

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
November 21, 2024**

B

The meeting was called to order by Board Chairperson, David Monroe, at 8:37 a.m.

ROLL CALL

Members Present: Buselmeier, DiGiovanni, Flack, Foster, Grimes, Lynch, Monroe, Nerdrum
(Via TX), Schreier (Via TX)
Members Absent: None
Staff Present: Gustafson, Lieder, Orcutt (Via TX)
Others: Michael VanOverbeke, Legal Counsel (Arrived at 8:45 am)
Troy Jensen, Innovest Inc. (Arrived at 8:53 am, Departed at 10:07 am)
Paul Nacario, Innovest Inc. (Arrived at 8:53 am, Departed at 10:07 am)
Kyli Soto, Innovest Inc. (Arrived at 8:54 am, Departed at 10:07 am)
Lendall Goff, Voya Financial (Arrived at 8:51 am, Departed at 10:07 am)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 October 17, 2024 Regular Board Meeting

It was **moved** by Flack and **seconded** by Foster to approve the October 17, 2024 Regular Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA - None

D. ACTION ITEMS

D-1 Annual Disability Re-Examination

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 EXAMINATION	EXECUTIVE DIRECTOR'S RECOMMENDATION FOR RE-EXAMINATION
Brent Kostanko	12/12/2022	11/29/2023	Yes
Roman Morrow	10/19/2023	9/18/2023	Yes

It was **moved** by Flack and **seconded** by Grimes to direct the disability re-examinations of Brent Kostanko and Roman Morrow consistent with the Board's Disability Retirement Procedures.

Approved

D-2 Summary Annual Report for Fiscal Year End 6/30/2024

Ms. Orcutt presented the Summary Annual Report for the fiscal year ended June 30, 2024. The Board reviewed and approved as submitted.

It was **moved** by Flack and **seconded** by Nerdrum to approve the Summary Annual Report for Fiscal Year End 6/30/2024.

Approved

D-3 Meal Per Diem Rates - Travel

Ms. Orcutt discussed the meal per diem rates for travel proposing to adopt the annual General Services Administration (GSA) rates which are broken down by metropolitan area. It was also noted that staff needs to overhaul the System's travel policy and forms and to possibly adopt the City's policy at a future meeting.

It was **moved** by Grimes and **seconded** by Flack to recommend adopting the applicable GSA rates for the System.

Approved

D-4 2025 Board Meeting Schedule

January 16, 2025	July 17, 2025
February 20, 2025	August 21, 2025
March 20, 2025	September 18, 2025
April 10, 2025	October 16, 2025
May 15, 2025	November 20, 2025
June 19, 2025	December 18, 2025

It was **moved** by Flack and **seconded** by DiGiovanni to approve the 2025 Board Meeting Schedule.

Approved

E. DISCUSSION ITEMS

E-1 DC Plan 9/30/2024 Quarterly Review

Ms. Soto, Mr. Nacario and Mr. Jensen from Innovest, were present to provide the quarterly review for 9/30/2024.

E-2 DC Plan 9/30/2024 Quarterly Review

Mr. Goff from Voya was present to provide the quarterly review for 9/30/2024. The Board discussed the possible adoption of additional Secure 2.0 Optional Provisions. Voya noted 5 of the provisions clients have been considering.

Optional Provision #1: Self-certification of hardship withdrawals.

Optional Provision #2: Qualified disaster distributions and loans.

Optional Provision #3: Domestic abuse withdrawals.

Optional Provision #4: Personal emergency withdrawals.

Optional Provision #5: Student loan matching contributions.

The Board, including Mr. Goff and Mr. VanOverbeke, agreed that optional provisions #1, 4, and 5 are not necessary to adopt, but optional provisions #2 and 3 are appropriate. Mr. VanOverbeke expressed the Board will need to send memos to the City to adopt these optional provisions.

It was **moved** by Nerdrum and **seconded** by Foster to recommend sending to the City memos recommending to adopt Secure 2.0 Provisions for Qualified Disaster Distributions and Domestic Abuse Withdrawals.

Approved

E-3 Northern Trust Fraud Update

Ms. Orcutt and Mr. VanOverbeke provided updates to the Craig Hupy Northern Trust fraud incident. Ms. Orcutt stated that Mr. Hupy has yet to respond to the email and letter that were sent requesting information from him. Mr. VanOverbeke read the email that was sent by him to Northern Trust on November 19, 2024 requesting more information and steps Northern Trust is currently taking to reimburse either Mr. Hupy or the System. Ms. Orcutt also noted that she and Mr. Monroe spoke with the Ann Arbor police and will be filing a report on behalf of the System.

