

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
May 16, 2019**

B

The meeting was called to order by Trustee, Brock Hastie, at 8:51 a.m.

ROLL CALL

Members Present: DiGiovanni, Hastie, Lynch, Peariso, Schreier
Members Absent: Crawford, Flack, Monroe, Nerdrum
Staff Present: Gustafson, Hollabaugh, Hammond, Orcutt
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by Schreier and **seconded** by DiGiovanni to approve the agenda as submitted.

Approved

B. APPROVAL OF MINUTES

B April 18, 2019 Regular Board Meeting

It was **moved** by Schreier and **seconded** by DiGiovanni to approve the April 18, 2019 Regular Board Meeting minutes.

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
Jane Allen	General	14 Years, 4 Months	Monroe County Road Commission
Steven Dye	Police	1 Year, 11 Months	Michigan State University

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
Kevin Harrison	General	4 Years	Single Lump Sum Payment	\$12,409.28
James Ratliff	General	3 Years	Payroll Deductions	\$330.55 <i>*Total cost of \$11,899.68</i>

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 Schreier and **seconded** by Peariso to approve the consent agenda as presented.

Approved

D. ACTIONS ITEMS

D-1 Annual Disability Re-Examinations

Ms. Orcutt submitted a memo indicating that:

Per the Board's Policies and Procedures, disability retirees who have not met voluntary retirement age may be recalled for a medical re-examination at least once each year during the first five years after their approved disability retirement, then at least once in every three-year period thereafter.

Per the policy amendment approved on July 21, 2011, the Re-Exam policy states:

*The Retirement Board shall review the files of all disability retirees twice a year to determine which retirees must undergo a medical re-examination by the Board's Medical Director. **The files shall be reviewed each May for disability retirements that commenced or had a re-examination in the prior year January through June time frame, and each November for disability retirements that commenced or had a re-examination in the prior year July through December timeframe.***

The following person would qualify for a medical re-examination per the Board's policy:

DISABILITY RETIREE	DATE BOARD GRANTED DISABILITY	DATE OF LAST RE-EXAMINATION	EXECUTIVE DIRECTOR'S RECOMMENDATION FOR RE-EXAMINATION
Jason Gold	February 17, 2017	June 20, 2018	Yes
Anthony Fischer	July 22, 2016	May 23, 2018	Yes

It was **moved** by Schreier and **seconded** by Lynch to direct the disability re-examination of Jason Gold and Anthony Fischer consistent with the Board's Disability Retirement Procedures.

Approved

E. DISCUSSION ITEMS

E-1 DC Plan – Forum Discussion: Committee vs. Board

The Board discussed the need to delegate tasks to the Committees to ensure timely completion on an annual basis. It was decided to have staff work with legal counsel to prepare amendments to the committee charters.

E-2 457 Administrative Allowance 2019 – Staff Time

Ms. Orcutt provided the Board with a cost allocation of staff time regarding the 457 Plan totaling \$11,906.77 for Fiscal Year End June 30, 2019. She recommends requesting reimbursement from the ICMA-RC Administrative Allowance Account.

It was **moved** by Schreier and **seconded** by DiGiovanni to approve the cost allocation.

Approved

E-3 Committee Agendas on City Calendar/Legistar

The Board discussed the current process and the use of the City Calendar Software for posting Committee Agendas. It was decided to have all Committee Agendas posted using the City Calendar Software for the sake of transparency. It was also decided to have the pending items list removed from the Committee Agendas.

E-4 Retiree Change Form Verification Process

The Board discussed the verification process for Retiree change forms such as, change of address, tax and direct deposit information. Mr. VanOverbeke recommended that possibly a confirmation be sent out for all changes made and to have Staff follow up with the custodial bank for their processes regarding account changes.

