

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
October 15, 2020**

B

The meeting was called to order by Board Secretary, Dave Monroe, at 8:35 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX*), Hastie(*via TX*), Horning(*Via TX*), Lynch(*Via TX*),
Monroe(*Via TX*), Nerdrum (*Via TX*), Peariso(*Via TX*), Schreier(*Via TX*)
Members Absent: Flack
Staff Present: Buffone(*via TX*), Gustafson(*via TX*), Hollabaugh(*Via TX*), Orcutt(*via TX*)
Others: Michael VanOverbeke, Legal Counsel(*via TX*)
Jim Anderson, GRS
Rich Koch, GRS
Danielle Mathiesen, GRS

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B-1 September 17, 2020 Regular Board Meeting

It was **moved** by Nerdrum and **seconded** by Schreier to approve the September 17, 2020 Regular Board Meeting minutes.

Approved

C. CONSENT AGENDA

Mr. VanOverbeke provided a brief update to the Board informing them of the recent changes to the Governor's Executive Order's regarding virtual meetings. The Board may continue to meet virtually as long as adequate notice is provided to the public and public has access to the meeting. The Senate has proposed Bill 1108 which would permit virtual public meetings as long as the local government declares a state of emergency. The Bill is awaiting approval from the Governor at this time. Legal Counsel will provide updates as things progress.

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
Robert Deering	General	21 Years	Washtenaw County
Richard Walker	General	12 Years, 5 Months	Grand Haven Board of Light & Power

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 Resolution for Income Withholding for Support re: Eric V. Ronewicz Washtenaw County Friend of the Court Case No. 912259077

WHEREAS, the Board of Trustees is in receipt of an Income Withholding for Support Order dated September 10, 2020, regarding Participant Eric V. Ronewicz and his benefits payable from the Retirement System, and

WHEREAS, the order requests income 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 September 18, 2020, 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 Nerdrum and **seconded** by Peariso to approve the consent agenda as submitted.

Approved

D. ACTION ITEMS

D-1 Letter of Recommendation to Reappoint Tony DiGiovanni as Citizen Trustee

It was **moved** by Nerdrum and **seconded** by Peariso to approve the letter of recommendation to reappoint Tony DiGiovanni as Citizen Trustee for the term January 1, 2021 – December 31, 23, and that the letter be forwarded to the Mayor’s Office for consideration.

Approved

D-2 Letter of Recommendation to Reappoint Jordan Schreier as Citizen Trustee

It was **moved** by Nerdrum and **seconded** by Peariso to approve the letter of recommendation to reappoint Jordan Schreier as Citizen Trustee for the term January 1, 2021 – December 31, 23, and that the letter be forwarded to the Mayor’s Office for consideration.

Approved

D-3 2021 Board Meeting Schedule

It was **moved** by Schreier and **seconded** by Peariso to approve the 2021 Board Meeting Schedule.

Approved

D-4 PRESENTATION: FYE June 30, 2020 Actuarial Valuation

Mr. Anderson, Mr. Koch and Ms. Mathiesen from GRS were present to review the drafted Actuarial Valuation for fiscal year ending June 30, 2020. The full scope of the impact of the COVID-19 pandemic is unknown. GRs discussed possible mortality outcomes from the pandemic. In summary, the following language was included in the presentation:

Highlights:

- The 2020 valuation reflects a change in the assumed investment return assumption from 7.0% to 6.9%.
- Funding Status – 84.75%
- No changes to benefit provisions for the 2020 valuation.
- The aggregate experience during 2020 was less favorable than assumed:
 - Overall losses due to investment return and retiree experience.
 - Clean up of Deferred member records reduced inactive liability relative to last year (“gain”).
 - Each impact is less than 1% of prior year liabilities.

Looking ahead:

- Asset smoothing helps reduce the volatility of the employer contributions
 - Funding value of assets = 101.5% of market value
 - Remaining phase-in of past market gains/losses from previous valuations
- Ann Arbor has prudent funding policy
 - Use of level dollar amortization rare among open public sector defined benefit plans.
 - Comparison of ADC to budgets contributions currently suspended.

The Board requested to add a note to the valuation to include what the ADC would have been prior to the discount rate change, with the rate of 7.0.

It was **moved** by Nerdrum and **seconded** by Peariso to approve the Retirement System Valuation as revised.