On November 7, there was another incident where a fraudulent EFT change was attempted. Thankfully this attempt was stopped by Northern Trust as the System has directed them to not allow any changes to Green Dot. Ms. Orcutt did note that possible changes to Green Dot could still be made in the portal. Mr. VanOverbeke requested that staff inquire about the vulnerability of an attempt through the portal.

E-4 2025 Proposed Board Retreat Dates

The Board discussed scheduling of the Board Retreat and decided to plan for April 10, 2025.

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

Approved

E-5 Michigan Pension Tax

Mr. Monroe discussed a Michigan Tax issue he ran into back in March being denied an exemption related to the new pension tax rules. He asked the System to provide documentation and the Board discussed possibly providing a letter similar to this for all retirees at their final session.

F. REPORTS

F-1 Executive Report – November 21, 2024

ANGELO GORDON CAPITAL CALLS AND DISTRIBUTION

Angelo Gordon Direct Lending Fund IV Annex, L.P. issued a distribution in the amount of **\$ 742,079** for the Retirement System and **\$ 309,199** for VEBA consisting of return of capital on 10/24/24.

GRAIN COMMUNICATIONS CAPITAL CALLS AND DISTRIBUTIONS

Grain Communications Opportunity Fund IV issued a distribution (capital call refund) in the amount of **\$ 85,227** for the Retirement System and **\$ 51.136** for the VEBA on 11/20/24.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$168,000** for the Retirement Plan and **\$42,000** for VEBA on 11/25/24 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 82.5% of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Direct Investment Fund V, L.P. issued a distribution in the amount of **\$ 101,062** for the Retirement System and **\$ 33,687** for VEBA consisting of distribution of proceeds netted against calls for investments and management fees on 11/12/2024.

MESIROW CAPITAL CALL

Mesirow Financial Private Equity Fund VIII-A, L.P. requested a capital call in the amount of **\$350,000** for the Retirement Plan and **\$105,000** for the VEBA on 11/21/24. With these installments, **CAAERS** will have funded 63% of our total commitments of \$10,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

TRUSTEE ELECTION UPDATE

The candidates for the Police Representative are Dave Monroe, Jordan Dotton and Grant Toth. The candidates for the General Employee Representative are Jen Grimes

and Rich Czech. The elections will be held on Wednesday, December 11th and Thursday, December 12th.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with payroll, HR and IT on 10/23/24 to discuss what changes would be needed to the payroll system to accommodate the Age 60-63 Catch up for the 457 Plan.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 26 estimates, 4 final calcs, 2 deceased calcs, 2 non-vested calcs, 2 deferred calc and conducted 6 pre-sessions.

ED will be in office December 3-5.

The office will be closed November 28th and 29th in honor of Thanksgiving. GO LIONS!

F-2 Executive Report – Voya Update

Voya Update – November 21, 2024

457 PLAN - Balance at 11/14/24 - \$ 117,057,505

Admin Allowance \$ 24

401A PLAN – Balance at 11/14/24 - \$ 8,875,505

Forfeiture Balance \$ 92,045

401A Executive PLAN – Balance at 11/14/24 - \$ 770,790

Forfeiture Balance \$ 4,708

Current Items/Education:

During the October 22nd and 23rd meetings Mike had 10 in person meetings, 1 zoom meeting and 6 phone calls with employees/retirees. Mike will be onsite again for meetings November 12th and 13th.

Please see APC minutes for all of the latest updates to the plans.

Future Items/Education:

Virtual November Lunch and Learn by Voya.

Review Secure 2.0 Act for Applicable Optional Provisions.

Implementation of the Age 60 Catch Up and In-Service Distributions.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended October 31, 2024

Ms. Orcutt submitted the Financial Report for the month ended October 31, 2024 to the Board of Trustees:

10/31/2024 Asset Value (Preliminary)	\$657,442,795
9/30/2024 Asset Value (Audited by Northern)	\$669,244,431
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$57,608,724
Percent Gain <Loss>	9.3%
November 21, 2024 Asset Value	\$659,524,905

F-4 Investment Policy Committee Minutes – None

F-5 Administrative Policy Committee Minutes – November 12, 2024

Following are the Administrative Policy Committee minutes from the meeting convened at 3:04 p.m. on November 12, 2024:

Committee Members Present: Buselmeier, Grimes (Via TX), Monroe, Schreier
Members Absent: Lynch
Other Trustees Present: None
Staff Present: Gustafson, Lieder, Orcutt (Via TX)
Others Present: None

DC PLANS STATUS UPDATE

Force Out Project Update: The notices were mailed mid-September giving participants 60 days to either take action or those funds will be forced out. Voya will run a report within the next week showing those remaining who took no action. Staff will review to ensure none of the names on the report were rehired.

