

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
August 15, 2024**

**B**

The meeting was called to order by Board Chairperson, David Monroe, at 8:35 a.m.

**ROLL CALL**

Members Present: DiGiovanni, Flack, Grimes (*Via TX*), Foster, Monroe, Nerdrum (*Via TX from 8:37 to 9:42 a.m.; In-Person at 9:42 a.m.*), Praschan, Schreier

Members Absent: Lynch

Staff Present: Buffone, Gustafson, Lieder, Orcutt

Others: Michael VanOverbeke-Legal Counsel  
Henry Jaung, Meketa Investment Group (*Via TX, arrived at 10:20 a.m.; departed at 10:52 a.m.*)  
Kyli Soto, Innovest (*Via TX, arrived at 9:07 a.m.; departed at 9:54 a.m.*)  
Paul Nacario, Innovest (*Via TX, arrived at 9:08 a.m.; departed at 10:16 a.m.*)  
Troy Jensen, Innovest (*Via TX, arrived at 9:07 a.m.; departed at 9:54 a.m.*)  
Lendall Goff, Voya Financial (*Via TX, arrived at 9:48 a.m.; departed at 10:16 a.m.*)  
Tim Magnotta, Voya Financial (*Via TX, arrived at 9:51 a.m.; departed at 10:16 a.m.*)

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**B. APPROVAL OF MINUTES**

**B-1 July 18, 2024 Regular Board Meeting**

It was **moved** by Flack and **seconded** by Foster to approve the July 18, 2024, Regular Board Meeting minutes.  
**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
Suzann Flowers	Public Services	DUAL	14 Years, 2 Months	Southwest Michigan Planning Commission
Nader Jamil	Safety Services	Traditional	11 Years, 5.5 Months	Wayne County, City of Inkster

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.

**C-2 Purchase of Military Service Time**

**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**, Section 1:555(C)(3) of the Retirement Ordinance, Chapter 18 of the Code of the City of Ann Arbor allows for prior Military Service Credit, and

**WHEREAS**, the Board is in receipt of an Application for Purchase of Military Service Time, 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 purchase of Military Service Time:

Name	Employee Group	Requested Military Service Time	Requested Method of Payment	Cost for Purchase of Military Service Time
Kenneth Ashenfelter	Court	1 Year	Single Lump Sum Payment from Voya 457B	\$4,233.03

**FURTHER RESOLVED**, that the applicant(s) purchasing Military Service Time be notified of the amount of money necessary to buy the Military Service Time, and upon full payment, the member(s) shall be credited the service time.

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

**Approved**

**D. EXECUTIVE SESSION – Executive Director Annual Evaluation**

It was **moved** by Schreier and **seconded** by Foster to convene an Executive Session at the request of Ms. Orcutt for the purpose of discussing the Executive Director Annual Evaluation.

**Approved**

*Roll call vote:*

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

*Executive session time: 8:37 a.m. – 9:05 a.m.*

**E. ACTION ITEMS**

**E-1 Motion Regarding Executive Director Annual Evaluation**

It was **moved** by Schreier and **seconded** by Flack to approve a 3% salary increase retroactive to 7/1/2024 for the Executive Director.

**Approved**

**E-2 City of Ann Arbor DC Plans – Investment Policy Statement**

Ms. Orcutt presented a draft of the Investment Policy Statement (IPS) for the DC Plans to the Board. APC and IPC had already reviewed and made some minor changes to the draft. After a discussion and additional edits, the Board determined to adopt the IPS draft as revised.

It was **moved** by Schreier and **seconded** by Flack to adopt the IPS draft as revised.

**E-3 Revised RFP Policy**

Ms. Orcutt presented the revised Request For Proposal/Request For Information policy. The Board discussed the revisions to the RFI/RFP policy that had been made by Aaron Castle and the APC. After additional edits, were discussed, the Board recommended to approve the RFI/RFP policy as revised.

It was **moved** by Schreier and **seconded** by Nerdrum to approve the RFI/RFP policy as revised.

**Approved**

**F. DISCUSSION ITEMS**

**F-1 Innovest – 2Q 2024 Performance Report**

The Innovest team consisting of Ms. Soto, Mr. Jensen, and Mr. Nacario presented the portfolio review for the quarter ending June 30, 2024. Innovest reviewed the balances by fund for the DC plans and noted that they also assess investment managers with a specific emphasis placed on company culture.