Approved

BOARD RECESS

The Board was called to recess at 9:40 a.m. for the purpose of holding the VEBA Board meeting to continue the Valuation updates for VEBA.

Meeting recessed at 9:40 a.m.

The meeting was reconvened at 9:48 a.m.

E. DISCUSSION ITEMS

E-1 Notice of Disability Application

Ms. Orcutt informed the Board of an upcoming Disability Retirement application. The employee has been scheduled for a disability exam and the report will be presented at the November Board meeting for review.

E-2 Remaining Board Meeting Agenda Items through December 2020

The Board reviewed the remainder of the Board meeting agenda items through December 2020.

F. REPORTS

F-1 Executive Report – October 15, 2020

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$624,000** for the Retirement Plan and **\$156,000** for VEBA on 10/13/20 to fund investments. With these installments, **CAAERS** will have funded 16.5 % of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

SVB CAPITAL CALL

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 220,000** for the Retirement Plan and **\$ 55,000** for the VEBA on 10/8/2020 for the purpose of funding current commitments.

CARLYLE CAPITAL CALLS

Carlyle requested a capital call of our commitment to the Carlyle Realty Fund VIII in the amount of **\$ 268,063** for the Retirement System and **\$ 67,012** for the VEBA on 10/13/20 for the purpose of investment funding, fees and expenses netted against a distribution.

SUMMIT PARTNERS DISTRIBUTIONS

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$106,730** for the Retirement System and **\$26,682** for the VEBA on 10/1/20.

DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund IX on 10/9/20 in the amount of **\$60,801** for the Retirement System and **\$17,883** for the VEBA consisting of a gain on sale and return of capital.

ACTUARY UPDATE - FYE

The RS Valuation draft was delivered on October 6. A revised draft will be reviewed at the 10/13 Audit Committee meeting and GRS will present the valuation at the 10/15 Board meeting. GRS still has not received prescription drug information in a usable format. At this point it is likely that the OPEB valuation will be delivered in late November or December since there is typically a 6-week turnaround.

AUDIT UPDATE - FYE

Yeo & Yeo provided a draft of the Financial Statements on October 5. ED and staff are in the process of reviewing and final statements will be presented at the November Audit Committee meeting.

BUCK CONVERSION

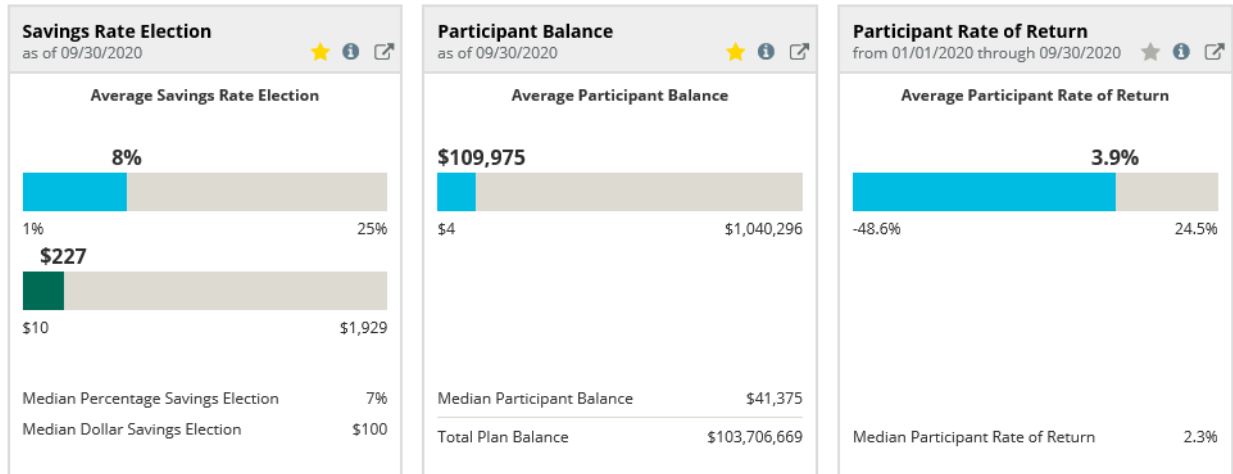
On September 4 the test site was activated. Dan has been testing all types of calculations and reporting any issues to Buck. Reports are not available for testing yet but are estimated to be loaded for testing the week of 10/5. Payments to Buck were suspended effective in July. An email was sent to all employees on October 1 advising them that the self-service calculator is still unavailable while maintenance is being completed to the administration software.

