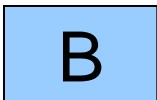


**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
October 20, 2022**



The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:41 a.m.

ROLL CALL

Members Present: DiGiovanni, Flack, Grimes, Lynch(8:46-12:31 PM depart), Monroe, Nerdrum(12:00 PM depart), Praschan, Schreier
Members Absent: Hastie
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel(12:05 PM depart)
Paul Nacario(9:45 – 12:00 AM depart), Innovest
Troy Jensen(9:45 – 12:00 AM depart), Innovest
Jared Martin(9:45 – 12:00 AM depart), Innovest
Jim Anderson, GRS(9:36 AM depart)
Rich Koch, GRS(9:36 AM depart)
Danielle Mathiesen, GRS(9:36 AM depart)
David Dipehius, City Resident(10:40 AM depart)
William Abramowicz, Corebridge(AIG) Financial(9:17 AM arrival)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by Monroe and **seconded** by Grimes to approve the agenda as submitted with an amendment to move action items D-3 through D-6 as the first actions items.

Approved

B. APPROVAL OF MINUTES

B-1 September 15, 2022 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Grimes to approve the September 15, 2022 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
Theresa Bridges	Public Services	Dual	2 Years, 9 Months <u>1 Year, 7 Months</u> 4 Years, 4 Months	City of Novi & City of Birmingham
Stephanie Rieder	City Administrator	Dual	16 Years, 7.5 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 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 1:555(C)(3) 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
Joseph Cabrera	General	4 Years	Single Lump Sum Payment	\$13,827.84

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 Monroe and **seconded** by Grimes to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-3 PRESENTATION: FYE June 30, 2022 Actuarial Valuation *(moved forward on agenda)*

Mr. Anderson, Mr. Koch and Ms. Mathiesen were present to review the drafted Actuarial Valuation for fiscal year ending June 30, 2022.

Highlights

- The 2022 valuation reflects a change in the assumed investment return assumption from 6.80% to 6.70%.
- 2021 CAAERS valuation introduced a 2% annual increase assumption for retiree members impacted by the minimum benefit provision. Actual increase = 5.4%.
- The aggregate experience during 2022 was less favorable than assumed.

Looking Ahead

- Contribution rates should trend toward the long-term cost (normal cost) of the benefits over time.
- Asset smoothing helps reduce the volatility of the employer contributions
- Ann Arbor has prudent funding policy

Ms. Orcutt informed the Board that the valuations will be revised to reflect the correct FY23 Budgeted Contribution amount. Mr. DiGiovanni questioned the change. Ms. Praschan informed the Board that the City Administrator had made this one time change to the funding policy as a result of the pandemic to cover fluctuations, wage increases, etc.

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

Approved

BOARD RECESS

The Board was called to recess at 9:18 a.m. for the purpose of holding the VEBA Board meeting to continue the Valuation updates for VEBA.

Meeting recessed at 9:18 a.m.

The meeting was reconvened at 9:44 a.m.

D-4 Update on MissionSquare Contract Extension *(moved forward on agenda)*

Innovest informed the Board of the MissionSquare one year contract extension which will allow time for the new investment menu to be put in place as well as issue the RFP for recordkeeper. MissionSquare is flexible and willing to continue working with Ann Arbor and is offering a fee reduction with the new term as well as the \$15,000 admin allowance.

It was **moved** by DiGiovanni and **seconded** by Grimes to approve the MissionSquare contract extension.

Approved

D-5 PRESENTATION: Proposed Investment Menu Discussion *(moved forward on agenda)*

Innovest reviewed an investment menu with the Board including potential fund changes, cost savings and scorecard. A discussion ensued regarding the lack of a real restate fund in the menu and whether an active or passive target date suite of funds was the better option. After discussion it was agreed to approve the menu as recommended without the addition of a real estate fund.

It was **moved** by Monroe and **seconded** by Schreier to approve the recommended investment menu from Innovest with American Funds Target Retirement 2010-2065.

Approved

D-6 PRESENTATION: Budget Analysis *(moved forward on agenda)*

Innovest provided a 401/457 budget fee summary for noting the projections and comparisons. There are enough funds available in the current forfeitures and Admin allowance accounts to cover this year's expenses. There was a discussion on whether a flat fee or percentage will be the better option and if the City will be contributing towards the expenses incurred by the System. MissionSquare cannot charge by unique SSN so someone with both a 401 and 457 account would potentially incur the fee twice. This topic will be revisited in the future for further Board discussion.

D-1 Letter of Recommendation to Appoint Citizen Trustee

Ms. Orcutt informed the Board that two candidates recommended by Mr. Hastie have applied to fill the upcoming expiring term. Ms. Orcutt briefly met with both and will send a recommendation to the Mayor.