## **F-2 Voya – 2Q Plan Review**

Mr. Goff from Voya Financial presented the 401a, 401 Executive and 457 plans overview for the second quarter of calendar year 2024. Total plan assets, deferral rates, participant engagement, and withdrawals were discussed. Also included in the materials was a draft of a flyer educating retirees that they may “Stay in the Plan” after retirement. Ms. Orcutt stated that the draft had been discussed at APC and that revisions were needed. Once completed she will forward to Voya for review.

## **F-3 Voya – Stable Value Fund Discussion**

Mr. Goff and Mr. Magnotta presented the fixed account review. The stable value fund’s objective guarantees a minimum rate of interest and may credit interest that exceeds the guaranteed minimum rate. This daily credited interest becomes part of the principal and the investment increases through compound interest. There is a lag between the returns of this fund compared to the current interest rate environment. Mr. Nacario weighed in regarding the interest rate and what Innovest really focuses on is the 3- and 5-years metrics. Other funds may have a recent 3% interest rate for a different set of fixed accounts, but the 3- and 5-years metrics is what drives the plan numbers. The floor on this fund and current return is 2.50%. Mr. Goff stated that there is no ceiling on this fund.

## **F-4 Meketa FYE Results and Updates**

Mr. Jaung from Meketa Investment Group presented performance updates as of June 30, 2024 and highlighted many of the transactions and new manager implementations that occurred this year. Mr. Jaung feels the investments are strong and doing well. The FYE return net of fees for ERS was 10.5%

## **F-5 Executive Director Goals for 2024-2025**

Ms. Orcutt presented the Executive Director goals for FY 2024-2025.

## **G. REPORTS**

### **G-1 Executive Report – August 15, 2024**

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

Ironsides Direct Investment Fund V, L.P. issued a distribution in the amount of **\$ 66,223** for the Retirement System and **\$ 22,074** for VEBA consisting of distribution of proceeds netted against a capital call and management fees on 7/24/24.

Ironsides Direct Investment Fund V, L.P. issued a distribution in the amount of **\$ 51,515** for the Retirement System and **\$ 17,172** for VEBA on 7/11/24.

#### **ANGELO GORDON CAPITAL CALLS AND DISTRIBUTION**

Angelo Gordon Direct Lending Fund IV Annex, L.P. issued a distribution in the amount of **\$ 1,266,480** for the Retirement System and **\$ 527,701** for VEBA consisting of return of capital on 7/26/24.

## **TORCHLIGHT CAPITAL CALL**

Torchlight Investors requested a capital call for Debt Fund VII in the amount of **\$900,000** for the Retirement Plan and **\$400,000** for VEBA on 8/12/24 to fund investments.

## **SUMMIT PARTNERS CAPITAL CALLS AND DISTRIBUTIONS**

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$ 751,658** for the Retirement System and **\$208,794** for the VEBA on 8/2/24.

## **MEETINGS AND COMMUNICATIONS WITH CITY STAFF**

ED and Dan met with HR on 8/7 to discuss the succession planning and reciprocal time. ED met with HR on 8/7 to meet the new HRSP for pension due to Sharie Sell's retirement. ED met with HR, legal and VMT on 8/6 and 8/8 to discuss upcoming labor contracts.

## **MESIROW CAPITAL CALL**

Mesirow Financial Private Equity Fund VIII-A, L.P. requested a capital call in the amount of **\$300,000** for the Retirement Plan and **\$90,000** for the VEBA on 8/16/24. With these installments, **CAAERS** will have funded 59.5% of our total commitments of \$10,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

## **STAFF OPERATIONS/UPDATE**

The Pension Analyst processed 17 estimates, 5 final calculations, 3 deceased calcs, 8 non-vested calcs, 2 deferred calcs 2 payouts and conducted 2 pre-sessions.

ED will be out of office August 26-28 but reachable by phone or email.

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

#### **Voya Update – August 15, 2024**

#### **457 PLAN - Balance at 8/8/24 - \$ 107,186,000**

Admin Allowance \$ 589

#### **401A PLAN – Balance at 8/8/24 - \$ 7,652,000**

Forfeiture Balance \$ 69,950

#### **401A Executive PLAN – Balance at 8/8/24 - \$ 659,704**

Forfeiture Balance \$ 14,430

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

Mike Landolt held onsite meetings on July 30<sup>th</sup> and 31<sup>st</sup> and met with 13 employees and retirees. During the month Mike also had 11 phone calls and 3 zoom appointments with employees/retirees. During the month of August Mike will not be onsite but is available throughout the month for calls and zoom meetings.

Voya will have a portfolio manager at the August Voard meeting to discuss the stable value fund.