STAFF OPERATIONS/UPDATE

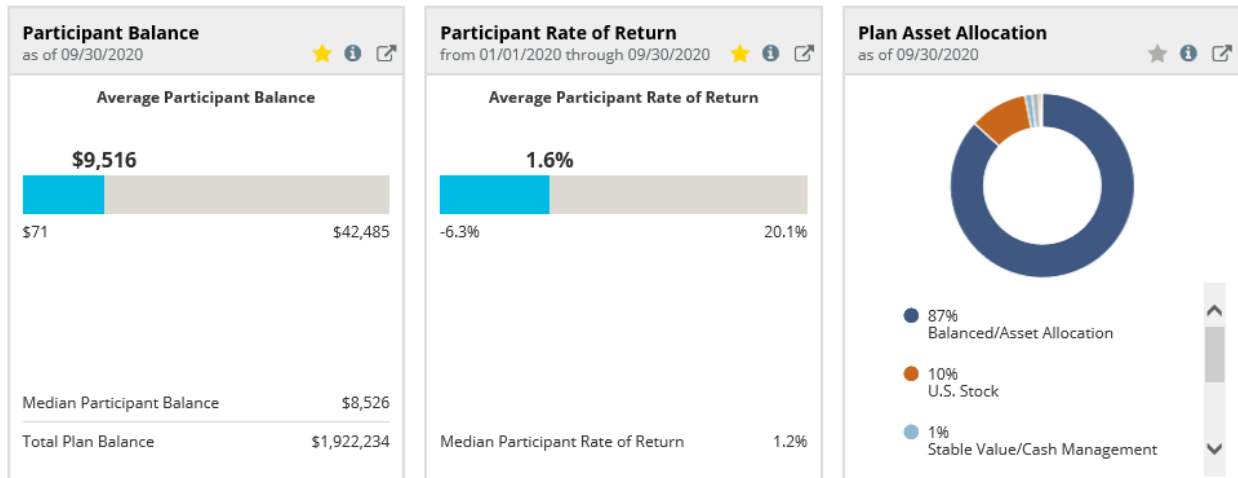
The Pension Analyst processed 51 Estimates, 9 Final Calculations, and 2 deceased calculations and one payout. As referenced above he is also in the midst of testing the new Buck site.

F-2 Executive Report – ICMA-RC Update

457 Balance at 10/12/20 = \$ 106,609,902 – Statistics as of 9/30/20



401 Balance at 10/12/20 = \$ 2,020,019 – Statistics as of 9/30/20



Current Items/Education:

- ED had a zoom meeting with Dan Stewart and David Sharer to introduce Gina John, Raymond Fontin and get an update on the replacement search for Jason Ashline. Gina will be partnering with Dan to provide customer service while Ray is our Relationship Manager and “go-to” for assistance.
- ICMA-RC will present the annual Plan Review at the December Board meeting.
- Dan Stewart will be conducting virtual appointments October 26/27.

Other Items:

COVID-19 – To date, 10 employees have requested a CRD from the 457 Plan totaling \$220,000.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended September 30, 2020

Maria Buffone, Accountant, submitted the Financial Report for the month ended September 30, 2020 to the Board of Trustees:

9/30/2020 Asset Value (Preliminary)	\$541,285,608
8/31/2020 Asset Value (Audited by Northern)	\$552,416,746
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$22,025,768
Percent Gain <Loss>	4.1%
October 14, 2020 Asset Value	\$553,028,311

F-4 Investment Policy Committee Minutes – September 22, 2020

Following are the Investment Policy Committee minutes from the meeting convened at 3:09 p.m. on September 22, 2020:

Member(s) Present: DiGiovanni(via TX), Hastie(via TX), Horning(via TX),
Monroe(via TX)

Member(s) Absent: Flack

Other Trustees Present: None

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

Others Present: Henry Jaung(via TX), Meketa Investment Group
John Harris(via TX), Meketa Investment Group

DISCUSSION REGARDING TSE CAPITAL MANAGEMENT

Meketa recommended redeeming from Tse Capital at the next available date, September 30, 2020. The firm has failed to execute as anticipated. Tse Capital generally thrive in volatile environments and Central banks globally are indicating that massive monetary and liquid measures are here for an indefinite period. The funds would be available 6 months from the redemption date and the committee will discuss where to invest the monies at that time. The Committee further discussed the status of Tse Capital with Meketa and decided to terminate Tse Capital.

