

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
October 17, 2024**

**B**

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

**ROLL CALL**

Members Present: Buselmeier (*Via TX, Departed at 10:54 am*), DiGiovanni, Flack, Foster, Grimes, Lynch, Monroe, Nerdrum, Schreier  
Members Absent: None  
Staff Present: Buffone, Gustafson, Lieder, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Rich Koch, GRS Consulting (*Departed at 9:37 am*)  
Francois Pieterse, GRS Consulting (*Departed at 9:37 am*)  
Daniel Clark, Rehmann (*Departed at 10:04 am*)  
Fred Nimke, Ex-Officio Trustee  
Lea Strickfaden, Ex-Officio Trustee

**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 September 19, 2024 Regular Board Meeting**

It was **moved** by Flack and **seconded** by Foster to approve the September 19, 2024 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	Plan	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
James Bauer	15th District Court	DUAL	23 Years, 0.5 Months	Genesee County and Flint Community Schools
Maria Syperek	Public Services	DUAL	6 Years, 4 Months	University of Michigan

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 Flack and **seconded** by Foster to approve the consent agenda as presented.

**Approved**

**D. ACTION ITEMS**

**D-1 Letter to the Mayor Recommending Citizen Trustee Appointment**

Ms. Orcutt presented a drafted letter for Mayor Christopher Taylor recommending and supporting the reappointment of Citizen Trustee Alexa Nerdrum for another term starting January 1, 2025 and ending December 31, 2027.

It was **moved** by Flack and **seconded** by Grimes to approve the letter of recommendation to reappoint Alexa Nerdrum as Citizen Trustee for the term January 1, 2025 – December 31, 2027, and the letter be forwarded to the Mayor’s Office for consideration.

**Approved**

**D-2 PRESENTATION: FYE June 30, 2024 Actuarial Valuation**

Mr. Pieterse and Mr. Koch were present from GRS to review the drafted Actuarial Valuation for fiscal year ending June 30, 2024. The funded ratio is 90.49% as of this valuation date. The aggregate experience during 2024 was more favorable than assumed due to a gain from higher than assumed recognized investment return, partially offset by retirees living longer than anticipated and minimum benefits increasing by more than anticipated.

**Looking ahead**

Contribution rates should trend toward the long-term cost (normal cost) of the benefits over time.

- Rate will decrease more quickly toward new hire accrual rate for General, less so for Police or Fire.
- Experience gains/losses will always serve to deviate contributions from pure normal cost.

Asset smoothing helps reduce the volatility of the employer contributions.

- Funding value of assets = 96.1% of market value.
- Remaining phase-in of past market gains/losses from previous valuations.

It was **moved** by Nerdrum and **seconded** by Flack to approve to the June 30, 2024 Actuarial Valuations as presented.

**Approved**

## **BOARD RECESS**

The Board was called to recess at 9:18 a.m. for the purpose of holding the VEBA Board meeting to continue the Valuation updates for VEBA.

**Meeting recessed at 9:18 a.m.**

*The meeting was reconvened at 9:54 a.m.*

### **D-3 PRESENTATION: FYE June 30, 2024 Audited Financial Statements**

Mr. Clark was present from Rehmann to present the FYE June 30, 2024 Financial Statements.

It was **moved** by Flack and **seconded** by Nerdrum to accept the Retirement System & VEBA Financial Statements for June 30, 2024.

**Approved**

### **D-4 QTR End 9/30/2024 401/457 Reimbursement Requests**

The Board reviewed the Quarter End 9/30/2024 401/457 reimbursement requests and agreed to approve.

It was **moved** by Nerdrum and **seconded** by Flack to approve to the Quarter End 9/30/24 401/457 reimbursement requests as submitted.

**Approved**

## **E. DISCUSSION ITEMS**

### **E-1 Election Dates Notification**

Ms. Orcutt notified the Board that the election notices went out on 10/3/2024 to A2 News, Ultipro, A2 Central, and the City Clerk's office. To date, two general employees and one police employee have submitted their declarations. Election dates are December 11 and 12, 2024.