Age 60 Catch Up Provision: The City is working on the payroll coding to accommodate the new provision. It's the System's understanding that once the participant turns 64 it will automatically be shut off, and they will be restricted down to the age 50 catch up and not the higher limit.

In-Service Distributions: Implementation is currently targeted for 12/1/2024. Ms. Orcutt has granted Voya the authority to implement this, but currently we are waiting on an amendment from Voya.

Unregistered Users: Voya sent a mailer in October to 273 participants who have not registered on the website. The Committee discussed the numbers and Ms Orcutt stated that Voya will provide an update on the count and the effect of the mailer.

457 Deferral Limits – 2025: IRS Deferral Limits have been updated for 2025.

RMD – Deferred Members: For the deferred members, if they reach age 73 they will have to start drawing their pension benefits. We have 1 participant who will turn 73 next year. Deferred members continue to earn interest on their contributions so some choose to leave their funds in the system past age 60 since the balance would be greater than electing a monthly benefit.

SUMMARY ANNUAL REPORTS – ERS AND VEBA

The Committee reviewed and revised the drafted annual reports. The drafts will be presented at the Board meeting for approval. Mr. Schreier reminded Staff that it is helpful to see a red-lined version of any documents to see what has been changed.

It was **moved** by Schreier and **seconded** by Buselmeier to submit the RS and VEBA Summary Annual Reports as revised to the Board for approval.

Approved

MEAL PER DIEM RATES – TRAVEL AND CONFERENCES

The Committee discussed the per diem rates. Ms. Grimes referenced the IRS rules, and Ms. Buselmeier stated that the City utilizes the GSA rates and recommended utilizing the City's per diem rates and travel policy.

FRAUD UPDATE

Ms. Orcutt discussed the updates regarding the fraud incident with Mr. Hupy. Legal advised Ms. Orcutt to reach out to Northern Trust to see if they have started their own investigation into the fraud incident, but no definitive answer has been attained. A letter was emailed and also sent certified mail to Mr. Hupy asking for more information.

OVERPAYMENT UPDATE

Ms. Orcutt provided an update that staff received a response from the family regarding the overpayment of over \$18,000. The amount is expected to be paid in full by 12/1/2024 by the deceased person's family. Staff will update the Board if/when payment is received.

PERSONNEL MATTERS (CLOSED)

It was **moved** by Schreier and **seconded** by Monroe 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 Grimes – Yes Lynch – Absent
Monroe – Yes Schreier – Yes

Executive session time: 4:04 p.m. – 4:18 p.m.

DECEMBER APC DATE

Ms. Orcutt and the Committee agreed to hold the next Administrative Policy Committee meeting on December 17, 2024, at 3:00 p.m. at the Pension office.

ADJOURNMENT

It was **moved** by Schreier and **seconded** by Grimes to adjourn the meeting at 4:20 p.m.
Meeting adjourned at 4:20 p.m.

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

F-7 **Legal Report** – None

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

G-1 **Communications** **Memorandum**

G-2 December 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	DTE Electric	\$140.47	Electric 9/12/2024 to 10/10/2024
2	DTE Gas	\$17.28	Gas 9/12/2024 to 10/10/2024
3	Mark Foster	\$859.15	2024 Fall MAPERS Reimbursement
4	Staples	\$225.21	Cleaning Supplies
5	Milliman	\$3,531.39	MARC Licensure/MFA 180 - 9/2024
6	Rhumblin HEDI	\$20,717.00	Investment Manager Fee 7/1/2024 to 9/30/2024
7	Loomis Sayles	\$44,082.87	Investment Manager Fee 7/1/2024-9/30/2024
8	Wendy Orcutt	\$785.60	October 2024 Travel Request
9	Wendy Orcutt	\$126.61	Carlyle Grill Lunch 10/16/2024
10	Rehmann	\$2,950.00	RS Audit 6/30/2024 Payment 2
11	Meketa	\$10,000.00	Investment Consulting Fee 10/2024
12	Applied Innovations	\$22.89	Printing Services 10/2024
13	American Express	\$495.23	Kroger, Panera, SJ Cleaning, & Culligan
	Total	\$83,953.70	

G-4 Retirement Report

Retirement paperwork has been submitted by the following employee(s):						
Name	Retirement Type	Effective Retirement Date	Group	Union	Years of Service	Dept./Service Area
Bonnie Theil	Age & Service	1/19/2025	Police	COAM	24 Years, 3 Months	Safety Services
Kevin McDonald	Age & Service	11/13/2024	N/A	NON UNION	20 Years, 11.5 Months	City Attorney Office

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Flack and **seconded** by Foster to adjourn the meeting at 10:45 a.m.
Meeting adjourned at 10:45 a.m.

Wendy Orcutt

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