

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
February 18, 2010**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:33 a.m.

ROLL CALL

Members Present: Crawford, Flack, Kaur, Monroe, Nerdrum (*dep. at 9:50*), Sylvester
Members Absent: Clark, Fraser, Hescheles
Staff Present: Kluczynski, Powell, Refalo
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF REVISED AGENDA

The agenda was revised as follows:

- C-3 Reciprocal Retirement Act – Service Credit, additional entry
- G-6 Oaktree PPIP Private Fund, LP – Due Diligence Report from Gray & Company

It was **moved** by Flack and **seconded** by Crawford to approve the revised agenda.

Approved

B. APPROVAL OF MINUTES

B-1 January 21, 2010 Regular Board Meeting Minutes

It was **moved** by Crawford and **seconded** by Nerdrum to approve the January 21, 2010 Board Meeting minutes as presented.

Approved

C. CONSENT AGENDA

It was **moved** by Flack and **seconded** by Kaur to approve the Consent Agenda as presented:

C-1 EDRO Certification – Theresa S. Morales v. Martin M. Morales

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order (“EDRO”) dated November 25, 2009, wherein Theresa Skrobe Morales (n/k/a Theresa Tupacz), the Alternate Payee, is awarded certain rights to the benefits of Martin Michael Morales, the Participant, and

WHEREAS, the Alternate Payee is entitled to claim a portion of the Participant’s retirement benefit which is subject to the Alternate Payee filing an application for same, and

WHEREAS, said matter had been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law including Public Act 46 of 1991 (MCLA 38.1701) as applicable, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order, will pay pension benefits consistent with said order subject to an application being filed by the Alternate Payee or the Participant seeking payment, and further

RESOLVED, that upon application of either the Alternate Payee or the Participant this file be forwarded to the Pension Board’s actuary for calculation of the benefits, and further

RESOLVED, that a copy of this resolution be immediately attached as the top sheet of the pension file and other appropriate records be kept for the Retirement System relative to this matter, and

RESOLVED, that copies of this resolution be sent to Theresa Tupacz, the Alternate Payee; George Feldman, Esq., attorney for the Participant; and the Board's actuary.

C-2 Authorization for Conference/Training – Mid-Sized Retirement & Pension Plan Management Conference, May 4-7, 2010 – Sylvester

WHEREAS, the Board of Trustees (Board) of the City of Ann Arbor Employees' Retirement System (Retirement System) is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees is required to act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims, and

WHEREAS, the Board of Trustees acknowledges that the Retirement System has evolved in complexity such that the circumstances prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims requires continuing education, training, and oversight of its advisors, and

WHEREAS, it is necessary, appropriate and incumbent upon Board trustees and/or Retirement System staff, from time to time, to participate in continuing education, training, and/or conduct due diligence trips in relation to their oversight of Retirement System advisors to ensure that Retirement System participants receive the best possible service, benefit and representation from these responsible persons, and

WHEREAS, Nancy Sylvester has requested the Board of Trustees' authorization for conference/training in Boston, Massachusetts, at Retirement System expense, estimated at \$2,600.00, to attend the Mid-Sized Retirement & Pension Plan Management Conference, to participate in continuing education in her responsibility as a Board Trustee and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Nancy Sylvester to travel to Boston, Massachusetts, at Retirement System expense, estimated at \$2,600.00, to attend the Mid-Sized Retirement & Pension Plan Management Conference, to participate in continuing education in her responsibility as a Board Trustee, and

FURTHER RESOLVED, that Nancy Sylvester comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

C-3 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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Jeffrey Ellis	General	2 Years, 1 Month	Ann Arbor Public Schools
John Maguire	Fire	8 Years, 10 Months	Pittsfield Charter Township

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.

Consent agenda approved

D. ACTION ITEMS

D-1 Election of Board Officers

Mr. Flack nominated Ms. Sylvester as the Board Chairperson. Ms. Sylvester accepted.

It was **moved** by Flack and **seconded** by Crawford to approve Ms. Sylvester as Board Chairperson.

Approved

Ms. Sylvester nominated Ms. Nerdrum as the Board Vice-Chairperson. Ms. Nerdrum accepted.

It was **moved** by Sylvester and **seconded** by Crawford to approve Ms. Nerdrum as Board Vice-Chairperson.

Approved

Ms. Nerdrum nominated Mr. Flack as Board Secretary. Mr. Flack accepted.

It was **moved** by Nerdrum and **seconded** by Kaur to approve Mr. Flack as Board Secretary.

