

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
January 18, 2018**

B-1

The meeting was called to order by Jeremy Flack, Board Chairperson, at 8:32 a.m.

ROLL CALL

Members Present: Crawford, DiGiovanni, Flack, Monroe (*dept. 1:15 p.m.*), Nerdrum, Schreier
Members Absent: Clark, Hastie, Lynch
Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Daniel Lee, City Resident (*dept. 10:43am*)

AUDIENCE COMMENTS

The Board welcomed and introduced themselves to the new Trustee, Jordan Schreier.

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 December 21, 2017 Regular Board Meeting

It was **moved** by Nerdrum and **seconded** by Monroe to approve the December 21, 2017 Regular Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA – None

D. EXECUTIVE SESSION – Disability Re-Examination Review /Appeal Update

It was **moved** by Nerdrum and **seconded** by Monroe to convene an Executive Session for the purpose of the discussion and review of the Disability Re-Examination Review/Appeal Update.

Roll call vote:

Clark - Absent	Flack – Yes	Monroe - Yes
Crawford - Yes	Hastie - Absent	Nerdrum - Yes
DiGiovanni - Yes	Lynch - Absent	Schreier - Yes

Executive session time: 8:38 a.m. – 8:50 a.m.

E. ACTION ITEMS

E-1 Motion Regarding Disability Matter

It was **moved** by Nerdrum and **seconded** by DiGiovanni to acknowledge receipt of the medical report from Allen Babcock, M.D. dated December 20, 2017, with regards to the independent medical re-examination of disability retiree Lynn Hart, noting that Mr. Babcock has indicated that Ms. Hart continues to be totally incapacitated from performing the customary duties of the Member's City employment and therefore the Board resolve that she continues to receive disability benefits subject to the Boards disability procedures.

Approved

E-2 Summary Annual Report for FY Ended June 30, 2017

Ms. Orcutt presented the Summary Annual Report for the fiscal year ended June 30, 2017, noting the updates that were added to the language and the inclusion of the Dual Plan provisions. The Board made no changes or corrections, and approved the Report as submitted.

It was **moved** by Nerdrum and **seconded** by Crawford to authorize the issuance of the Summary Annual Report for fiscal year ended June 30, 2017.

Approved

E-3 Default QDIA Target Age Change

Ms. Orcutt informed the Board of the upcoming changes by ICMA-RC to the Milestone Funds which are the QDIA (Qualified Default Investment Alternative) in the 401 and 457 plans. The assumed target retirement age will change from 60 to 62. This change is in response to the trend that investors are delaying retirement.

It was **moved** by Nerdrum and **seconded** by DiGiovanni to acknowledge receipt of the correspondence regarding the default QDIA target age change.

E-4 Conduent Change Estimate to Update Tahiti Interest Calculation Policy for Non-Vested Employees

Ms. Orcutt notified the Board of the Conduent Change Estimate due to the Interest Calculation Policy. Updates are needed with Tahiti to reflect the appropriate interest credits to any non-vested employees at the time of their termination. Conduent submitted a change estimate of \$2,000 for this update.

It was **moved** by Nerdrum and **seconded** by DiGiovanni to approve the Conduent Change Estimate to Update Tahiti to reflect the interest Calculation Policy for Non-Vested Employees.

It was **moved** by DiGiovanni and **seconded** by Nerdrum to move Item H: PRESENTATIONS: Actuarial Finalists as the next item on the Agenda.

H. PRESENTATIONS: Actuarial Finalists

1) AON Hewitt

Present: Mark Meyer, FSA, EA; Alex Geml, FSA, EA; Erin Sabo, FSA, EA

2) Milliman

Present: Rebecca A. Sielman, FSA; Daniel F. Bostedt, MA Economics

3) Gabriel, Roeder, Smith & Co.

Present: James D. Anderson, FSA, EA, MAAA; Francois Pieterse, ASA, FCA, MAAA; Mark Buis, FSA, FCA, EA, MAAA

4) Findley Davies

Present: Kevin Sullivan, FSA, EA, FCA, MAAA; Matthew Klein, FSA, EA, MAAA; Amy Kennedy, Managing Consultant

After the presenters had departed the meeting, the Board members discussed the four interviews, ultimately deciding to postpone the decision until the February 15th regular Board

meeting for further discussion.

F. DISCUSSION ITEMS

F-1 Board Retreat Topics

Ms. Orcutt wanted to discuss topics for the Board Retreat. The Board briefly discussed some options for the Retreat such as having the Actuary present, 457/401 Fiduciary responsibilities, and possibly a review on Securities Litigation.

