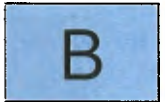


**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
August 16, 2018**



The meeting was called to order by Jeremy Flack, Board Chairperson, at 8:39 a.m.

**ROLL CALL**

Members Present: Clark, Crawford (*depart 10:45 a.m.*), DiGiovanni (*depart 10:50 a.m.*), Flack, Hastie, Lynch, Schreier  
Members Absent: Monroe, Nerdrum  
Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Henry Jaung, Meketa Investment Group  
Keith Beaudoin, Meketa Investment Group (*Via TX*)  
Amy Kennedy, Findley  
Matt Klein, Findley  
Kevin Sullivan, Findley

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**B. APPROVAL OF MINUTES**

**B July 19, 2018 Regular Board Meeting**

It was **moved** by DiGiovanni and **seconded** by Crawford to approve the July 19, 2018 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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Jeffrey Williams	General	16 years, 3 months	City of Mount Clemons
Marjorie Reynolds	Police	4 months	Washtenaw County

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 Hastie and **seconded** by DiGiovanni to approve the consent agenda as submitted.

**Approved**

D. **ACTION ITEMS – None.**

E. **DISCUSSION ITEMS**

E-1 **Experience Study Presentation – Findley**

Amy Kennedy was present to review the 5-Year Experience Study conducted by Findley, along with Matt Klein and Kevin Sullivan. After review of the presentation and summary of recommendations and impact, the Board discussed and agreed to accept all of the recommended assumptions, with the exception of the discount rate and the corridor around market value of assets. These two items will be discussed further at a future Board Retreat.

It was **moved** by Crawford and **seconded** by Clark to acknowledge receipt and presentation of the 5-Year Actuarial Experience Study dated August 16, 2018 for the period 2013-2017 from the Board’s Actuary, Findley, and to adopt the revised recommended assumptions as reflected in the report as listed below, subject to further review and approval by the Audit Committee. Should any adjustments be deemed appropriate they will be brought back to the Board.

**Approved**

Demographic Assumption Changes	Economic Assumption Changes
<ul style="list-style-type: none"> <li>• Mortality tables for pre/post mortality rates</li> <li>• Withdrawal rates - General</li> <li>• Expected rate of normal/early retirements</li> </ul>	<ul style="list-style-type: none"> <li>• Inflation Assumption</li> <li>• Salary Scale – Police/Fire</li> <li>• Include \$700,000 for administrative expense in normal cost</li> </ul>

E-2 **Fiscal Year End Review – Meketa Investment Group**

Mr. Jaung of Meketa Investment Group was present along with Keith Beaudoin (*Via Telephone*) to provide the investment review for the Fiscal Year End 6/30/2018. As of June 30, 2018, the balance of the Fund was \$503,323,782. Mr. Jaung also reviewed the PA 314 Compliance, stating that everything is currently in compliance. The return for fiscal year end 6/30/18 was 7.0% net of fees.

**F. REPORTS**

**F-1 Executive Report – August 16, 2018**

**SVB CAPITAL CALLS**

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 440,000** for the Retirement Plan and **\$ 110,000** for the VEBA on July 27, 2018 for the purpose of funding current commitments.

**DRA CAPITAL CALLS**

DRA requested a capital call of our commitment to the Growth and Income Fund VIII in the amount of **\$ 314,815** for the Retirement Plan and **\$ 92,593** for the VEBA on 7/27/17 for the purpose of funding current commitments.

**DRA DISTRIBUTIONS**

DRA issued a distribution from the Growth and Income Fund IX on 7/20/18 in the amount of **\$ 148,308** for the Retirement System and **\$ 43,620** for the VEBA in recallable principle.

DRA issued a distribution from the Growth and Income Fund VIII on 8/3/2018 in the amount of **\$ 110,815** for the Retirement System and **\$ 32,593** for the VEBA. The capital is not recallable.

**SUMMIT PARTNERS**

Summit Partners issued a distribution from the Credit Fund II on 7/17/18 in the amount of **\$ 398,289** to the Retirement System consisting of \$ 58,827 in gains and interest and \$ 339,462 in recallable principal. The distribution to the VEBA in the amount of **\$ 99,572** consisted of \$ 14,707 in gains and interest and \$ 84,865 in recallable principal.

**CASH RE-BALANCING**

Following FYE contributions by the City, the cash position was \$10.7 million in ERS and \$4.2 million in the VEBA. Per direction from Meketa, the following re-balance will be processed on August 13 leaving approximately \$6.7 million in ERS and \$1.2 million in VEBA.

ERS: \$1 million to both the R1000 and EAFE Index, and \$ 2 million to the NT 1-5 Credit Bond Index, all Northern Trust funds. (25%/25%/50%)

VEBA: \$ 1.5 million to the R1000 and \$1.5 million to the NT 1-5 Credit Bond Index. (50%/50%)

**ICMA-RC UPDATES**

Rola Ismail will be onsite August 27-30 for individual sessions and to conduct a lunch and learn at City Hall.

Jason Ashline will attend the September Board meeting to present the Plan Review as of 06/30/18.

ED contacted ICMA regarding the specifics of the self-directed brokerage program. Since the agreement was with the City of Ann Arbor, VMT recommended updating the addendum to reflect the relationship with the Retirement System. ICMA is drafting a new addendum for the self-directed brokerage account for review and signature.

**ACTUARY UPDATE**

Findley sent the follow up data questions for OPEB on 7/30/18 and for Pension on 8/1/18 with a due date of 8/10. Responses from Pension Staff and HR were submitted by 8/8. ED notified Findley about the non-union pay increase and that Fire is working under an expired contract.

