT CAPITAL CALL

Torchlight Investors requested a capital call of our commitment to Debt Fund VII in the amount of **\$455,503** for the Retirement Plan and **\$202,446** for VEBA on 3/7/2022 to fund investments.

DC PLANS RECORDKEEPER SEARCH CONSULTANT/INVESTMENT ADVISORY SERVICES RFP UPDATE

13 responses to the RFP were received. Staff will discuss review criteria, timing, and next steps at the APC meeting on the 15th.

PENSION ADMINISTRATION SOFTWARE CONVERSION

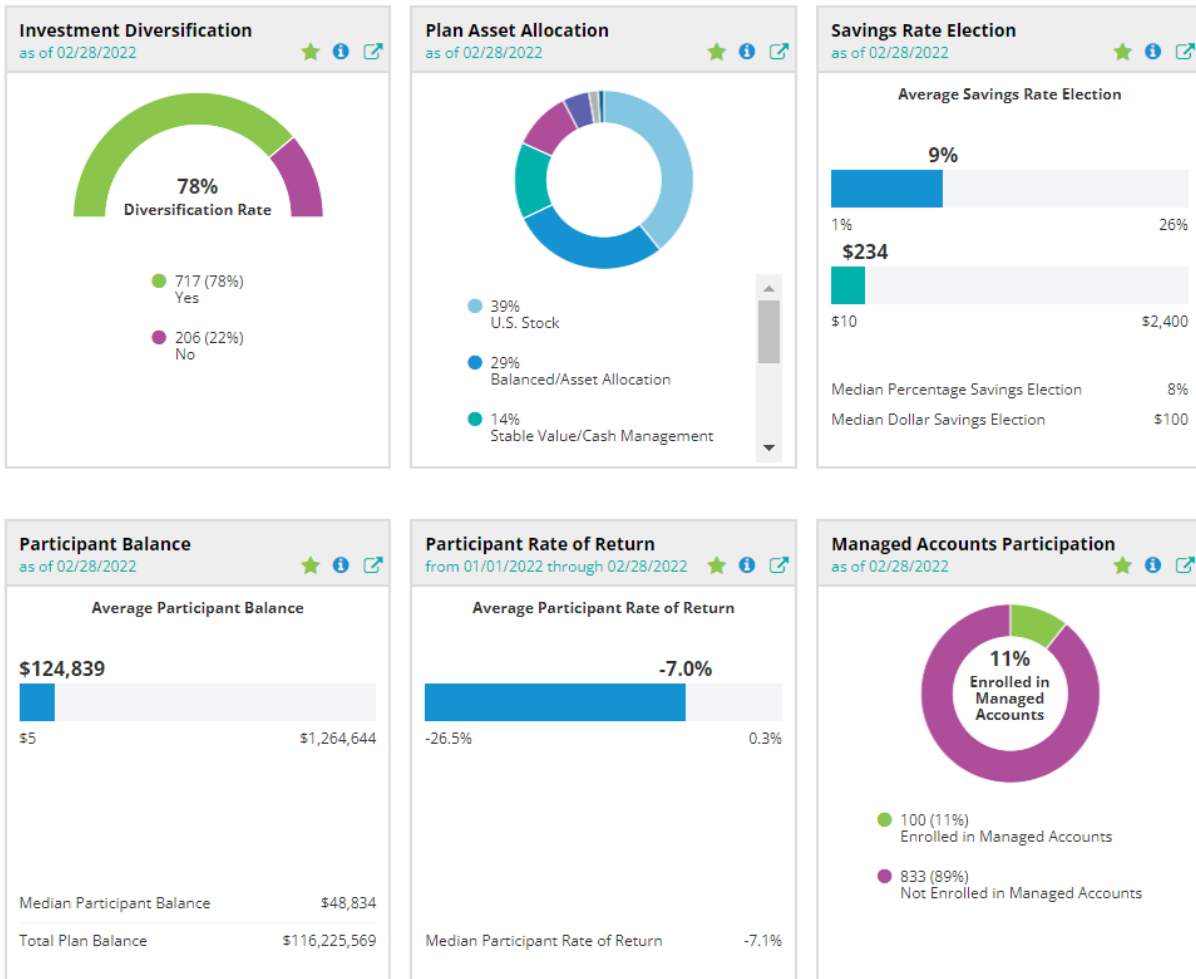
Please see the attached Implementation Timeline for an update on the conversion.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 32 estimates, 2 non-vested calculations, 2 deferred calculations 8 payouts, 3 final calculations, 4 deceased calcs and 5 pre sessions.