G. REPORTS

G-1 Executive Report – January 18, 2017

CARLYLE CAPITAL CALLS

Carlyle requested a capital call of our commitment to the Carlyle Realty Fund VIII in the amount of **\$ 59,507** for the Retirement Plan and **\$ 14,877** for the VEBA on 1/12/18 for the purpose of funding management fees and expenses.

SUMMIT PARTNERS

Summit Partners issued a distribution from the Credit Fund II on 12/21/17 in the amount of **\$153,303** to the Retirement System consisting of \$ 129,878 of interest, \$ 15 in gains and \$ 23,409 in callable principal. The distribution to the VEBA in the amount of **\$38,326** consisted of \$ 32,470 of interest, \$ 4 in gains and \$5,852 in callable principal.

Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$456,069** for the Retirement System and **\$ 114,017** for the VEBA on 1/22/2018.

HYBRID/457 UPDATE

Jason Ashline will attend the February 15 meeting to provide a plan review through 12/30/17. Jason has also suggested a reoccurring monthly conference call with the Retirement Board Staff and HR staff to iron out any transition questions and address any outstanding issues or scenarios as they arise.

ED is working with VMT and Jason Ashline regarding a new policy regarding EDRO/QDRO processes as it relates to these two plans. Currently these are being handled by ICMA but all domestic relations orders will need to come to Board for approval.

Staff is working with HR and ICMA to plan the onsite employee education visit to the City of Ann Arbor for early February. Rola Ismail will be doing 30 minute individual consultations and possibly a group educational presentation.

AUDIT AND FINANCIAL STATEMENTS

Dave Youngstrom from Yeo & Yeo contacted ED regarding additional audit charges due to the implementation of GASB 74 for VEBA. ED discussed this matter with Karen Lancaster who advised she was aware there would be additional charges and these were discussed in the proposal process. She thought the amount was very reasonable by comparison to the GASB 67/68 implementation and it was agreed the City and the System would split these fees.

STAFF OPERATIONS/UPDATE

The Pension Analyst conducted 5 pre-sessions and completed 8 estimates.

ED met with Jordon Schreier on January 5 for an orientation and introduction to Staff.

ACTUARIAL RFP

The four finalists have been confirmed to present to the Board at the January 18, 2018 meeting.

G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended December 31, 2017

Corbin Hammond, Accountant, submitted the Financial Report for the month ended December 31, 2017 to the Board of Trustees:

12/31/2017 Asset Value (Preliminary)	\$517,254,518
11/30/2017 Asset Value (Audited by Northern)	\$514,302,688
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$63,270,474
Percent Gain <Loss>	13.4%
January 17, 2018 Asset Value	\$526,707,331

G-3 Investment Policy Committee Minutes – No Report

G-4 Administrative Policy Committee Minutes – January 9, 2018

Following are the Administrative Policy Committee minutes from the meeting convened at 3:03 p.m. on January 9, 2017:

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

DRAFTED JUNE 30, 2017 SUMMARY ANNUAL REPORTS

Ms. Orcutt presented the Summary Annual Reports for both the Retirement System and VEBA for the fiscal year ended June 30, 2017. The Committee reviewed the reports and after a brief discussion, the Committee decided to make some language changes to the Retirement System report. The Committee made no changes or corrections to the VEBA report. Ms. Orcutt stated that both the revised Retirement System draft and VEBA draft will be presented to the Board at the January Meeting.

DISCUSSION OF CHECK REISSUANCE POLICY

Ms. Orcutt enlightened the Committee of a situation in which a participant requested to have a check reissued informing the Committee that there is currently no policy in place detailing the parameters for check reissuance. The Committee agreed that there should be a policy in place and would like this item to be tabled.

CONDUENT CHANGE ESTIMATE TO UPDATE TAHITI INTEREST CALCULATION POLICY FOR NON-VESTED EMPLOYEES

Ms. Orcutt informed the Committee of the Conduent Change Estimate due to the Interest Calculation Policy. Updates are needed to be made with Tahiti to reflect the appropriate interest credits to any non-vested employees at the time of their termination. The calculations and the accrued benefit statements both need to be updated. Conduent submitted a change estimate of \$2,000 for this update. The Committee would like to see a breakdown of this fee to better

understand the total amount due. The change estimate from Conduent will be brought to the January Board meeting for approval.

VERBAL UPDATE ON RETIREMENT OFFICE PARKING

Ms. Orcutt updated the Committee regarding parking for the Retirement Office. There has been limited parking available for staff and guests due to the incoming traffic from the Ann Arbor Comprehensive Treatment Center. Ms. Orcutt informed the Committee that the landlord was made aware of the situation and is working on a solution.

ADJOURNMENT

It was **moved** by Lynch and **seconded** by Monroe to adjourn the meeting at 3:52 p.m.
Meeting adjourned at 3:52 p.m.