Approved

Ms. Sylvester asked the Trustees to notify Ms. Kluczynski to indicate which Committees they would like to serve on or Chair, and the appointments will be made at the March Board meeting.

D-2 Proposed Investment Policy Statement Revisions

Mr. Flack stated that the Investment Policy Committee is recommending approval, noting the changes made by legal counsel and discussed by the Committee. The Board discussed the Policy Statement, and decided that more minor language changes should be made regarding an 8% average rate of return as well as other minor changes. It was decided that the suggested revisions would be relayed to Gray & Company and will be discussed at the next IPC meeting on April 6, 2010.

D-3 Proposed Fees for Actuarial Services - GRS

Mr. Powell noted that Gabriel, Roeder, Smith & Company has increased their rates by 2.61% from last year. Ms. Nerdrum disagrees with the rate change, stating that the System has a long-term partnership with GRS, and believes there should be a fixed fee in place that has a certain scope associated with it. Ms. Nerdrum stated that she does not understand why there are annual marginal increases every year, that it is more of an irritation to her more than anything else, and she would like to know the basis for their proposed increase. Mr. Monroe suggested that GRS be asked to justify why, during this time of zero inflation, why the rates are increasing and perhaps they will be able to keep the rate the same as last year.

It was **moved** by Nerdrum and **seconded** by Flack to request that Gabriel, Roeder, Smith & Company maintain the actuarial fees consistent with 2009.

Approved

D-4 Retirement System Annual Report for the Year Ended June 30, 2009

The Board reviewed and discussed the proposed Annual Report for the fiscal year ended June 30, 2009. Minor language and format changes were suggested and noted by staff, and the Board decided to approve the report as amended. Mr. VanOverbeke stated that this is a great report, and this is one of the few Systems in the state that generates a report like this.

It was **moved** by Nerdrum and **seconded** by Crawford to approve the Retirement System Annual Report for the Year Ended June 30, 2009 as amended.

Approved

D-5 Summary Annual Report for the Year Ended June 30, 2009

It was suggested that the Trustee listing be amended to show the newly elected Trustees as a footnote.

It was **moved** by Flack and **seconded** by Kaur to approve the Summary Annual Report for the fiscal year ended June 30, 2009 as amended.

Approved

D-6 Amended Insurable Interest Policy

Mr. Crawford stated that the Administrative Policy Committee has discussed the revised Insurable Interest Policy and is bringing it back to the Board for review and approval. The Board discussed how many options an employee should be required to choose before their proposed beneficiary would be eligible for their benefits, and if certain information should be verified upon application. Ms. Nerdrum stated that her firm has a similar policy with additional options that the Committee may want to review and consider. Mr. VanOverbeke stated that to the extent that there is a concern as to how to apply this Policy, when the Policy is adopted, it is the Policy going forward for the designation of somebody who is claimed to be a beneficiary and has insurable interest; with regards to those beneficiaries that have been previously designated, and were approved by the Board at that time pursuant to whatever Board policy or practice was in place, they would stay in place. If

someone comes in and wants to change their beneficiary, then the new policy would apply, but to the extent that there are designated beneficiaries currently on file, they should be granted as filed with the previously-acceptable practice. If those employees come in to complete retirement paperwork and are designating that individual for retirement, staff would have to verify that they meet certain requirements. Mr. VanOverbeke noted that upon hiring in with the City, the language is different for those who are naming a beneficiary that would receive only the accumulated contributions in the event of the employee's death, anyone can be named for that benefit, but not for an automatic Option. If an employee has not come in to complete a beneficiary form after they are vested, then there is no beneficiary for the automatic option and they would fall under the Ordinance and the benefit would go to their estate, unless they are married – which is an automatic Option 2.

The Board discussed Mr. Warsinski's request from the January Board meeting, and Mr. VanOverbeke clarified that in completing the beneficiary form, Mr. Warsinski only completed Part 2 on the form which names only the designation of the representative for the accumulated contributions (80% lump sum benefit). The Board decided that staff should meet with Mr. Warsinski to review the policy with him to make sure that the proposed beneficiary meets the requirements under the Policy in order for the form to be filed accordingly, and that he fully understands his options. Mr. Powell suggested that the format of this form should be revised and referred to the Administrative Policy Committee for review, and Mr. VanOverbeke agreed, stating that it should be a two-sided form with one side clearly explaining the various options.