It was **moved** by Grimes and **seconded** by DiGiovanni to approve the letter of recommendation to appoint a new Citizen Trustee for the term January 1, 2023 – December 31, 2025, and the letter be forwarded to the Mayor's Office for consideration.

Approved

D-2 Letter of Recommendation to Reappoint Julie Lynch as Citizen Trustee

It was **moved** by DiGiovanni and **seconded** by Grimes to approve the letter of recommendation to reappoint Julie Lynch as Citizen Trustee for the term January 1, 2023 – December 31, 2025, and the letter be forwarded to the Mayor's Office for consideration.

Approved

~~**D-3 PRESENTATION: FYE June 30, 2022 Actuarial Valuation** *(moved above, before item D-1)*~~

~~**D-4 Update on MissionSquare Contract Extension** *(moved above, before item D-1)*~~

~~D-5 PRESENTATION: Proposed Investment Menu Discussion~~ (moved above, before item D-1)

~~D-6 PRESENTATION: Budget Analysis~~ (moved above, before item D-1)

E. DISCUSSION ITEMS

E-1 MAPERS Conference Re-Cap From Attendees

Mr. DiGiovanni, Mr. Flack, Mr. Gustafson & Ms. Orcutt briefly reviewed the MAPERS Conference highlighting topics from various sessions.

F. REPORTS

F-1 Executive Report – October 20, 2022

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$39,000** for the Retirement Plan and **\$13,000** for VEBA on 9/27/22 to pay expenses and management fees. With these installments, **CAAERS** will have funded .65% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$264,000** for the Retirement Plan and **\$66,000** for VEBA on 10/20/22 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 66.3% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

J.P. MORGAN CAPITAL CALLS AND DISTRIBUTIONS

J.P. Morgan requested a capital call of our commitment to the Infrastructure Investments Fund "IIF" in the amount of **\$14,000,000** for the ERS and **\$6,000,000** for the VEBA on 10/3/22 for the purpose of funding current commitments.

J.P. Morgan issued a distribution from the Infrastructure Investments Fund "IIF" in the amount of **\$248,853** for the ERS and **\$49,770** for the VEBA on 9/13/22. These plans have the distributions reinvested in the fund so there will not be a cash distribution.

SVB DISTRIBUTION

SVB Fund VIII issue a distribution in the amount of **\$220,000** for the System and **\$55,000** for the VEBA on 9/26/22 consisting of gains on sales and return of capital.

BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS

BlackRock Global Renewable Power Infrastructure Fund III issued a distribution in the amount of **\$29,657** for the Retirement Plan and **\$11,122** for the VEBA on 9/30/22.

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$239,768** for the Retirement Plan and **\$89,913** for the VEBA on 11/3//22.

CARLYLE CAPITAL CALLS

Carlyle requested a capital call of our commitment to the Carlyle Realty Fund VIII in the amount of **\$ 262,096** for the Retirement System and **\$ 47,394** for the VEBA on 10/13/22 for the purpose of investment funding, fees and expenses netted against a distribution.

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 96,234** for the Retirement System and **\$ 32,078** for VEBA to fund current investments and pay management fees on 10/18/22.

ANGELO GORDON CAPITAL CALLS AND DISTRIBUTION

Angelo Gordon Direct Lending Fund IV Annex, L.P. requested a capital call in the amount of **\$ 1,200,000** for the Retirement System and **\$ 500,000** for VEBA to fund current investments on 10/14/22.

Angelo Gordon Direct Lending Fund IV Annex, L.P. requested a capital call in the amount of **\$ 600,000** for the Retirement System and **\$ 250,000** for VEBA to fund current investments on 10/26/22.

RAISE CASH TO FUND J.P. MORGAN CAPITAL CALL

Meketa recommended to sell \$5,000,000 of the Northern Trust 1-5 Year Credit Bond Fund before the JP Morgan capital call due on October 3rd. This trade was executed on 9/26/22.

PENSION ADMINISTRATION SOFTWARE CONVERSION

Staff continues to meet weekly with Milliman. Please see timeline for updates.

FYE/AUDIT UPDATE

Rehmann was onsite to conduct the audit work on October 4th and 5th. Drafts of the financial statements will be reviewed at the November Audit Committee meeting, date TBD. GRS provided drafts of the valuations which were reviewed at the October 14 Audit Committee meeting.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 45 estimates, 5 final calculations, 3 deceased calcs, 6 non-vested calcs, and 5 pre sessions.

TRUSTEE ELECTION UPDATE

The terms of Citizen Trustees Julie Lynch and Brock Hastie expire on December 31, 2022. The new term will be from January 1, 2023-December 31, 2025. ED and several trustees met (via Teams) with Joe Kettinger, Mark Foster and Steven Gibson who had all expressed an interest in the upcoming vacancy.