F. REPORTS

F-1 Executive Report – May 16, 2019

UPDATES ON REBALANCING OF THE HIGH YIELD AND BANK LOAN TO EMERGING MARKETS DEBT AND SHORT TERM INVESTMENT GRADE CREDIT

Upon liquidation of \$ 5,000,000 from Beach Point, \$3.5 million was purchased in the NT 1-5 Credit Bond Fund and \$1.5 million in Stone Harbor. The trades were settled on 4/22/19 and completes the rebalance.

DRA CAPITAL CALLS

DRA requested a capital call of our commitment to the Growth and Income Fund IX in the amount of **\$1,348,350** for the Retirement Plan and **\$396,574** for VEBA on 5/6/19 for the purpose of funding current commitments.

DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund VIII on 4/29/19 in the amount of **\$ 43,485** for the Retirement System and **\$ 12,790** for the VEBA consisting of return of capital.

DRA issued a distribution from the Growth and Income Fund VIII on 5/14/19 in the amount of \$121,906 for the Retirement System consisting of \$ 155,042 in dividends and return of capital netted against \$ 33,136 in management fees. The VEBA distribution of \$ 35,855 consisted of \$45,601 in dividends and return of capital netted against \$9,746 in management fees.

CONSTITUTION CAPITAL PARTNERS

Ironsides Partnership Fund III, L.P. (the "Fund" or "Partnership") requested a capital call in the amount of **\$ 442,958** for the Retirement System on 5/10/19.

SVB CAPITAL CALLS

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 560,000** for the Retirement Plan and **\$ 140,000** for the VEBA on May 13, 2019 for the purpose of funding current commitments.

RAISE CASH FOR BENEFITS AND EXPENSES

The NT Russell 1000 Index was utilized to raise cash for ERS in the amount of \$ 2,000,000 on April 30, 2019 and an additional \$ 2,000,000 on May 10, 2019. \$1,000,000 was liquidated for the VEBA on May 10, 2019.

ACTUARY UPDATE

GRS is in the process of replicating the 06/30/18 valuation. The latest update was that they are matching reasonably well in total but not by decrement and are waiting on more information from Findley. ED will provide an update at the Board meeting.

STAFF OPERATIONS

The Pension Analyst conducted 4 pre-sessions and processed 18 estimates. The recently settled Fire contract resulted in retro pays effecting 10 retirees whose benefit will need to be recalculated.

ED and Pension Analyst will be attending MAPERS and be out of the office May 20-21.

Corbin will be attending the GFOA conference and be out of the office May 20-22.

ED will be out of the office on May 27 and 28th.

F-2 Executive Report – ICMA-RC Update

Ms. Orcutt reviewed the quarterly statistics as of March 31, 2019 for the 457 and 401 Plans as well as provided the following updates:

Education

- ICMA announced a series of monthly webinars from April - November covering a variety of topics. Email sent to all City employees on April 29, 2019.
- Rola Ismail will be onsite May 13-16 to conduct individual consultations.
- Nancy Lange will be the presenter at this years Retiree Luncheon

Other

- The announcement regarding the closure of the Self Directed Brokerage will be included in the May 14, 2019 edition of A2 News & Notes.
- Only 21% of the participants in the Dual Plan (401a) are participating in the 457. Staff is speaking with HR and Jason Ashline on targeting this group in an effort to increase participation rates. For reference, participation rates in the members of the Traditional Plan are around 70%.

Balances as of 5/9/19

- 457 Plan - \$ 96,336,163
- 401 Plan - \$ 752,932

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended April 30, 2019

Corbin Hammond, Accountant submitted the Financial Report for the month ended April 30, 2019 to the Board of Trustees:

4/30/2019 Asset Value (Preliminary)	\$509,573,231
3/31/2019 Asset Value (Audited by Northern)	\$503,428,390
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$43,493,030
Percent Gain <Loss>	9.1%
May 15, 2019 Asset Value	\$500,230,665

F-3 Investment Policy Committee Minutes – May 7, 2019

Following are the Investment Policy Committee minutes from the meeting convened at 3:08 p.m. on May 7, 2019:

Member(s) Present: Crawford, DiGiovanni, Hastie, Monroe (3:12 arrival)
Member(s) Absent: Flack
Other Trustees Present: None
Staff Present: Hammond, Hollabaugh, Orcutt
Others Present: Henry Jaung, Meketa Investment Group
Keith Beaudoin, Meketa Investment Group
Dave Diephuis, City Resident

PERFORMANCE REVIEW AND INTERIM UPDATE AS OF MARCH 31, 2019

As of March 31, 2019, the balance of the Funds were \$504,060,745 for ERS. Fiscal year to date performance was 3.1% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

TACTICAL ASSET ALLOCATION REVIEW

Mr. Jaung reviewed asset allocation policy options and presented the "More Aggressive A" portfolio for the target allocation and target range as requested at the March Board Retreat. The Committee discussed the Current and "More Aggressive A" Policy allocation along with timing on when to make the change to the "More Aggressive A" Policy. Meketa recommended a move to the target ranges under the following scenarios: 1) The U.S. equity allocation reaches 37%, the top end of the current range, or; 2) The two Non-U.S. equity aggregates hit the top end of their ranges. If the top ranges are not reached, it was proposed to wait until there is a market drawdown to make changes to the policy.

The Committee also discussed rebalancing options during a market drawdown. Mr. Jaung proposed to the Committee that action be required at 10%, 15% and 20% market drawdown levels. The Committee further discussed the process for this and requested that Meketa provide an analysis modeling the impact of the proposal actions during the recent market conditions in the 4th quarter of 2018. The Committee will review at the next IPC Meeting.

CASH LIQUIDATIONS FOR BENEFIT PAYMENTS & EXPENSES

Ms. Orcutt informed the committee that cash was needed for benefits. The committee decided to rebalance a total of \$2 Million from the Russell 1000.

RFP/RFI DISCUSSION

This item was postponed due to time constraints.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by DiGiovanni to adjourn the meeting at 5:07 p.m.
Meeting adjourned at 5:07 p.m.

IPC Project Tracking Table		
Description	Originated	Status
Draft Investment Policy Statement 401A/457B		Pending
Board's Preliminary Financial Report: Add benchmark info on reports – stock market index		Pending
Custom Benchmarks		Pending
Condo Mortgage	6/5/18	Pending
RFP/RFI Discussion	5/7/19	Pending

F-4 Administrative Policy Committee Minutes – May 14, 2019

Following are the Administrative Policy Committee minutes from the meeting convened at 3:03 p.m. on May 14, 2019:

Committee Members Present: Lynch, Monroe, Schreier
 Members Absent: Peariso
 Other Trustees Present: None
 Staff Present: Hollabaugh, Orcutt
 Others Present: None

REVISED GOVERNANCE POLICY DRAFT

The Committee continued to review and revise the Governance Policy with a goal of completing at the June meeting.

ICMA VERBAL UPDATE

Ms. Orcutt provided the following updates regarding ICMA-RC:

- A notification has been posted in the A2 News Notes regarding closure of the self-directed brokerage account.
- Staff is working with Human Resources to have Lunch & Learns and possibly other events added as a credit for the wellness program.
- An executive report will be added to the Board Agenda going forward to provide updates and quarterly performance.

NAGDCA MEMBERSHIP

This item was postponed due to time constraints.

CONFERENCE DEBRIEF FORM

Ms. Orcutt shared a conference debrief form that will need to be completed when Trustees/Staff attend conferences.

OTHER

The Committee discussed schedules for the next meeting and tentatively set a date for June 6th, 2019 at 8:30 a.m. The Executive Director 2019-2020 Goals and Objectives and the Executive Director Evaluation form will be on the June Agenda.