## **E-2 Conference Debriefs – MAPERS and NAGDCA**

Attendees, including Ms. Orcutt discussed their respective conferences attended and their thoughts and feelings. Ms. Grimes and Mr. Foster stated this was their first MAPERS conference attending as Trustees.

## **E-3 Northern Trust Fraud Incident**

Ms. Orcutt presented a timeline of events detailing a recent fraud incident that was discovered by a Retiree. The Board discussed at length how the fraud occurred including who could potentially be at fault and what the next steps will be. The Board concluded Mr. VanOverbeke will draft letters to both the Retiree and Northern Trust. Staff will provide any documentation of the bank's fraud policy as well as the most recent contracts.

To provide another layer of security, going forward staff is going to contact each retiree by phone that makes a direct deposit change to verify the validity. Also Ms. Orcutt is directing Northern Trust that no changes will be made directing any pension payments to Green Dot Bank without specific approval from the Retirement System.

## **F. REPORTS**

### **F-1 Executive Report – October 17, 2024**

#### **BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS**

BlackRock Global Renewable Power Infrastructure Fund IV requested a capital call in the amount of **\$556,614** for the Retirement System and **\$333,968** for the VEBA on 10/14/24.

#### **ARBORETUM CAPITAL CALLS**

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$246,000** for the Retirement Plan and **\$82,000** for VEBA on 10/10/24 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 27.8% 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 **\$260,000** for the Retirement Plan and **\$65,000** for VEBA on 10/2/24 to fund investments. With these installments, **CAAERS** will have funded 14.5% of our total commitments of \$4,000,000 for the Retirement Plan and \$1,000,000 for the VEBA.

#### **CARLYLE DISTRIBUTION**

Carlyle Realty Fund VIII issued a distribution in the amount of **\$323,695** for the Retirement System and **\$80,924** for the VEBA on 9/27/24. The distribution was netted against a capital call.

#### **TORCHLIGHT DISTRIBUTION**

Torchlight Investors issued a distribution from the Debt Fund VII in the amount of **\$450,000** for the Retirement Plan and **\$200,000** for the VEBA on 9/30/24. These funds are unused capital and subject to recall.

### **CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS**

Ironsides Direct Investment Fund V, L.P. issued a distribution in the amount of **\$398,230** for the Retirement System and **\$ 132,743** for VEBA consisting of distribution of proceeds netted against calls for investments and management fees on 10/8/2024.

### **TRUSTEE ELECTION UPDATE**

The term of Citizen Trustee Alexa Nerdrum expires December 31, 2024 and the letter to Council for her reappointment is in the Board packet for approval. Notifications regarding the Police and General Employee seats were posted on the City payroll System, listed in A2 News and Notes and posted on the System's website. The deadline for declaration of candidacy is November 8<sup>th</sup> and elections will be held on Wednesday, December 11<sup>th</sup> and Thursday, December 12<sup>th</sup>.

### **STAFF OPERATIONS/UPDATE**

The Pension Analyst processed 22 estimates, 2 final calcs, 2 deceased calcs, 4 non-vested calcs, 1 deferred calc, 1 payouts and conducted 6 pre-sessions.

Executive Director will be in office October 15-17.

Maria Buffone will be out of the office from November 11<sup>th</sup> – December 9<sup>th</sup>.

#### **F-2 Executive Report – Voya Update**

#### **Voya Update – October 17, 2024**

#### **457 PLAN - Balance at 10/10/24 - \$ 114,245,000**

Admin Allowance \$ 13,500

#### **401A PLAN – Balance at 10/10/24 - \$ 8,623,000**

Forfeiture Balance \$ 75,522

#### **401A Executive PLAN – Balance at 10/10/24 - \$ 739,257**

Forfeiture Balance \$ 4,697

#### **Current Items/Education:**

During the month of September Mike had 9 in person meetings and 7 phone calls with employees/retires. Mike will be onsite again for meetings October 22<sup>nd</sup> and 23<sup>rd</sup>.