F-2 Executive Report – MissionSquare (ICMA) Update

Metrics are not available this month due to the conversion to the new employer website.

457 Balance at 10/15/22 - \$ 95,851,000

401 Balance at 10/15/22 – \$ 3,669,000

Current Items/Education:

Dan Stewart will be conducting appointments and a webinar October 25-27.

401 Forfeiture Balance = \$55,000

457 Admin Allowance Balance = \$41,000

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended September 30, 2022

Maria Buffone, Accountant, submitted the Financial Report for the month ended September 30, 2022 to the Board of Trustees:

9/30/2022 Asset Value (Preliminary)	\$556,143,181
8/31/2022 Asset Value (Audited by Northern)	\$583,396,703
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(86,651,595\$)
Percent Gain <Loss>	-13.2%
October 19, 2022 Asset Value	\$557,944,694

F-4 Investment Policy Committee Minutes – None.

F-5 Administrative Policy Committee Minutes – None.

F-6 Audit Committee Minutes – October 14, 2022

Following are the Audit Committee minutes from the meeting convened at 9:05 a.m. on October 20, 2022:

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

REVIEW ERS & VEBA VALUATION DRAFTS FOR FYE JUNE 30, 2022

The Committee reviewed the Actuarial Valuations for the Retirement System & VEBA with Jim Anderson, Rich Koch and Jim Pranschke from GRS. Ms. Praschan questioned the FY 23 budgeted contributions amount for the Retirement System. Staff is working with the City to verify this number and will follow up with GRS.

*It was **moved** by Monroe and **seconded** by Praschan to accept the Retirement System & VEBA Actuarial Valuations for June 30, 2022 as discussed and recommend approval at the October 20, 2022 regular Board Meeting.*

Approved

FYE 6/30/2022 AUDIT UPDATE

Ms. Orcutt informed the Committee that the audit is ongoing, and the onsite audit was completed last week.

MILIMAN SOFTWARE TRANSITION UPDATE

Staff has been working with Milliman to convert to the new software. Staff is continuing to meet weekly with Milliman. The conversion is on track and Staff should have a live site by the end of the calendar year. During transition to the new site, the self-service website for participants will be down for approximately 3 months. Staff will send out notification to employees once dates are set.

NEXT AC MEETING DATE

The AC will schedule their next meeting once the financial statement drafts have been received.

ADJOURNMENT

It was ***moved*** by Monroe and ***seconded*** by Praschan to adjourn the meeting at 10:06 a.m.

Meeting adjourned at 10:06 a.m.

F-7 Legal Report – None

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	Laura Hollabaugh	\$164.86	DTE Electric 8/12/2022-9/12/2022 Reimbursement
2	GRS	\$1,500.00	EDRO: Dortch 7.20.2022
3	GRS	\$2,550.00	GASB 67/68 Valuation Q4 2022
4	GRS	\$7,050.00	Pension Valuation Q4 2022
5	GRS	\$1,500.00	EDRO: Kistler 5.3.2022
6	GRS	\$1,200.00	EDRO: Wiseley 9.13.2022
7	Milliman	\$2,250.00	MARC Implementation Fee 9.2022
8	Jeremy Flack	\$1,923.25	MAPERS Fall Conference Travel Reimbursement 9.2022
9	Wendy Orcutt	\$1,861.52	MAPERS Fall Conference Travel Reimbursement 9.2022
10	Innovest	\$6,040.75	Consulting Services 8/4/2022-9/30/2022
11	Allstar Alarm	\$156.00	Fire Alarm Monitoring 11/1/2022 - 1/31/2023
12	American Express	\$409.10	Kroger, Office Cleaning, Office Water

13	Applied Imaging	\$24.92	Printing Service 9/2022
14	Dan Gustafson	\$2,228.12	MAPERS Fall Conference Travel Reimbursement 9.2022
15	Meketa	\$10,000.00	Investment Consulting Services 9/2022
16	Tony DiGiovanni	\$1,656.83	MAPERS Fall Conference Travel Reimbursement 9.2022
17	West Arbor Condo Association	\$456.00	10/2022 Condo Association Dues
Total		\$40,971.35	

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
Kevin Kleitsch	Age & Service	November 10, 2022	Police	AAPOA	23 Years, 9.5 Months	Safety Services
Janel Hansen	Age & Service	December 16, 2022	Police	AAPOA	25 Years, 3 Months	Safety Services

G-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was **moved** by Grimes and **seconded** by Monroe to adjourn the meeting at 12:34 p.m.
Meeting adjourned at 12:34 p.m.

Wendy Orcutt

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