Small Balance Force Out Project – Please see APC minutes.

Administrative Fee Implementation – Please see APC minutes.

**G-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended July 31, 2024**

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

7/31/2024 Asset Value (Preliminary)	\$652,182,156
6/30/2024 Asset Value (Audited by Northern)	\$638,467,970
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$48,108,569
Percent Gain <Loss>	7.8%
<b>August 15, 2024 Asset Value</b>	<b>\$644,707,170</b>

**G-4 Investment Policy Committee Minutes – August 6, 2024**

Following are the Investment Policy Committee minutes from the meeting convened at 3:09 p.m. on August 6, 2024:

Member(s) Present: DiGiovanni, Flack (Via TX), Foster (arrived at 3:10 p.m.),  
Praschan (Via TX)

Member(s) Absent: Monroe

Other Trustees Present: None

Staff Present: Buffone, Gustafson (Via TX), Lieder, Orcutt

Others Present: Henry Jaung, Meketa Investment Group  
John Harris, Meketa Investment Group  
Keith Beaudoin, Meketa Investment Group (Via TX)  
Amanda Baron, First Eagle Investments (arrived at 3:45 p.m. Via  
TX)  
Will Tsui, First Eagle Investments (arrived at 3:45 p.m. Via TX)  
Max Belmont, First Eagle Investments (arrived at 3:45 p.m. Via  
TX)  
Nolan Parks, First Eagle Investments (arrived at 3:45 p.m. Via  
TX)

**ECONOMIC AND MARKET UPDATE DATA AS OF JUNE 30, 2024**

Mr. Jaung provided an economic update noting economic data softening, increased hopes of interest rate cuts, and ongoing AI optimism drove most asset classes higher in the second quarter. Looking to the rest of this year, the paths of inflation and monetary policy, China's economic disorder and slowing economic growth, and the many looming elections will be key factors.

**EXECUTIVE SUMMARY**

Over the past 3, 5, 7, and 10 years, the ERS has returned 5.1%, 9.1%, 8.4% and 7.4%. These returns have outperformed the 60% equity /40% Bonds benchmarks as well as the primary benchmark in most periods.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 4.0%, 7.9%, 7.7% and 6.7%. 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.*

*June 30, 2024, Performance Update: As of June 30, 2024, the balance of the Funds was \$633,276,367 for ERS. Fiscal Year to Date performance was 10.5% for ERS net of fees.*

### **VEBA**

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

*June 30, 2024, Performance Update: As of June 30, 2024, the balance of the Funds was \$277,718,441 for VEBA. Fiscal Year to Date performance was 10.9% for VEBA net of fees.*

### **CURRENT ISSUES**

*First Eagle Presentation: Mr. Belmont and First Eagle gave a presentation on the projected forecast in the value of gold as a potential hedge in our portfolio. Historically speaking, over the long-term gold has made a strong case for its continued value. Gold provides a safe haven for investors in times of need.*

### **INVESTMENT POLICY STATEMENT – DC PLANS**

*Ms. Orcutt presented a draft of the Investment Policy Statement (IPS) for the DC Plans to the Committee. APC had already reviewed and made some minor changes to the draft. After a brief overview and discussion of the updates the Committee determined to recommend sending the draft to the Board for final approval.*

*It was **moved** by Foster and **seconded** by Praschan to send the IPS draft to the Board for final approval.*

### **FUTURE MEETING**

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

### **ADJOURNMENT**

*It was **moved** by Foster and **seconded** by DiGiovanni to adjourn the meeting at 4:38 p.m.  
**Meeting adjourned at 4:38 p.m.***

Following are the Administrative Policy Committee minutes from the meeting convened at 12:33 p.m. on August 13, 2024:

Committee Members Present: Grimes (Via TX, departed at 12:58 p.m.), Lynch (Via TX, arrived at 1:18 p.m.), Monroe (Via TX), Praschan, Schreier  
Members Absent: None  
Other Trustees Present: None  
Staff Present: Buffone, Lieder, Orcutt,  
Others Present: None

### **REVISED RFP POLICY**

Ms. Orcutt presented the revised Request For Proposal/Request For Information policy. The committee discussed revisions to the policy and recommended to move the RFI/RFP policy to the Board for approval.

It was **moved** by Schreier and **seconded** by Praschan to present the revised RFP/RFI Policy to the Board for approval.