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

#### **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 September 30, 2024**

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

9/30/2024 Asset Value (Preliminary)	\$669,637,804
8/31/2024 Asset Value (Audited by Northern)	\$665,900,512
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$65,786,946
Percent Gain <Loss>	10.7%
<b>October 16, 2024 Asset Value</b>	<b>\$665,919,648</b>

### **F-4 Investment Policy Committee Minutes – October 9, 2024**

Following are the Investment Policy Committee minutes from the meeting convened at 3:08 p.m. on October 9, 2024:

*Member(s) Present: Buselmeier, DiGiovanni, Foster, Monroe (Via TX)*  
*Member(s) Absent: Flack*  
*Staff Present: Buffone (Via TX), Gustafson (Arrived at 4:04 p.m.), Lieder, Orcutt (Via TX)*  
*Others Present: Henry Jaung, Meketa Investment Group (Via TX)*  
*Keith Beaudoin, Meketa Investment Group (Via TX)*  
*John Harris, Meketa Investment Group (Via TX)*  
*Tom Shehab, Arboretum Ventures (Arrived at 3:30 p.m., Left at 4:26 p.m.)*  
*Dan Kidle, Arboretum Ventures (Arrived at 3:30 p.m., Left at 4:26 p.m.)*

### **ECONOMIC AND MARKET UPDATE DATA AS OF AUGUST 31, 2024**

Mr. Jaung provided an economic update noting most asset classes posted gains in August after a very volatile start to the month. Looking ahead, the paths of inflation, labor markets, and monetary policy, China's economic disorder and slowing economic growth, the yen-carry trade, and the looming US election will be key factors.

#### **EXECUTIVE SUMMARY**

The market value of the ERS was \$665 million at the end of August 2024. The performance for August, FYTD, YTD and trailing 1-Year was 1.7%, 3.5%, 9.6% and 14.1%.

Over the past 3, 5, 7, and 10 years, the ERS has returned 5.5%, 9.9%, 8.6% and 7.7%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

The market value of the VEBA was \$288<sub>6</sub> million at the end of August 2024. The

performance for August, FYTD, YTD, and trailing 1-Year was 1.8%, 3.7%, 10.0% and 14.9%.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 4.4%, 8.8%, 8.0% and 7.1%. These returns have outperformed the 60% equity/40% benchmarks as well as the primary benchmark in most periods.

### **RETIREMENT SYSTEM**

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

August 31, 2024, Performance Update: As of August 31, 2024, the balance of the Funds was \$665,624,762 for ERS. Fiscal Year to Date performance was 3.5% for ERS net of fees.

### **VEBA**

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

August 31, 2024, Performance Update: As of August 31, 2024, the balance of the Funds was \$288,903,565 for VEBA. Fiscal Year to Date performance was 3.7% for VEBA net of fees.

### **CURRENT ISSUES**

Arboretum Ventures Presentation: Mr. Kidle and Mr. Shehab presented Arboretum Ventures' investment strategies with the Committee. The Arboretum Venture team was identified along with their recent highlights discussed. By observing the current market Mr. Kidle and Mr. Shehab discussed specific investments the System is invested in from funds V and VI.

### **FUTURE MEETING**

The next meeting was scheduled for Tuesday, December 3, 2024, at 3:00 p.m.

### **ADJOURNMENT**

It was ***moved*** by DiGiovanni and ***seconded*** by Foster to adjourn the meeting at 4:55 p.m.  
**Meeting adjourned at 4:55 p.m.**

### **F-5 Administrative Policy Committee Minutes – October 8, 2024**

Following are the Administrative Policy Committee minutes from the meeting convened at 3:06 p.m. on October 8, 2024:

Committee Members Present:	Grimes, Lynch (Via TX, Arrived at 3:10 p.m.), Monroe, Schreier
Members Absent:	Buselmeier
Other Trustees Present:	None
Staff Present:	Buffone, Gustafson (Via TX), Lieder, Orcutt (Via TX)
Others Present:	None

### **DC PLANS STATUS UPDATE**

457 Force Out Project: There has been only one phone call received to date in response to the mailer that was sent in mid-September. Once the 60-day period has passed Voya

will run a final report for staff review before proceeding with the force out on any remaining participant accounts.