**AUDIT/FYE UPDATE**

The City of Ann Arbor transferred an additional \$1,923,482 on July 31 to the VEBA. This was comprised predominantly from the Express Scripts Contract rebate as well as Part D revenue. An additional \$ 489,024 was transferred to the VEBA on August 2. June numbers were received from BCBS and retiree health care costs were significantly under budget.

Yeo & Yeo will be onsite August 29/30. They will not be conducting preliminary fieldwork this year.

**STAFF OPERATIONS/UPDATE**

The Pension Analyst conducted 3 pre-sessions and processed 14 estimates.

ED and Corbin Hammond met with Allison Walsh from IR&M on 8/6 for a market update and an overview of the firm.

The non-union classification and compensation study was recently completed. Based on the findings, it was determined that all non-union staff will receive a 3% annual increase retroactive to July 1, 2018 on the August 24 pay period. The complete report is available to view on A2 Central. The city also made the below compensation adjustments for FY19:

\*Accrual of sick time hours for non-union staff increased to 3.70 hours per pay period (96 hours per year)

\*Employees who participate in retiree healthcare through the Retirement Healthcare Reimbursement Account saw a contribution increase from \$2,500 to \$3,500 per year.

\*Longevity pay was reinstated in FY19 for non-union staff. The amount paid is variable based upon years of service.

**F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended July 31, 2018**

Wendy Orcutt, Executive Director, submitted the Financial Report for the month ended July 31, 2018 to the Board of Trustees:

7/31/2018 Asset Value (Preliminary)	\$513,357,048
6/30/2018 Asset Value (Audited by Northern)	\$503,003,576
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$9,522,771
Percent Gain <Loss>	1.8%
<b>August 15, 2018 Asset Value</b>	<b>\$510,156,315</b>

**F-3 Investment Policy Committee Minutes – None**

**F-4 Administrative Policy Committee Minutes – July 24, 2018**

*Following are the Administrative Policy Committee minutes from the meeting convened at 3:17 p.m. on July 24, 2018:*

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

**UPDATE ON OUTSTANDING CHECKS**

Ms. Orcutt informed the Committee that she spoke with legal counsel regarding the remaining older outstanding checks. Staff is making an effort to contact those that have outstanding checks to reissue payment. In the event parties cannot be located, funds will be redeposited until such time that current contact information is provided. All efforts will be documented.

**REVISED GOVERNANCE POLICY**

The Committee reviewed the proposed revised governance policy. The Committee will continue to review and revise at the next APC meeting.

**UPDATES TO MEMBER HANDBOOK DISCUSSION**

Ms. Orcutt informed the Committee that the current member handbook needed to be updated with dual plan, 457 and other information. Staff plans to prepare a draft in the fall for initial review.

**ADJOURNMENT**

It was ***moved*** by Monroe and ***seconded*** by Lynch to adjourn the meeting at 4:10 p.m.  
***Meeting adjourned at 4:10 p.m.***

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

**F-5 Audit Committee Minutes – None**

**F-6 Legal Report**

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

**G-1 Communications Memorandum**

**G-2 September Planning Calendar**

**G-3 Record of Paid Invoices**

	<b><u>PAYEE</u></b>	<b><u>AMOUNT</u></b>	<b><u>DESCRIPTION</u></b>
1	DTE Energy	\$34.53	Gas Usage 5/12/18-6/13/18
2	DTE Energy	\$334.23	Electric Usage 6/14/18-7/12/18
3	Staples	\$124.14	Miscellaneous Office Supplies
4	Allstar Alarm	\$90.00	Fire Alarm Monitoring 8/1/18-10/31/18
5	Applied Imaging	\$45.20	Printing Services 5/1/18-5/31/18
6	Loomis Sayles	\$28,714.23	Investment Management Fees 4/1/18-6/30/18
7	AT&T	\$612.23	Phone Service 6/14/18-7/13/18
8	Meketa Investment Group	\$10,000.00	Investment management Fees July 2018
9	Culligan	\$38.99	August Water Service

10	Kolossos	\$261.00	Retirement System Contact Information Magnets
11	Income Research Management	\$4,013.77	Investment Management Fees 4/1/2018-6/30/2018
12	Midwest Maintenance Services	\$175.00	Cleaning Service July 2018
<b>Total</b>		<b>\$44,443.32</b>	

**G-4 Retirement Report**

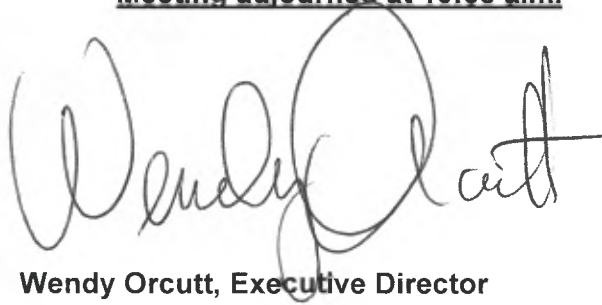
Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Michael Cemazar	Age & Service	August 17, 2018	Police	21 years, 5 months	Safety Services
Diana Gorney	Age & Service	September 1, 2018	General	19 years, 2 months	15th District Court
Patricia Hopkins	Age & Service	September 15, 2018	Fire	25 years	Safety Services

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

**H. TRUSTEE COMMENTS / SUGGESTIONS**

**I. ADJOURNMENT**

It was **moved** by Schreier and **seconded** by Lynch to adjourn the meeting at 10:58 a.m.  
Meeting adjourned at 10:58 a.m.



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