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 3/10/22 - \$ 113,674,000 – Statistics as of 2/28/22

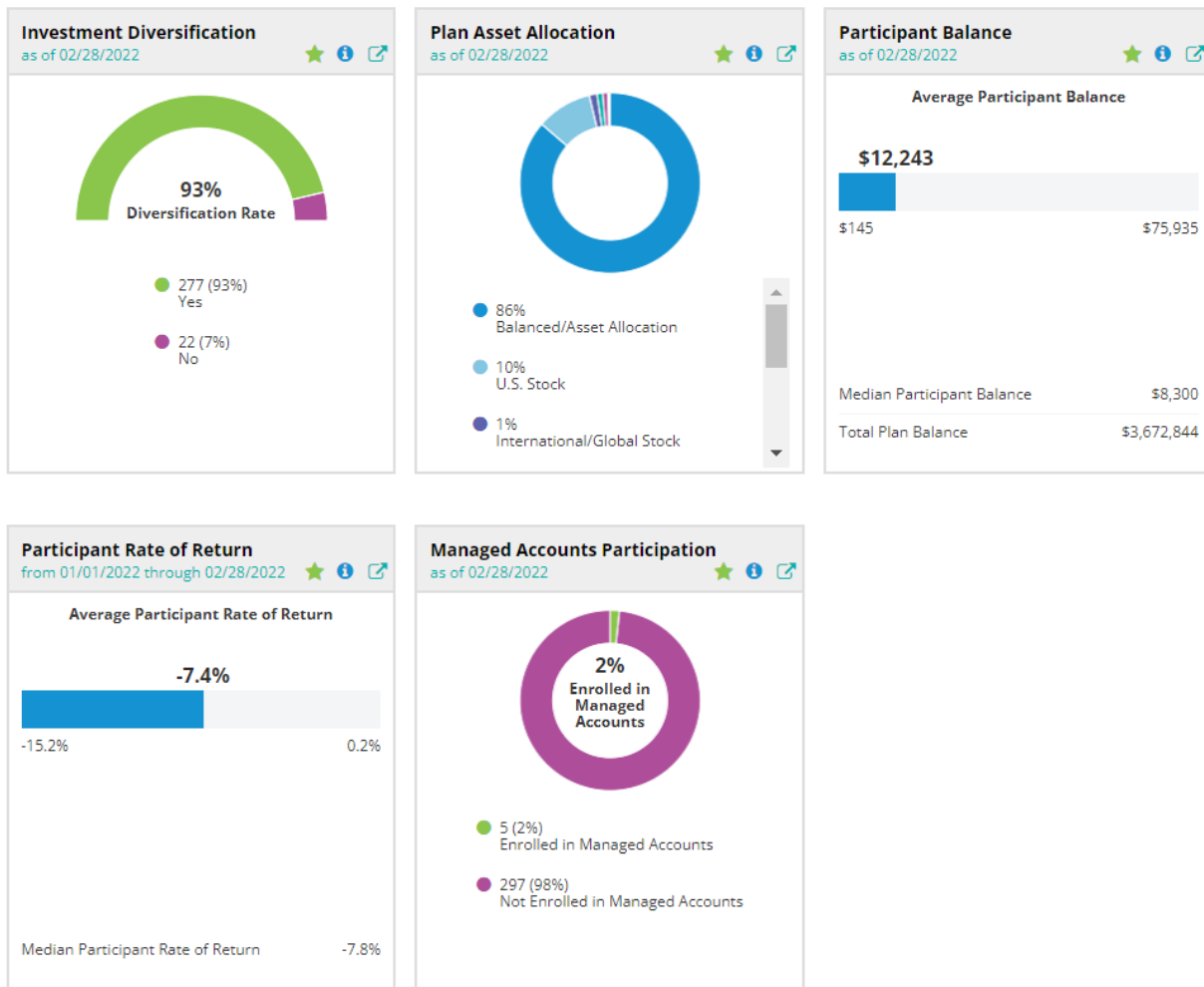


Current Items/Education:

Dan Stewart held appointments and 2 webinars February 22-24. The webinars were attended by 9 employees and he had 22 individual appointments.

The second reading of the Ordinance change regarding Forfeitures was approved at the March 7 Council Meeting.