457 Fee Implementation: The administrative fees hit participant accounts as scheduled in late September and funds appeared in the EASE account a few days later. The quarterly amount was approximately \$13,000 and those funds are now available to pay System expenses. Quarterly statements will be issued soon and Staff will advise the Committee if any inquiries are made regarding the new fees at the November meeting.

457 Excess Contribution: There was one participant on the over the contribution limit report that had an overage of \$4,500 that resulted from an error with the person's final payout processed by payroll. Due to this overage, Voya will be returning those funds and issuing a 1099 for the overage and any gains. Ms. Grimes inquired as to whether this report runs automatically and how often. Ms. Orcutt will research and follow up with an answer.

Increased Age 60 Catch Up Provision and In-Service Distributions: Memos were submitted to the City Administrator regarding both provisions which will require plan amendments. Mr. Dohoney, City Administrator, agreed with the changes and Voya is working on the amendment for the distribution piece and is targeting a November 1 effective date. Mr. Schreier brought up a concern regarding participants being notified of this change. Ms. Orcutt will consult with Voya/Innovest on how best to communicate this change.

Plan Manager: Ms. Orcutt discussed ongoing service issues with the plan manager on the Voya account. These had been communicated to Len Goff and Innovest over the past few months with no improvement. Len has removed her from the account and requested a replacement.

### **BENEFIT OVERPAYMENT/NORTHERN TRUST DEATH REPORTING**

Ms. Orcutt discussed a benefit overpayment issue regarding a non-reported death of a retiree/beneficiary. Currently Northern Trust provides reports twice a year in January and July but this death was not discovered until the July 2024 reporting came out. Mr. Gustafson was able to reach out to a family member to confirm the person had indeed passed away back in July 2023. The total overpayment was \$18,420.39 and a certified letter was sent to the estate outlining repayment options.

As a result of this latest issue, Staff met with Northern to discuss the possibility of more frequent reporting. The cost to receive a quarterly report is approximately \$180.00. Ms. Orcutt made the decision to conduct these reports quarterly going forward since the cost is minimal. APC discussed how the January report should have caught this anomaly earlier and staff relayed that she was on the January report but was missed in the audit of the records.

### **TRUSTEE ELECTION UPDATE**

Ms. Orcutt and Mr. Lieder discussed election notices that were sent on October 3, 2024 to A2 News, Ultipro, and A2 Central. Candidacy declarations were sent to the City Clerks office for candidates to fill out with a due date of November 8<sup>th</sup>.



## **STAFF REPORT – RELOCATION UPDATE**

Ms. Orcutt discussed feedback from staff from the first 30 days. Generally speaking there were no issues and Ms. Buffone suggested better communication among all staff will continue to help the transition.

### **NOVEMBER APC DATE**

Ms. Orcutt and the Committee agreed to hold the next Administrative Policy Committee meeting on November 12, 2024, at 3:00 p.m. at the Pension office.

### **ADJOURNMENT**

It was ***moved*** by Grimes and ***seconded*** by Schreier to adjourn the meeting at 3:49 p.m.  
**Meeting adjourned at 3:49 p.m.**

### **F-6 Audit Committee Minutes – October 8, 2024**

Following are the Audit Committee minutes from the meeting convened at 4:02 p.m. on October 8, 2024:

Committee Members Present: Buselmeier (Via TX), Monroe, Nerdrum  
Members Absent: None  
Other Trustees Present: None  
Staff Present: Buffone, Lieder, Orcutt (Via TX)  
Others Present: Rich Koch, GRS Consulting (Via TX, departed 4:34 p.m.)  
Francois Pieterse, GRS Consulting (Via TX, departed 4:34 p.m.)  
Dan Merritt, Rehmann (Via TX)  
Daniel Clark, Rehmann (Via TX)

### **REVIEW ERS & VEBA VALUATION DRAFTS FOR FYE JUNE 30, 2024**

Mr. Koch presented the ERS and VEBA Valuation Drafts for FYE June 30, 2024. The summary of key actuarial valuation results was discussed for both. Mr. Monroe questioned the average annual benefits payments for Retirees and Beneficiaries being \$38,000 and stated that seemed low. Ms. Orcutt and Mr. Koch commented that figure includes all retirees and benefits vary across the board due to age and length of service. Ms. Nerdrum questioned the funding value in comparison with the market value and when the percentage trend would reset for the next fiscal year.