APC Project Tracking Table		
Description	Originated	Status
Check Reissuance Policy	January 2018	
Crediting Interest Policy	2017	
EDRO/QDRO updates in process with VMT	December 2017	
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) - <i>Continue to discuss priorities and next steps on implementation</i>	October 2009	Placed back on pending list on 8-9-2016
Revised Governance Policy - sections regarding Committees (<i>from 2012 Retreat, pending meeting w/legal counsel</i>)	2012 Retreat	Pending

G-5 Audit Committee Minutes – December 19, 2017

Following are the Audit Committee minutes from the meeting convened at 12:12 p.m. on December 19, 2017:

Committee Members Present: Clark (*via TX*), Monroe, Nerdrum
 Members Absent: Crawford
 Other Trustees Present: None
 Staff Present: Hollabaugh, Orcutt
 Others Present: None

REVIEW/DISCUSSION OF SUBMITTED RFP SUMMARIES

The Committee discussed the seven Actuarial RFP's that were submitted by the November 1, 2017 deadline:

- Aon Hewitt
- Boomershine
- Conduent
- Findley Davies
- Gabriel, Roeder, Smith & Co.
- Milliman
- Segal

Ms. Orcutt provided a summary document of the seven firms for the Committee to review. After a lengthy discussion, the Committee decided they would like to see presentations of four of the seven firms at the January Board meeting:

- Aon Hewitt
- Gabriel, Roeder, Smith & Co.
- Findley Davies
- Milliman

MOTION FOR SELECTION OF RFP FINALISTS

It was **moved** by Monroe and **seconded** by Clark to recommend to the Board of Trustees to interview four actuary firms, Aon Hewitt, Gabriel, Roeder, Smith & Co., Findley Davies and Milliman, for presentations at the January Board Meeting.

Approved

ADJOURNMENT

It was **moved** by Clark and **seconded** by Monroe to adjourn the meeting at 1:28 p.m.

Meeting adjourned at 1:28 p.m.

AC Project Tracking		
Description	Originated	Status
Actuarial Funding Policy Draft (from July 17, 2014 Board Meeting)	7/17/14 Board Meeting	Tentative – Late 2015 to early 2018 (project for Buck Consultants)

G-6 Legal Report - Protecting Local Government Retirement and Benefits Act – Public Act 202 of 2017

Mr. VanOverbeke briefly discussed the Public Act's requirements including the new mandates, new reporting/transparency requirements and Underfunded Local Units.

H. PRESENTATIONS: Actuarial Finalists

(Moved above, before item F on agenda)

I. INFORMATION *(Received & Filed)*

I-1 Communications Memorandum

I-2 February Planning Calendar

I-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	108.06	Monthly Gas Fee 11/9/17-12/11/17
2	DTE Energy	188.57	Monthly Electric Fee 11/9/17-12/11/17
3	Afternoon Delight	135.40	December Board Breakfast
4	Daniel Gustafson	1104.60	CEBS Reimbursement
5	City of Ann Arbor	82.00	False Alarm Response 10/25/17
6	City of Ann Arbor	82.00	False Alarm Response 10/25/17
7	Robertson Morrison Inc.	220.00	Routine Maintenance/Quarterly Inspection
8	Robertson Morrison Inc.	1750.45	Heat Exchanger replacement
9	Med Source Services/Consulting Physicians	875.00	Medical Re-Exam & Report: Lynn Hart
10	Staples	43.44	Miscellaneous Office Supplies
11	Comcast	20.51	Final Bill/Disconnected Service 11/20/17 – 12/12/17

12	City of Ann Arbor Treasurer	781.12	ITSU Service Charge (K. Spade) for Oct - Dec
13	Culligan Water	9.00	Water Service 1/1/18 – 1/31/18
14	Midwest Maintenance Services	175.00	General Cleaning Services December 2017
15	Meketa Investment Group	10000.00	Investment Consulting Services December 2017
16			
28			
TOTAL		15575.15	

I-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
Jeffrey Tabeling	Age & Service	January 21, 2018	Police	27 years 8 months	Safety Services
Sharon Bouchard	Age & Service	February 4, 2018	Fire	26 years	Safety Services
Travis Strang	Age & Service	February 20, 2018	Police	25 years	Safety Services
Ann Howard	Early Age & Service	March 9, 2018	General	20 years	Community Services

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

J. TRUSTEE COMMENTS / SUGGESTIONS – None

K. ADJOURNMENT

It was moved by Nerdrum and seconded by Crawford to adjourn the meeting at 1:31 p.m.
Meeting adjourned at 1:31 p.m.

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