401 Balance at 3/10/22 – \$ 3,618,000 - Statistics as of 2/28/22



F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended February 28, 2022

Maria Buffone, Accountant, submitted the Financial Report for the month ended February 28, 2022 to the Board of Trustees:

2/28/2022 Asset Value (Preliminary)	\$622,928,629
1/31/2022 Asset Value (Audited by Northern)	\$639,533,330
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$29,293,959)
Percent Gain <Loss>	-4.4%
March 16, 2022 Asset Value	\$604,997,039

F-4 Investment Policy Committee Minutes – March 15, 2022

Following are the Investment Policy Committee minutes from the meeting convened at 3:10 p.m. on March 15, 2022:

Member(s) Present: DiGiovanni, Hastie, Monroe, Praschan
 Member(s) Absent: Flack
 Other Trustees Present: None
 Staff Present: Buffone, Gustafson(via TX), Hollabaugh, Orcutt
 Others Present: Henry Jaung(via TX), Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF DECEMBER 31, 2021

Mr. Jaung provided an economic update reviewing the market returns, sector returns, breakeven inflation, and the current impact of the pandemic & Russia.

Developed markets trailed emerging markets with tensions between Russia and the Ukraine and higher inflation weighing on Europe. The dynamic of value outpacing growth also persisted in Europe and Japan.

EXECUTIVE SUMMARY

The ERS has four funds that have exposure to Russia with the largest exposure held in the Stone Harbor EMD fund at 4.9%. The total exposure the plan has to Russia is 0.19% of total plan assets. The VEBA has three that have exposure to Russia with the largest exposure held in Stone Harbor EMD fund at 4.9%. The total exposure the plan has to Russia is 0.16% of the total plan assets.

RETIREMENT SYSTEM

Act 314 Compliance Review: All investments are currently in compliance.

January 31, 2022 Performance Update: As of January 31, 2022, the balance of the Funds was \$635,985,072 for ERS. Fiscal Year to Date performance was 3.0% for ERS net of fees.

VEBA

Act 314 Compliance Review: All investments are currently in compliance.

January 31, 2022 Performance Update: As of January 31, 2021, the balance of the Funds was \$250,247,008 for VEBA. Fiscal Year to Date performance was 2.1% for VEBA net of fees.

CURRENT ISSUES

Cash needs for ERS & VEBA: Ms. Orcutt informed the Committee that cash was needed for benefit payments and capital calls. The Committee agreed to raise \$4 million from domestic equity for ERS and \$2.5 million from Sky Harbor for VEBA. The timing of the ERS trade will be at the Executive Directors discretion but will be completed by 3/31/22.

It was **moved** by DiGiovanni and **seconded** by Monroe to raise \$4 million from domestic equity for the Retirement System for benefit payments and capital calls.

Approved

It was **moved** by DiGiovanni and **seconded** by Monroe to raise \$2.5 million from Sky Harbor for the VEBA for capital calls and expenses.

Approved

Fee schedule: Meketa reports all private market performance on a net of fees basis; no gross of fees performance is reported. This results in the Total Plans' gross performance figures to be understated by 10 to 20bps. The most recent year-end report for the ERS

and VEBA showed an estimated fee of 0.27% plan assets accounting for just the public funds. Meketa and Staff have worked together to calculate the fees including private market investments and the numbers would have been 0.43% of total plan assets for the ERS and 0.40% for the VEBA.

Index fee negotiations: Meketa had discussions with Northern Trust, Dimensional Fund Advisors, and IR&M on their proposed fees for the current funds held in the plans. The System received favorable pricing from Northern Trust for their index funds due to the custody relationship Meketa has with them. Northern Trust proposed two options:

- Option 1: Flat \$125K per year (\$15K increase: \$11K for ERS & \$4K for VEBA)
- Option 2: Flat \$160K per year (\$50K increase: \$37K for ERS & \$13K for VEBA)

The savings to ERS would be approximately \$25K for the NT funds and would result in a minimal savings of \$200 annually for VEBA. The Committee agreed to move forward with Option 1 and will recommend to the Board for approval.

It was **moved** by DiGiovanni and **seconded** by Monroe to recommend to the Board to accept the Northern Trust proposal option 1: Flat \$125K per year.

Approved

Private equity update – Arboretum Ventures: The pacing study recommends the 2022 commitment to be allocated to a buyout fund. However, in reviewing the private equity portfolio, Meketa notes that the venture capital allocation for the two plans has been largely increased due to the outstanding performance of the Strategic Investors Fund VIII. Meketa expects this fund to begin distributing its gains which will decrease the allocation to venture in the future. Therefore, Meketa recommends allocating 60% of the 2022 private equity commitments to a venture capital fund for both plans and commit the remaining 40% to a buyout fund. In 2023, the recommendation would be to allocate 60% to buyout and 40% to venture.

Arboretum is currently in the process of fundraising for fund VI. Meketa has held several calls with Arboretum along with private market research staff regarding the potential for a new commitment to the fund and the team has a favorable opinion. Given the strong performance by Arboretums other five funds, Meketa is recommending a \$6 million commitment for ERS and \$2 million for VEBA.