It was ***moved*** by Monroe and ***seconded*** by Buselmeier to accept the Retirement System & VEBA Actuarial Valuations for June 30, 2024 as discussed and recommend approval at the October 17, 2024 regular Board Meeting.

**Approved**

### **REVIEW ERS & VEBA FINANCIAL STATEMENT DRAFTS FOR FYE JUNE 30, 2024**

Mr. Clark presented the ERS and VEBA Financial Statements for FYE June 30, 2024. Stating there were no significant findings. Mr. Merritt discussed the upcoming accounting pronouncements for the next two years and complimented staff on their responsiveness throughout the audit process.

It was **moved** by Monroe and **seconded** by Buselmeier to accept the Retirement System & VEBA Financial Statements for June 30, 2024 as discussed and recommend approval at the October 17, 2024 regular Board Meeting .

**Approved**

**FUTURE MEETINGS**

The next Audit Committee meeting is TBD.

The next regular Board meeting is scheduled for Thursday, October 17, 2024, at 8:30 a.m. (WISD)

**ADJOURNMENT**

It was **moved** by Monroe and **seconded** by Buselmeier to adjourn the meeting at 4:57 p.m.

**Meeting adjourned at 4:57 p.m.**

**F-7 Legal Report – None**

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

**G-1 Communications Memorandum**

**G-2 November 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	Bergeron Backflow Services	\$225.00	Annual Backflow Inspection on 2 Devices
2	Milliman	\$3,531.72	MARC Licensure/MFA 180 - 7/2024
3	American Express	\$834.16	GFOA, Kroger x2, Panera, S&J Cleaning, USPS, Culligan
4	Robertson Morrison HVAC	\$467.00	Addressed loud noise from vents, changed filters
5	Applied Innovations	\$54.29	Printing Services 8/2024
6	DTE Electric	\$210.57	Electric 8/13/2024 to 9/11/2024
7	DTE Gas	\$14.56	Gas 8/13/2024 to 9/11/2024
8	Dollar Bill Printing	\$490.23	Printing Service for 9/17/2024
9	Milliman	\$3,533.30	MARC Licensure/MFA 180 - 8/2024
10	American Express	\$650.49	Kroger, S&J Cleaning x2
11	Applied Innovations	\$29.85	Printing Services 9/2024
12	Staples	\$44.63	2025 Calendars
13	Meketa	\$10,000.00	Investment Consulting Fee 9/2024
14	Meketa	\$10,000.00	Investment Consulting Fee 8/2024
15	Allstar Alarm	\$159.00	Fire Alarm Monitoring 11/1/2024-1/31/2025
16	David Monroe	\$1,333.35	2024 Fall MAPERS Reimbursement
17	Jen Grimes	\$949.62	2024 Fall MAPERS Reimbursement
18	Maria Buffone	\$739.96	2024 Fall MAPERS Reimbursement
20	GRS	\$7,875.00	Pension Valuation Q4 2024
21	GRS	\$2,825.00	GASB 67/68 Valuation Q4 2024
22	GRS	\$1,250.00	PA 202 Compliance Pension
	<b>Total</b>	<b>\$45,217.73</b>	

**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
David Fish	Age & Service	12/10/2024	General	AFSCME	10 Years, 0.5 Months	Public Services
James Bauer	Age & Service	10/25/2024	General	NON UNION	2 Years, 6.5 Months	15th District Court
Joseph Royal	Age & Service	12/7/2024	General	NON UNION	23 Years, 0.5 Months	15th District Court
David Fiegel	Age & Service	9/13/2024	General	AFSCME	31 Years, 0.5 Months	Public Services

**G-5 Analysis of Page Views on Retirement System Website**

**H. TRUSTEE COMMENTS / SUGGESTIONS**

**I. ADJOURNMENT**

It was **moved** by Flack and **seconded** by Nerdrum to adjourn the meeting at 11:13 a.m.  
Meeting adjourned at 11:13 a.m.

*Wendy Orcutt*

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