

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
January 16, 2020**

**B**

The meeting was called to order by Board Chair Person, Jeremy Flack, at 8:43 a.m.

**ROLL CALL**

Members Present: DiGiovanni, Flack, Hastie, Monroe, Nerdrum (*8:49 am arrival*), Peariso, Schreier  
Members Absent: Crawford, Lynch  
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, 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 December 19, 2019 Regular Board Meeting**

It was **moved** by Hastie and **seconded** by Peariso to approve the December 19, 2019 Regular Board Meeting minutes.  
**Approved**

**C. CONSENT AGENDA – None.**

**D. ACTIONS ITEMS**

**D-1 Resolution to Invest in Rhumblin (Russell HEDI)**

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 equity allocation to an alternative beta strategy, and

WHEREAS, the strategies of potential alternative beta managers were presented and discussed at IPC meetings on December 3, 2019 and January 7, 2020, and

WHEREAS, Meketa Investment Group and the Investment Policy Committee have recommended an investment with Rhumblin (Russell High Efficiency Defensive Index – HEDI) and,

WHEREAS, Meketa Investment Group has recommended funding Rhumblin (Russell – HEDI) from domestic equity with a commitment of approximately 13% of the portfolio, so be it

RESOLVED, that the Board of Trustees approve the investment in Rhumblin (Russell HEDI) with a commitment in the amount of approximately \$ 70 million, pending review of investment management documents by the Board’s legal counsel and any recommended additional due diligence.

It was **moved** by DiGiovanni and **seconded** by Monroe to the investment in Rhumblin (Russell HEDI) with a commitment in the amount of approximately \$70 million, pending review of investment management documents by the Board’s legal counsel and any recommended additional due diligence.

**Approved**

**D-2 Notice of Disability Application**

Ms. Orcutt informed the Board of the recent Disability Application received for Michael Whitehead. The applicant will be scheduled to visit the Board’s Medical Director and the medical report will be presented to the Board for review.

It was **moved** by Hastie and **seconded** by Peariso to acknowledge receipt of the disability application submitted by Michael Whitehead.

**Approved**

**E. DISCUSSION ITEMS**

**E-1 Board Retreat Topics**

The Board discussed possible topics for the Board Retreat re-scheduled for April 16, 2020. The Board would like to discuss the following investment topics: the Monetary Policy, Election Year Impacts, an ICMA General Update and possibly strategic planning/administrative benchmarking. The Assumed Rate of Return discussion will be revisited as well as modeling different scenarios of assumed rates and return environments. Staff will compose an agenda to present at the February Board meeting.

**E-2 Trustees’ Terms Expiring in 2020**

Ms. Orcutt informed the Board that Jeremy Flack, Tony DiGiovanni and Jordan Schreier’s terms were ending 12/31/2020. All three Trustees expressed interest in renewing their term.

**E-3 MAPERS One-Day Seminar**

Ms. Orcutt informed the Board of the upcoming MAPERS One-Day Seminar. Trustees shall let staff know if interested in attending to have registration completed.

**F. REPORTS**

**F-1 Executive Report – January 16, 2020**

**DRA DISTRIBUTIONS**

DRA issued a distribution from the Growth and Income Fund VIII on 12/23/19 in the amount of **\$172,136** for the Retirement System and **\$50,627** for the VEBA consisting of gains on sales, dividends and return of capital.

DRA issued a distribution from the Growth and Income Fund IX on 12/26/19 in the amount of **\$108,919** for the Retirement System and **\$32,036** for the VEBA consisting of gains on sales, and return of capital (recallable).

### **SUMMIT PARTNERS DISTRIBUTIONS**

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$217,754** for the Retirement System and **\$54,439** for the VEBA on 12/20/19.

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$598,287** for the Retirement System and **\$166,191** for the VEBA on 12/24/19.

### **CARLYLE CAPITAL CALLS**

Carlyle requested a capital call of our commitment to the Carlyle Realty Fund VIII in the amount of **\$ 378,249** for the Retirement System and **\$ 94,563** for the VEBA on 1/14/20 for the purpose of investment funding as well as management fees and expenses.

### **CONSTITUTION CAPITAL PARTNERS**

Ironsides Co-Investment Fund III issued a distribution in the amount of **\$ 1,623,153** for the Retirement System on 12/31/19 comprised of return of capital and realized gains netted against management fees and carried interest charges.

Ironsides Partnership Fund III requested a capital call of our commitment to the fund in the amount of **\$ 442,958** for the Retirement System on 1/23/20 comprised of a call for investments and expenses of \$ 850,816 netted against recallable capital distributed in the amount of \$ 407,858.

### **INVESTMENT CONSULTANT RFP**

The RFP was issued on January 2, 2019 with a submission deadline of February 3, 2019.

