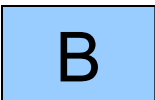


**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
December 19, 2024**



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

ROLL CALL

Members Present: Buselmeier (*Via TX*), DiGiovanni, Flack, Foster, Grimes, Lynch, Monroe, Schreier (*Arrived at 8:56 am*)
Members Absent: Nerdrum
Staff Present: Gustafson, Lieder (*Via TX*), Orcutt (*Via TX*)
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by Flack and **seconded** by Foster to approve the agenda as submitted.
Approved

B. APPROVAL OF MINUTES

B-1 November 21, 2024 Regular Board Meeting

It was **moved** by Flack and **seconded** by Foster to approve the November 21, 2024 Regular Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA - None

D. EXECUTIVE SESSION

It was **moved** by Grimes and **seconded** by Flack to convene an Executive Session at the request of Ms. Orcutt for the purpose of discussing a personnel matter.
Approved

Roll call vote:

Buselmeier – Yes	Foster – Yes	Monroe – Yes
DiGiovanni – Yes	Grimes – Yes	Nerdrum – Absent
Flack – Yes	Lynch – Yes	Schreier – Absent

Executive session time: 8:34 a.m. – 8:48 a.m.

It was **moved** by Flack and **seconded** by Foster to move Dan Gustafson, Pension Analyst, to the Senior Pension Analyst position, classified at Grade 8 with compensation effective 12/15/2024 set at the level presented by the Executive Director in closed session and recommended by the City's HR department.
Approved

E. ACTION ITEMS

E-1 2025 Board Meeting Schedule Amendment for April 17, 2025

Ms. Orcutt presented a change to the 2025 Board Meeting Schedule. The previously agreed upon date of April 10, 2025 will need to be changed to April 17, 2025 due to venue scheduling conflicts for the Retreat.

January 16, 2025	July 17, 2025
February 20, 2025	August 21, 2025
March 20, 2025	September 18, 2025
April 17, 2025	October 16, 2025
May 15, 2025	November 20, 2025
June 19, 2025	December 18, 2025

It was **moved** by Grimes and **seconded** by Flack to approve the 2025 Board Meeting Schedule Amendment to replace April 10, 2025 with April 17, 2025.

Approved

E-2 Election Results

Ballots from the Pension Board Election held on December 11th and 12th for one General Member representative and one Police Member representative were counted in the City Clerk's Office on Friday, December 13, 2024. The following were the results:

General Member Election

Richard Czeck - 9
Jennifer Grimes - 33
Blank – 2

Jennifer Grimes was declared the winner of the General Member Representative seat on the Employees' Retirement System Board of Trustees in this election with 33 votes. Jennifer Grimes previously served this seat.

Police Member Election

Jordan Dottor - 9
David Monroe - 11
Grant Toth – 12

Grant Toth was declared the winner of the Police Member Representative seat on the Employees' Retirement System Board of Trustees in this election with 12 votes. David Monroe previously served this seat.

Jennifer Grimes and Grant Toth will both begin their new three-year term on the Employees' Retirement System Board, and on the Retiree Health Care Benefit Plan & Trust Board effective January 1, 2025.

Ms. Orcutt and the Board thanked Mr. Monroe for his 15 years of service as a Trustee.

It was **moved** by Flack and **seconded** by Foster to accept the results of the Pension Board Election.

Approved

E-3 Member Interest Credits for Calendar Year 2025

Ms. Orcutt presented the annual₂ calculation letter from GRS regarding the

member interest credits, indicating that the computed rate of return for the fiscal year ending June 30, 2024 is 7.4%. The equivalent quarterly return is 1.80%. Therefore, 1.80% regular interest should be credited to member accounts for the quarter ending March 31, 2025 and each of the remaining three quarters in calendar year 2025.

It was **moved** by Flack and **seconded** by Foster to approve the Member Interest Credits for Calendar Year 2025.

Approved

F. DISCUSSION ITEMS

F-1 Fraud Update

Mr. VanOverbeke provided an update on the fraud issue regarding Mr. Hupy's Northern Trust account. Mr. VanOverbeke shared an email response from Northern Trust's in-house counsel stating that the bank followed their proper procedures and therefore are not responsible for the loss of funds. They are still unable to provide the automated letter they state was sent to Mr. Hupy notifying him that his banking information had been changed. Mr. VanOverbeke stated another email will be sent to their office requesting that letter and other pertinent information. In the meantime, no response has been heard from Mr. Hupy after the System sent a letter back in November requesting additional detailed information to further help with the case. Mr. Hupy's benefits have been restored, but he currently has made no claims for us to reimburse him. The Board requested that Staff follow up again with Mr. Hupy on the matter.