ADJOURNMENT

*It was **moved** by Monroe and **seconded** by Lynch to adjourn the meeting at 4:12 p.m.
Meeting adjourned at 4:12 p.m.*

APC Project Tracking Table		
Description	Originated	Status
<i>Revised Governance Policy</i>	<i>7/24/18</i>	<i>Pending</i>
<i>Discussion on Benefit Multiplier Associated with Employee Group Change</i>	<i>November 2017</i>	<i>Pending</i>
<i>Revision to Death Policy</i>	<i>September 2017</i>	<i>Pending</i>
<i>Attendance Policy</i>	<i>2014</i>	<i>Pending</i>
<i>Fiduciary Audit Recommendations & Considerations (Ennis Knupp report) - Continue to discuss priorities and next steps on implementation</i>	<i>October 2009</i>	<i>Placed back on pending list on 8-9-2016</i>

F-5 Audit Committee Minutes – None

F-6 Legal Report

Mr. VanOverbeke updated the Board regarding the TreeHouse Foods, Inc. Shareholder Derivative Action. Robins Geller has recommended that the Board file a shareholder derivative action on behalf of TreeHouse Foods Inc. against its former top executives. Mr. VanOverbeke recommended moving forward with the Derivative Action.

It was **moved** by Peariso and **seconded** by Schreier to acknowledge receipt of the updated Board memo dated April 16, 2019 from Special Securities Council and that the Board proceed with the filing of the derivative action as recommended.

Approved

Mr. VanOverbeke also reminded the Board of the upcoming MAPERS Conference and that he has been working with a Task Force Committee regarding the PA 202 reporting and will keep the Board updated.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 May Planning Calendar

G-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	Stanley Steemer	\$185.00	Retirement Office Carpet/Tile Cleaning
2	MAPERS	\$600.00	Spring Conference Registration Flack & Orcutt
3	DTE	\$63.13	Gas Usage 3/12/19-4/10/19
4	DTE	\$179.52	Electric Usage 3/12/19-4/10/19
5	Kolossos	\$124.19	Window Envelopes w/ Return Address
6	Allstar Alarm	\$90.00	Fire Alarm Monitoring 5/1/19-7/31/19
7	City of Ann Arbor Treasurer	\$439.02	Kyle Spade's Time worked Jan-March 2019
8	Wendy Orcutt	\$417.50	Northern Trust Training Travel Reimbursement
9	Loomis Sayles	\$27,393.47	Investment Management Fee 1/1/19-3/31/19
10	AT&T	\$466.72	Phone Service 3/26/19-4/25/19
11	Income Research Management	\$4,068.66	Investment Management Fees 1/1/19-3/31/19
12	Meketa Investment Group	\$10,000.00	Investment Consultant Fee April 2019
13	Midwest Maintenance Services	\$134.61	April 2019 Cleaning Services
14	Culligan	\$27.49	Water Service 5/1/19-5/31/19
	Total	\$44,189.31	

G-4 Retirement Report

Retirement paperwork has been submitted by the following employee(s):

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Robert Pfannes	Age & Service	May 25, 2019	Police	21 years, 3 months	Safety Services
Terence Sullivan	Age & Service	June 1, 2019	Fire	25 years, 8 months	Safety Services
Craig Anderson	Early Age & Service	May 25, 2019	General	11 years, 10 months	Public Services

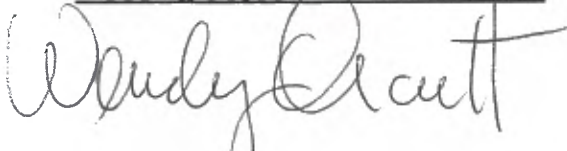
G-5 Analysis of Page Views on City Intranet / Retirement System Page

H. TRUSTEE COMMENTS / SUGGESTIONS

The Board discussed upcoming schedules and decided to cancel the July Investment Policy Committee meeting. Ms. Orcutt informed the Board that the June Administrative Policy Meeting has been re-scheduled to June 6, 2019.

I. ADJOURNMENT

It was **moved** by Schreier and **seconded** by DiGiovanni to adjourn the meeting at 9:42 a.m.
Meeting adjourned at 9:42 a.m.



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