### **STAFF OPERATIONS/UPDATE**

The Pension Analyst processed 28 Estimates, 3 Final Calculations, 6 deceased calculations, 2 non vested and 1 payout calculation and conducted 4 pre sessions.

### **MISCELLANEOUS**

The payroll department notified Staff that there is no longer a tax table reference available to calculate an annualized tax amount for final payouts. Since there is no longer a way to accurately compute an annualized amount, these payouts will all be taxed at the supplemental wage rate beginning January 1, 2020.

The new standard mileage rate for 2020 is \$0.575 per mile for miles driven on city business or for city travel.

**457 Balance at 1/9/20 = \$ 102,675,390 – Statistics as of 12/31/19**

**Savings Rate Election**

as of 12/31/2019



Average Savings Rate Election



Median Percentage Savings Election

6%

Median Dollar Savings Election

\$100

**Participant Balance**

as of 12/31/2019



Average Participant Balance



Median Participant Balance

\$42,584

Total Plan Balance

\$102,232,716

**Participant Rate of Return**

from 01/01/2019 through 12/31/2019



Average Participant Rate of Return



Median Participant Rate of Return

23.4%

**401 Balance at 1/9/20 = \$ 1,288,086 – Statistics as of 12/31/19**

**Participant Balance**

as of 12/31/2019



Average Participant Balance



Median Participant Balance

\$5,762

Total Plan Balance

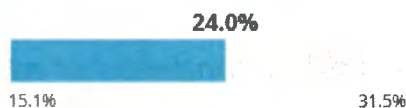
\$1,282,448

**Participant Rate of Return**

from 01/01/2019 through 12/31/2019



Average Participant Rate of Return

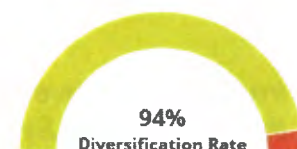


Median Participant Rate of Return

25.1%

**Investment Diversification**

as of 12/31/2019



167 (94%)  
Yes  
10 (6%)  
No

**Current Items/Education:**

- ICMA-RC will be onsite January 21-23 for individual consultations at City Hall, CTN, Fire, Wastewater, Housing Commission, Wheeler and Fleet Service.
- The two Lunch & Learns “Your Saving & Investing Goals” and “Build Your Investment Portfolio” both booked to capacity in hours of release of the registration on January 8. Jason Ashline was able to expand the capacity to 45 each day. ICMA may conduct 4 group sessions instead of 2 next onsite visit if the demand continues.
- Updated ICMA Forms were loaded on the Retirement System Website to reflect the 2020 Contribution Limits.

**Follow Up Items:**

- ED met with HR and requested a monthly report of all employees enrolled in either the Age 50 or Pre-Retirement Catch Up program. Pension Staff will use the report to verify all forms sent to ICMA-RC and HR are set up properly.
- Roth Codes Update – As of January 6 HR did not have the 5 additional Roth codes (Flat and % for Pre-Retirement Catch up and Over 50 Catch Up and Roth %) established. HR is meeting with Ultimate on Thursday, January 9 to discuss the plan. They will provide an implementation timeline after the meeting.

Ms. Orcutt informed the Board that the HR Department is aiming to have the Roth Codes and annual maximum codes issue resolved by the end of Q1.

**F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended December 19, 2019**

Maria Buffone, Accountant, submitted the Financial Report for the month ended December 19, 2019 to the Board of Trustees:

12/31/2019 Asset Value (Preliminary)	\$534,422,222
11/30/2019 Asset Value (Audited by Northern)	\$527,467,673
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$80,135,121
Percent Gain <Loss>	16.8%
<b>January 16, 2020 Asset Value</b>	<b>\$536,376,987</b>

**F-4 Investment Policy Committee Minutes – January 7, 2020**

Following are the Investment Policy Committee minutes from the meeting convened at 3:10 p.m. on January 7, 2020:

Member(s) Present: Crawford (5:13 p.m. depart), DiGiovanni, Hastie (4:07p.m. arrival), Monroe

Member(s) Absent: Flack

Other Trustees Present: None

Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt

Others Present: Henry Jaung, Meketa Investment Group  
Steve McClellan, Meketa Investment Group  
Keith Beaudoin, Meketa Investment Group  
Robb Ruhr, Analytic Investors (4:05-4:55p.m)  
Ryan Shelby, Analytic Investors (4:05-4:55p.m)  
Joseph Conroy, Analytic Investors (4:05-4:55p.m)  
David Diephuis, City Resident

**PERFORMANCE REVIEW OF THE ERS AND VEBA THROUGH 11/30/2019**

As of November 30, 2019, the balance of the Funds were \$524,747,683 for ERS. Fiscal Year to Date performance was 3.2% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

As of November 30, 2019, the balance of the Funds were \$193,258,110 for VEBA. Fiscal Year to Date performance was 3.7% for VEBA net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

**CONTINUATION OF SMART BETA DISCUSSION**



The Committee briefly discussed the Smart Beta Strategies that were presented for comparison in the Meketa materials which were Northern Trust Quality Low Vol, Rhumblin (Russell HEDI) and Analytic Investors. Meketa explained that Analytic Investors was present to discuss their strategy and that Meketa would also provide some information on Rhumblin's strategies after the presentation. Smart Beta provides equity exposure but also offers downside protection.