G. REPORTS

G-1 Executive Report – December 19, 2024

BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$353,252** for the Retirement System and **\$132,469** for the VEBA on 12/4/24.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$114,000** for the Retirement Plan and **\$38,000** for VEBA on 12/18/24 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 29.7% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

HIGHVISTA CAPITAL CALLS

HighVista Private Equity requested a capital call of our commitment to Fund X in the amount of **\$220,000** for the Retirement Plan and **\$55,000** for VEBA on 12/16/24 to fund investments. With these installments, **CAAERS** will have funded 20% of our total commitments of \$4,000,000 for the Retirement Plan and \$1,000,000 for the VEBA.

TRUSTEE ELECTION UPDATE

The election was held on December 11th and Thursday, December 12th. The new Police Representative Grant Toth. Jen Grimes was reelected as the General Employee Representative. The terms for both candidates are from 1/1/2025 – 12/31/27.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 28 estimates, 1 final calcs, 5 deceased calcs, 6 non-vested calcs, 1 payout and conducted 6 pre-sessions.

The office will be closed for the holidays December 24th 25th 31st and January 1.

G-2 Executive Report – Voya Update

Voya Update – December 19, 2024

457 PLAN - Balance at 12/12/24 - \$ 119,055,921

Admin Allowance \$ 450

401A PLAN – Balance at 12/12/24 - \$ 9,184,098

Forfeiture Balance \$ 92,220

401A Executive PLAN – Balance at 12/12/24 - \$ 800,872

Forfeiture Balance \$ 4,717

Current Items/Education:

During the November 12th and 13th meetings Mike had 6 in person meetings and 11 phone calls with employees/retirees. Mike will be onsite again for meetings December 10th and 11th.

Memos were sent to the City on November recommending the adoptions of two additional optional provisions from Secure 2.0.

In-Service Distributions for those 59.5 are now active in the 457 Plan.

Future Items/Education:

Webinar in January – Roth vs. Pretax/Demo Contribution Changes/2025 Limits

January and February One on Ones will be held virtually.

Implementation of the Age 60 Catch Up

401 Plan Doc/Ordinance Revisions regarding Force Outs and other updates.

2025 – Communication regarding new provisions to the Plan once all are implemented.

Possible Implementations of the Domestic Abuse and Disaster Relief provisions.

G-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended November 30, 2024

Ms. Orcutt submitted the Financial Report for the month ended November 30, 2024 to the Board of Trustees:

11/30/2024 Asset Value (Preliminary)	\$667,784,443
10/31/2024 Asset Value (Audited by Northern)	\$656,457,862
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$71,761,178
Percent Gain <Loss>	11.6%
December 18, 2024 Asset Value	\$659,244,701

G-4 Investment Policy Committee Minutes – December 3, 2024

Following are the Investment Policy Committee minutes from the meeting convened at 3:02 p.m. on December 3, 2024:

Member(s) Present: Buselmeier (Via TX, Arrived at 3:30 pm), DiGiovanni, Flack, Foster (Departed at 3:32 pm), Monroe

Member(s) Absent: None

Staff Present: Gustafson, Orcutt

Others Present: Henry Jaung, Meketa Investment Group
Keith Beaudoin, Meketa Investment Group
Dan Cahill, Constitution Capital Partners (Via TX, Arrived at 3:33 pm, Departed at 4:13 pm)
Bill Ramos, Constitution Capital Partners (Via TX, Arrived at 3:33 pm, Departed at 4:13 pm)
Rachel Tammaro, Constitution Capital Partners (Via TX, Arrived at 3:33 pm, Departed at 4:13 pm)

ECONOMIC AND MARKET UPDATE DATA AS OF OCTOBER 31, 2024

Mr. Jaung provided an economic update noting markets turned cautious ahead of the presidential election with major equity and bond markets declining for the month of October. Looking ahead, key factors influencing the global economic outlook include the paths of inflation, labor markets, and monetary policy, China's slowing economy and the impacts of policy stimulus, increased geopolitical tensions, and questions about new policies from the incoming US administration.