It was **moved** by DiGiovanni and **seconded** by Horning to terminate Tse Capital.

ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Horning to adjourn the meeting at 3:37 p.m.
Meeting adjourned at 3:37 p.m.

F-5 Investment Policy Committee Minutes – October 6 2020

Following are the Investment Policy Committee minutes from the meeting convened at 3:06 p.m. on October 6, 2020:

Member(s) Present: DiGiovanni(via TX), Flack(via TX), Hastie(via TX), Horning(via
TX),
Monroe(via TX)

Member(s) Absent: None

Other Trustees Present: None

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

Others Present: Henry Jaung(via TX), Meketa Investment Group
Keith Beudoin(via TX), Meketa Investment Group
John Harris(via TX), Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF AUGUST 31, 2020

Mr. Beaudoin provided an economic and market updates of August 31, 2020. There will be significant economic impact and a global recession. The Committee should expect heightened market volatility should economies start to shut back down given the recent spike in COVID-19 cases. The upcoming election will also likely cause volatility in the markets.

EXECUTIVE SUMMARY

The portfolios have generally experienced significant improvements from the March lows. Even though equity markets have recovered from their lows, it is important to remain vigilant and be prepared to rebalance if volatility increases again.

Mr. Jaung informed the Committee that the Tse Capital redemption will occur at the 12/31/2020 trade date and the decision to reallocate the assets will be discussed closer to the redemption date.

Meketa will be conducting a private equity and infrastructure pacing study during Q1 2021.

RE-BALANCING RECOMMENDATIONS

As of 9/28, the ERS had approximately \$10.3 million in cash, representing approximately 2% of the portfolio. All the other asset classes are at or very near the Policy Targets. Meketa recommends no changes at this point. The cash will be drawn down for the near term benefit payments and capital calls.

As of 9/28, the VEBA had approximately \$8.4 million in cash, representing approximately 4% of the portfolio. U.S. equity is overweight by 4% relative to the Policy Target and TIPS are underweight by 3% relative to its Policy Target. Meketa recommended the cash position stay where it is but reduce the U.S. equity position by re-allocating 3% to TIPS. Meketa further recommended that 2% should be transferred from Russell 1000 Index and 1% from the Rhumblin S&P 400 Index fund.

The Committee further discussed the rebalancing recommendation for VEBA and decided to move forward with the recommendation.

It was **moved** by Flack and **seconded** by Monroe to reduce the U.S. equity position by re-allocating 3% TIPS.

APPROVED

RETIREMENT SYSTEM

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

August 31, 2020 Investment Review: As of August 31, 2020, the balance of the Funds was \$553,480,653 for ERS. Fiscal Year to Date performance was 7.1% for ERS net of fees.

VEBA

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

August 31, 2020 Investment Review: As of August 31, 2020, the balance of the Funds was \$209,051,249 for VEBA. Fiscal Year to Date performance was 7.5% for VEBA net of fees.

OTHER

Mr. Jaung informed the committee that Arboreturm will be present for the November meeting.

Mr. Hastie requested to have a brief discussion at the November meeting regarding the investment strategies of both Hexavest and WCM.

Mr. Monroe informed Meketa of a recent article regarding Calpers and Meketa discussing investment manager fees. Mr. Jaung will follow up on the article and provide feedback at the November meeting.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by DiGiovanni to adjourn the meeting at 4:22 p.m.
Meeting adjourned at 4:22 p.m.

F-6 Administrative Policy Committee Minutes – October 13, 2020

Following are the Administrative Policy Committee minutes from the meeting convened at 3:03 p.m. on October 13, 2020:

Committee Members Present: Lynch(3:35 arrival), Monroe(Via TX), Peariso(Via TX), Schreier(Via TX)
Members Absent: None
Other Trustees Present: None
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)
Others Present: Kyle Spade, Senior Application Specialist(Via TX)

ICMA UPDATE

Ms. Orcutt informed the Committee of the following updates:

CRD: There are a total of 10 employees who have requested Corona Virus Related Distributions to date.