**Approved**

### **DC PLANS STATUS UPDATE**

Ms. Orcutt discussed several DC plans status updates. Voya sent out their mailer for the 457 administration fee implementation and the first quarterly fee is scheduled to be implemented on September 21. Participant reports for the force out project will be generated by Voya for review by staff and once completed, notification will be mailed to affected parties advising them of their options. Voya sent documentation for all 3 plans regarding the uncashed check policy. After obtaining reports of outstanding checks, Staff researched address updates and Voya is re-issuing checks. After several attempts, any funds will be placed in the forfeiture account with documentation added to each person's record.

### **457 STAY IN THE PLAN FLYER**

Ms. Orcutt presented the Voya 457 Stay in the Plan flyer. The Committee discussed if the Retirement System should direct Mike Landolt from Voya to reach out to employees when they apply for retirement. The Committee feels the flyer may be a marketing piece for Voya which may not be to the benefit of the Retirement System or employees. The Committee discussed some edits to the flyer and Ms. Orcutt will add this to a future agenda.

### **PERSONNEL MATTER**

Ms. Orcutt and the Committee convened a close session to discuss a personnel matter. Closed session started at 1:21 p.m. and the Committee reconvened at 1:32 p.m.

### **SEPTEMBER APC DATE**

Ms. Orcutt and the Committee agreed to hold the next Administrative Policy Committee meeting on September 10, 2024 at 3:00 p.m. at the Pension office.



**ADJOURNMENT**

It was ***moved*** by Praschan and ***seconded*** by Schreier to adjourn the meeting at 1:33 p.m.  
**Meeting adjourned at 1:33 p.m.**

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

**G-7 Legal Report – None**

**G-8 FY24 Training and Education Expenses**

**FY 24 Travel Expenses**

<b>Trustee/Staff</b>	<b>Conference Name/ Date/Location</b>	<b>Total Spent</b>
Wendy Orcutt	MAPERS Fall Conference September 9-12, 2023 Shanty Creek, MI	\$1,243.75
Dan Gustafson	MAPERS Fall Conference September 9-12, 2023 Shanty Creek, MI	\$1,332.15
David Monroe	MAPERS Fall Conference September 9-12, 2023 Shanty Creek, MI	\$1,243.72
Jeremy Flack	MAPERS Fall Conference September 9-12, 2023 Shanty Creek, MI	\$1,446.16
Wendy Orcutt	NAGDCA Annual Conference Seattle, Washington Ocotber 8-11, 2023	\$2,091.34
Maria Buffone	GFOA Virtual Conference 8/28/2023	\$85.00
Jeremy Flack	MAPERS Spring Conference May 19-21, 2024 Mount Pleasant, MI	\$1,148.16
Wendy Orcutt	MAPERS Spring Conference May 19-21, 2024 Mount Pleasant, MI	\$1,022.46

Dan Gustafson	MAPERS Spring Conference May 19-21, 2024 Mount Pleasant, MI	\$846.48
<b>Total</b>		<b>\$10,459.22</b>

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

**H-1 Communications Memorandum**

**H-2 September 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	Med Source MI	\$1,125.00	Independent Medical Evaluation - Ralonda Robinson
2	Milliman	\$3,530.39	MARC Licensure & MFA - 6/2024
3	Rehmann	\$2,950.00	RS Audit 6/30/2024 Payment 1
4	GRS	\$2,825.00	GASB 67/68 Valuations Q3 2024
5	GRS	\$7,875.00	Pension Valuation Q3 2024
6	DTE Electric	\$274.15	Electric 6/13/2024 to 7/12/2024
7	DTE Gas	\$17.28	Gas 6/13/2024 to 7/12/2024
8	Allstar Alarm	\$159.00	Fire Alarm Monitoring 8/1/2024-10/31/2024
9	MAPERS	\$1,400.00	2024 MAPERS Registration Fee - Orcutt, Grimes, Foster, Buffone
10	West Arbor Condo Association	\$367.00	Condo Association Dues 7/2024
	<b>Total</b>	<b>\$20,522.82</b>	

**H-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
Scott Rathbun	Age & Service	10/5/2024	General	AFSCME	16 Years, 4.5 Months	Public Services
Sharisse Sell	Age & Service	8/17/2024	General	NON UNION	19 Years, 0 Months	Human Resources

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

**I. TRUSTEE COMMENTS / SUGGESTIONS**

Mr. Schreier made a comment regarding the RFP policy discussed earlier. Ms. Nerdrum made a comment regarding the Meketa presentation and possible feedback for future presentations.

J. **ADJOURNMENT**

It was **moved** by DiGiovanni and **seconded** by Flack 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