EXECUTIVE SUMMARY

The market value of the ERS was \$653 million at the end of October 2024. The performance for October, FYTD, and YTD were -1.5%, 3.0% and 9.0% respectively.

Over the past 3, 5, 7, and 10 years, the ERS has returned 4.9%, 9.3%, 8.2% and 7.7%. These returns have outperformed the 60% Equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

As of September 30th, the System has ranked in the top decile in the 3 and 5 trailing years and the top quintile in the 7 and 10 trailing years amongst its peer group.

The market value of the VEBA was \$286 million at the end of October 2024. The performance for October, FYTD, and YTD were -1.5%, 3.3%, and 9.5%.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 4.0%, 8.2%, 7.6% and 7.2%. These returns have outperformed the 60%/40% benchmarks as well as the primary

benchmark in most periods.

As of September 30th, the VEBA has ranked in the top decile in the 3, 5, 7, and 10 trailing years amongst its peer group.

RETIREMENT SYSTEM

Act 314 Compliance Review: All investments are currently in compliance.

October 31, 2024, Performance Update: As of October 31, 2024, the balance of the Funds was \$652,933,755 for ERS. Fiscal Year to Date performance was 3.0% for ERS net of fees.

VEBA

Act 314 Compliance Review: All investments are currently in compliance.

October 31, 2024, Performance Update: As of October 31, 2024, the balance of the Funds was \$286,336,602 for VEBA. Fiscal Year to Date performance was 3.3% for VEBA net of fees.

CURRENT ISSUES

Constitution Capital Partners Presentation: Mr. Cahill attended the meeting along with two other team members to provide an update on the Partnership, Co-Investment and Direct Investment funds that the System has in the portfolio. The team described the evolution of Constitution Capital Partners over its last 16 years of existence. Fund VII was also discussed and Meketa stated that the annual pacing study will help determine if that is an attractive option to consider in 2025.

Blackrock Renewables Power Fund III Write-Down: Mr. Beaudoin discussed a notice Meketa received on November 18, 2024, about two write-downs in the Blackrock Renewable Power Fund III. The return impact to the portfolio will be a bit more than 2% (this impact will be reflected in the 3Q24 valuation). Mr. Beaudoin explained how write-offs occur through reassessing the company(s) under review and determining they are worth less than previously appraised (in this instance Blackrock opted to write the value of these positions down to zero). Mr. Beaudoin also highlighted a call he participated in (hosted by Blackrock) detailing the events that impacted these companies. In short, Blackrock made assumptions concerning the uptake of the primary technologies of these companies. Higher interest rates impacted the viability of the firms as consumer demand waned. These two factors were too great for the companies to overcome and continue as going concerns. While they were written down to zero, Blackrock will continue to hold the positions in hopes that a competitor may come in to purchase the technologies of the failed firms and investors may receive some compensation. Blackrock is also stress testing the remaining portfolio companies to ensure they can survive this challenging period. Blackrock hopes to complete their internal review early in 2025. Mr. Jaung expressed that companies like Blackrock should still be invested in due to current green energy market activity. If the Board would like to have Blackrock attend a meeting soon to discuss further, Mr. Beaudoin said they would be happy to do so.

Cash Needs: Ms. Orcutt stated that the current cash position was around \$8 million and requested that Meketa advise at the January IPC meeting where to source cash from.

FUTURE MEETING

The next meeting was scheduled for Tuesday, January 7, 2025, at 3:00 p.m.

ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Flack to adjourn the meeting at 5:02 p.m.
Meeting adjourned at 5:02 p.m.

G-5 Administrative Policy Committee Minutes – December 17, 2024

Following are the Administrative Policy Committee minutes from the meeting convened at 3:05 p.m. on December 17, 2024:

Committee Members Present:	Buselmeier (Via TX, Arrived at 3:21 pm), Grimes, Lynch (Via TX, Arrived at 3:29 pm), Monroe, Schreier
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Gustafson, Lieder (Via TX), Orcutt (Via TX)
Others Present:	Lendall Goff, Voya Financial (Via TX, Departed at 3:21 pm) Paul Nacario, Innovest (Via TX, Arrived at 3:10 pm, Departed at 3:21 pm) Troy Jensen, Innovest (Via TX, Departed at 3:21 pm)