**PRESENTATION: SMART BETA STRATEGIES ANALYTIC INVESTORS & RHUMBLIN – BY MEKETA**

Robb Ruhr, Ryan Shelby and Joseph Conroy from Analytic Investors were present to discuss their Factor Enhanced Equity Strategy (Smart Beta). The following language was included in Analytic Investors presentation:

- Smart Beta offers exposure to factors that may improve the overall risk/return profile of a portfolio relative to a passive index
- Smart Beta is efficient implementation with low tracking error to targeted index
- Smart Beta has a low total expense ratio
- Analytic Investors provide a deep factor of investing experience, are grounded in academic research and can provide efficient factor exposure.

Mr. McClellan from Meketa also provided information to the Board regarding Rhumblin's (Russell High Efficiency Defensive Index-HEDI) strategy. The Committee briefly discussed the strategy further. Mr. Hastie requested to see how each of the managers perform in a market drawdown. Meketa will prepare the data and submit to the Committee for review.

It was **moved** by DiGiovanni and **seconded** by Hastie to recommend to the Board to invest 50% of the current holdings in the Russell 1000 Index in the Rhumblin (Russell HEDI) Strategy for both the Retirement System and VEBA, subject to the verification of the data.

**APPROVED**

**ADJOURNMENT**

It was **moved** by Hastie and **seconded** by Monroe to adjourn the meeting at 5:50 p.m.  
**Meeting adjourned at 5:50 p.m.**

**F-5 Administrative Policy Committee Minutes – None.**

**F-6 Audit Committee Minutes – None**

**F-7 Legal Report**

Mr. VanOverbeke informed the Board that the State Legislature will be reviewing the Pension tax repeal. He will provide updates as necessary. Mr. VanOverbeke also provided a brief overview of the MAPERS Conference which will be held in Detroit this year.

**G. INFORMATION (Received & Filed)**

**G-1 Communications Memorandum**

**G-2 February 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	GRS	\$1,750.00	PA 202 Compliance
2	DTE	\$103.37	Gas 11/12/19-12/12/19
3	DTE	\$161.16	Electric 11/12/19-12/12/19
4	Applied Imaging	\$40.22	Printer Services 11/2019
5	Afternoon Delight	\$178.35	Annual Holiday Breakfast 12/2019
6	VanOverbeke, Timmony & Michaud	\$1,574.40	Legal Services 10/2019
7	Robertson Morrison Inc.	\$230.00	Quarterly Inspection
8	Meketa Investment Group	\$10,000.00	Investment Consulting 12/2019
9	Culligan	\$30.74	Water Service 1/2020
10	Staples	\$86.03	Miscellaneous Office Supplies
11	AT&T	\$592.35	Phone Service 11/26/19-12/25/19
12	Robertson Morrison Inc.	\$290.00	12/2/19 No Heat Service Call
13	Applied Imaging	\$89.85	Printing Services 12/2019
14	Hexavest	\$23,615.26	Investment Management Fee 10/1/19-12/31/19
	<b>Total</b>	<b>\$38,741.73</b>	

### G-4 Retirement Report

<u>Name</u>	<u>Retirement Type</u>	<u>Effective Retirement Date</u>	<u>Group</u>	<u>Years of Service</u>	<u>Department/Service Area</u>
Steven Shields	Age & Service	January 25, 2020	General	7 years, 5 months	Public Services
Cresson Slotten	Age & Service	February 2, 2020	General	33 years	Public Services
Carmen Koch (Kenneth Death Benefit)	Age & Service	December 4, 2019	General	20 years, 11 months	Public Services
Jerry Perrine	Age & Service	February 3, 2020	General	31 years, 10 months	Public Services

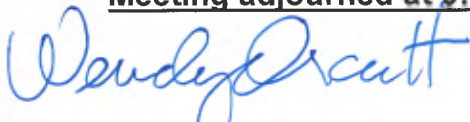
### G-5 Analysis of Page Views on Retirement System Website

#### H. TRUSTEE COMMENTS / SUGGESTIONS

Ms. Orcutt informed the Board that the City Council Budget Presentation is scheduled for March 23, 2020. Ms. Orcutt will be attending with GRS.

#### I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by DiGiovanni to adjourn the meeting at 9:26 a.m.  
**Meeting adjourned at 9:26 a.m.**



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