Annual Review: The ICMA annual review is scheduled to be presented to the Board in December.

Personnel: ICMA has hired an additional representative for Ann Arbor, Gina John as well as a Relationship Manager, Ray Fortin.

ADMINISTRATION SYSTEM OUTAGE UPDATE

Mr. Spade provided an update for the Committee regarding the Buck Software transition. Staff is continuing to test various calculations and reporting any issues to Buck. The software has been down since August 10th and Buck is continuing to revise the software in response to reported issues. Reports were finally loaded to the site today for testing. Staff will continue to keep employees' update with the self-service website status.

DISCUSSION ON MEDICAL DIRECTOR RFP

Ms. Orcutt informed the Committee that the Medical Consultant RFP is currently overdue. Staff is preparing to conduct an RFP in the near future.

ADJOURNMENT

It was ***moved*** by Schreier and ***seconded*** by Peariso to adjourn the meeting at 3:37 p.m.
Meeting adjourned at 3:37 p.m.

F-7 Audit Committee Minutes – October 13, 2020

Following are the Audit Committee minutes from the meeting convened at 4:04 p.m. on October 13, 2020:

Committee Members Present: Horning(Via TX), Nerdrum(Via TX), Monroe(Via TX)
Members Absent: None
Other Trustees Present: None
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh(Via TX),
Orcutt(Via TX)
Others Present: Jim Anderson, GRS(Via TX)
Rich Koch, GRS(Via TX)

REVIEW DRAFT OF RETIREMENT SYSTEM ACTUARIAL VALUATION FOR FYE JUNE 30, 2020

The Committee reviewed the Actuarial Valuation for the Retirement System with Jim Anderson and Rich Koch from GRS.

It was ***moved*** by Horning and ***seconded*** by Monroe to accept the Retirement System Actuarial Valuation for June 30, 2020 as discussed and recommend approval at the October 15, 2020 regular Board Meeting.

Approved

STATUS UPDATE ON JUNE 30, 2020 VEBA VALUATION

Mr. Koch informed the Committee that GRS is awaiting the prescription drug claim data from MMA to complete the VEBA valuation. At this point GRS is researching a method to determine a reasonable estimate and move forward with the valuation. This will be discussed at the October 15 meeting.

AUDIT UPDATE

Staff is finalizing the Financial Statements with Yeo & Yeo and will have the reports available for the November Meeting.

NOVEMBER AUDIT COMMITTEE DATE/TIME

The Committee discussed schedules and will plan to meet on 11/10/2020 or later depending on the VEBA Valuation completion date unless otherwise noted.

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by Horning to adjourn the meeting at 4:45 p.m.
Meeting adjourned at 4:45 p.m.

F-8 Legal Report

Mr. VanOverbeke re-iterated that his office will provide updates regarding virtual meetings when/if the Senate’s Bill 1108 has been approved.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 November 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	ATT	\$609.65	Phone Service 8/26/2020-9/25/2020
2	West Arbor Office Center Condo	\$273.00	10/2020 Association Dues
3	DTE Electric	\$124.01	Electric 8/14/2020-9/14/2020
4	DTE Gas	\$39.30	Gas 8/14/2020-9/14/2020
5	Maria Buffone	\$135.00	GFOA Registration 11/5/2020
6	NCPERS	\$260.00	2021 Membership Renewal
7	Allstar Alarm	\$90.00	Fire Alarm Monitoring 11/2020 - 1/31/2021
8	Culligan	\$11.00	Water Service 10/2020
9	Applied Imaging	\$9.92	Printing Services 9/2020
	Total	\$1,551.88	

G-4 Retirement Report

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Linnae Bellaver	Deferred Age & Service	November 1, 2020	General	11 Years, 5 Months	15th District Court
Elizabeth Hines	Age & Service	November 1, 2020	General	27 Years, 10 Months	15th District Court
Susan Smith	Age & Service	November 7, 2020	Police	21 Years, 1 Month	Safety Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Hastie to adjourn the meeting at 9:58 a.m.
Meeting adjourned at 9:58 a.m.

Wendy Orcutt

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