FORCE OUT PROJECT ISSUE

Ms. Orcutt discussed the 457 force out project update. Upon receipt of the final report of accounts to be forced out on 11/25/2024, Ms Orcutt discovered the report was for the wrong plan and not the 457 participants. Staff had erroneously named the 401 Dual Plan file with the 457 name and account number. ED Immediately reviewed all distributions that were made from September 16 – the date of the mailer, to present. 10 People in the 401 had rolled over their 401 funds. All withdrawals were below the force out threshold. Voya conducted an audit of the list as well and determined that 69 people should not have received the mailer, 10 had taken a distribution from the 401 and that 7 also had a low balance in the 457. On 11/2/2024 Staff met with Voya, Aaron Castle and Innovest to determine the next steps and what action to take for each group. Below are the results:

10 who took a 401 distribution or rollover - Given that the force out exercise was going to be conducted for the 401 in 2025 as well, it was determined that the best course of action was to retroactively amend the plan document instead of attempting to allow the 10 who had taken a distribution the option to re enter the plan only to force them out again within the year. Legal agreed.

69 people that received the letter in error were sent a letter of apology and to disregard notice.

7 people that had a low balance in the 457 as well and force out should proceed.

Staff will begin the process again for the 457 and mail a notice by calendar year end. ED will coordinate with legal to update the Ordinance. The deadline for Secure 2.0 changes is in 2029.

DC PLANS STATUS UPDATE

Voya Meeting Minutes: Meeting notes were presented from the meeting that occurred on 11/18/2024.

Catch Up and Beneficiary Communications: Two proposed communications were presented one regarding catch-up contributions and one reminding participants to have a beneficiary on file. Voya did not include any language about the new age 60 catch up since the payroll department is not yet ready to implement.

Memos to City: Ms. Orcutt sent two memos to the City regarding the additional optional provisions that they will need to approve. These provisions were in regards to disaster relief and domestic violence victims.

OVERPAYMENT UPDATE

The System has not heard back nor received any payment towards the approximately \$20,000 that was communicated to the office it would be paid by December 1. Legal was contacted on next steps and they advised the office to try one more time to reach out to the family of the deceased. Mr. Gustafson has reached out with no response to date. The committee discussed that maybe the next letter should be from legal. Ms. Orcutt advised that we should get legal's advice during the next board meeting.

FRAUD UPDATE

Ms. Orcutt discussed the fraud update with Northern Trust and Craig Hupy. Legal emailed Northern Trust and received a response back from their legal team basically stating Northern Trust is not responsible. No correspondence was received from Mr. Hupy in response to a letter that was sent by the System early November 2024.

PERSONNEL MATTERS

Ms. Orcutt provided an update on Maria Buffone and the timing of her possible return. When Mr. Lieder is off in April 2025 for paternity leave Ms. Orcutt discussed with HR about receiving a temporary employee to be available March 2025 for Mr. Lieder to train them.

NEXT APC DATE

Ms. Orcutt and the Committee agreed to not hold an Administrative Policy Committee meeting in January.

ADJOURNMENT

It was ***moved*** by Grimes and ***seconded*** by Schreier to adjourn the meeting at 3:44 p.m.
Meeting adjourned at 3:44 p.m.

G-7 Legal Report – None

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 January Planning Calendar

H-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	DTE Electric	\$112.20	Electric 10/11/2024 to 11/8/2024
2	DTE Gas	\$44.69	Gas 10/11/2024 to 11/8/2024
3	City of Ann Arbor Treasurer	\$82.00	Police False Alarm - 9/1/2024
4	Milliman	\$3,536.01	MARC Licensure/MFA 180 - 10/2024
5	Meketa	\$10,000.00	Investment Consulting Fee 11/2024
6	Applied Innovations	\$32.76	Printing Services 11/2024
7	DTE Electric	\$135.02	Electric 11/9/2024 to 12/11/2024
8	DTE Gas	\$121.04	Gas 11/9/2024 to 12/11/2024
9	American Express	\$345.77	Parking, SJ Cleaning, USPS, and Culligan
10	VMT	\$17,016.30	2Q&3Q 2024 Legal Services 4/1/2024 thru 9/30/2024
11	Wendy Orcutt	\$866.18	AA Trip Dec 2-5 2024
	Total	\$32,291.97	

H-4 Retirement Report – None

H-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was **moved** by Flack and **seconded** by Foster to adjourn the meeting at 9:34 a.m.
Meeting adjourned at 9:34 a.m.

Wendy Orcutt

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