It was **moved** by DiGiovanni and **seconded** by Monroe to commit \$6 million from the ERS and \$2 million from the VEBA to Arboretum Ventures VI, L.P.

Approved

BOARD RETREAT SCHEDULE

The Committee reviewed the Retreat scheduled with Meketa and agreed with the drafted schedule.

The Committee agreed to cancel the April IPC since Meketa will be present for the April Board Retreat.

ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Monroe to adjourn the meeting

at 4:50 p.m.

Meeting adjourned at 4:50 p.m.

F-5 Administrative Policy Committee Minutes – March 15, 2022

Following are the Administrative Policy Committee minutes from the meeting convened at 2:07 p.m. on March 15, 2022:

Committee Members Present: Monroe, Praschan, Schreier
Members Absent: Lynch
Other Trustees Present: Grimes(Via TX)
Staff Present: Buffone, Gustafson(Via TX), Hollabaugh, Orcutt
Others Present: None

2022 ANNUAL NEWSLETTER

The Committee reviewed and revised the newsletter.

It was **moved** by Schreier and **seconded** by Praschan to submit the revised Newsletter to the Board for approval.

Approved

MISSIONSQUARE UPDATES

Education Update: MissionSquare representative Dan Stewart enrolled 10-12 Dual Plan employees in the 457 and new hires are beginning to schedule appointments.

Forfeiture Language Approved by Council: City Council adopted the amended Ordinance language to allow forfeitures to cover reasonable administrative expenses.

457 Deferral Changes: Staff is reviewing the deferral changes monthly with HR to prevent incorrect entries.

DISCUSSION ON POLICY REGARDING FORFEITURES

The Committee discussed the need for a possible forfeitures policy. Staff will work with legal to draft a policy. Mr. Schreier suggested to review the ordinance and collective bargaining agreements regarding the ability to pass fees on to participants in the event forfeitures will not cover expenses. Ms. Orcutt also noted that an administrative allowance feature could be added to the 401 contract when it is renewed to assist with plan expenses.

RFP UPDATE

13 Responses: 13 firms submitted a response. Ms. Orcutt did have to follow up with some respondents to clarify the references provided were in fact DC plans. One firm was eliminated as they did not meet all the criteria.

Summary Grid Criteria: Staff is preparing a summary grid for the Committee to review. APC will review at the April meeting. APC also discussed having the IPC review and provide an opinion prior to recommending finalists to the Board.

Timing: Finalist interviews will likely take place one month later (June) due to the timing of the Board Retreat in April and other Staff priorities.

DISCUSSION ON TECHNOLOGY NEEDS FOR TRUSTEES

This item was postponed due to time constraints.

ADJOURNMENT

It was ***moved*** by Schreier and ***seconded*** by Praschan to adjourn the meeting at 3:02 p.m.

Meeting adjourned at 3:02 p.m.

F-6 Audit Committee Minutes – None

F-7 Legal Report

Mr. Judd provided an update regarding the recent amendments to the Open Meetings Act.

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.

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Allstar Alarm	\$305.00	Reconnect 2 valve tamper switches for backflow install
2	American Express	\$956.08	Misc. Office/Meeting Supplies, Cleaning Fees, MAPERS Reg.
3	Applied Imaging	\$55.14	Printing service 2/2022
4	Meketa Investment Group	\$10,000.00	Investment Consulting 2/2022
5	Milliman	\$2,250.00	Pension Administration Software Implementation fee 2/2022
6	West Arbor Condo Association	\$1,368.00	Condo Association Dues Jan - March 2022
7	Rhumblin	\$17,239.00	Investment Manager Fee Q4 2022 HEDI
8	Laura Hollabaugh	\$146.14	DTE Electric 1/13/2022-2/10/2022 Reimbursement
9	Laura Hollabaugh	\$147.35	DTE Gas 1/13/2022-2/10/2022 Reimbursement
	Total	\$32,466.71	

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	Department/Service Area
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Daniel Campbell	Age & Service	March 25, 2022	Fire	FIRE	26 Years, 1 Month	Safety Services
Allen Bruck	Age & Service	March 30, 2022	Fire	FIRE	26 Years, 1.5 Months	Safety Services
Terrence McNally	Age & Service	April 10, 2022	Police	AAPOA	24 Years, 2 Months	Safety Services
Deborah Gosselin	Age & Service	May 13, 2022	General	NON UNION	10 Years 0.5 Months	Public Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Monroe and **seconded** by DiGiovanni to adjourn the meeting at 9:06 a.m.
Meeting adjourned at 9:06 a.m.

Wendy Orcutt

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