It was decided that the Insurable Interest Policy will not be referred to the APC, but will come back to the full Board at the March Board meeting, and in the meantime, Ms. Nerdrum will forward further comparable information for possible inclusion in the Policy.

D-7 Recommendation to Conduct an RFP for Actuarial Services

Ms. Nerdrum stated that the Audit Committee had previously put together a process for issuing RFPs for the various service providers, and 2010 is the year to schedule an Actuarial RFP. The Committee discussed issuing the RFP in April 2010 so that the regular Valuation would not be affected this year, and a decision would be discussed in the fall of this year. Mr. Powell suggested that the Committee look at a drafted RFP at its March meeting, and Ms. Nerdrum agreed. The Board agreed that the Committee would be authorized to approve and issue the RFP without it having to come back to the full Board of Trustees for final approval.

It was **moved** by Kaur and **seconded** by Flack to conduct an RFP for Actuarial Services, and authorize the Audit Committee to approve the format, context, and issuing of the RFP without it having to come back to the full Board for approval.

Approved

E. DISCUSSION ITEMS

E-1 Proposed Board Retreat Agenda – Friday, March 5, 2010

The Board discussed and accepted the revised Retreat agenda (below) for March 5, 2010.

- 8:00 – 8:30 a.m. **Continental Breakfast**
- 8:30 – 10:15 a.m. **Analysis of Portfolio - Gray & Company**
- a. Type of investments within portfolio
 - b. Reasons for these types of investments
- 10:15 – 10:30 a.m. **BREAK**

- 10:30 – 11:30 a.m. **Commission Recapture & Securities Lending - Should We Continue?** *Gray & Company*
- 11:30 – 12:30 p.m. **LUNCH**
- 12:30 – 1:30 p.m. **Customer Service Philosophy** - *Nancy Sylvester*
- 1:30 – 2:30 p.m. **Fiduciary Roles & Responsibilities**
- *Michael VanOverbeke, Legal Counsel*
- 2:30 – 2:45 p.m. **BREAK**
- 2:45 – 3:15 p.m. **Communication Process on all Aspects of Pending Litigation with Board of Trustees**
- *Michael VanOverbeke, Legal Counsel*
- 3:15 – 3:30 p.m. **Retreat Overview & Final Comments**

E-2 Employee & Retiree Newsletters

The Board reviewed the proposed annual Employee and Retiree Newsletters, and approved them subject to two minor language changes.

F. REPORTS

F-1 Executive Report – February 18, 2010

PRINCIPAL GLOBAL INVESTORS

Principal Global Investors implemented a client redemption queue on September 26, 2008 for the Principal U.S. Property Separate Account. The Retirement System became part of the queue in January 2009. The System is requesting the full liquidation of its investment in the Principal account which is valued at \$12,006,506. On February 11, 2010 a partial payment of \$1,640,552.73 was received from Principal Global Investors. The funds were placed into the cash account will be use to fund capital calls for the PPIP.

INVESCO MORTGAGE RECOVERY FEEDER FUND, L.P. (PPIP)

The System has authorized the funding of three capital calls totaling \$2,145,536.00 from the Invesco Mortgage Recovery Feeder Fund to begin funding an \$11,000,000.00 mandate authorized by the Board of Trustees for the Public Private Investment Program (PPIP) offered by the United States Treasury Department in conjunction with private investors. The wire for the \$2,145,536.00 will be sent out from Northern Trust on February 12, 2010.

REBALANCING

The Rhumblin Mid Cap portfolio was overweighted per the Board approved asset allocation plan. Gray & Company recommended reallocating approximately \$5.4 million from Rhumblin to bring it back to its target allocation. The \$5.4 million was received on January 29, 2010 and was placed into the cash account for benefit payments and operational needs.

MANAGED FUTURES

Contracts for Citigroup Orion and Optima were executed. Funding of \$5.4 million each will take place at the end of February and/or the first of March. Gray & Company has recommended that the funds for the managed futures come from the NT Russell 1000, NT S&P 400 Mid Cap and the State Street S&P 500 accounts. Liquidation letters have been submitted to Northern Trust and State

Street for \$10 million and \$7 million respectively. The NT Russell 1000, NT S&P 400 Mid Cap and the State Street S&P 500 accounts are all over weighted per the approved asset allocation plan. The reallocation of these funds to the Managed Futures, PPIP, and cash accounts will bring them in line with their target amounts according to the Investment Policy Statement.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31, 2010

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended January 31, 2010, to the Board of Trustees:

1/31/2010 Asset Value (Preliminary)	\$355,755,006
12/31/2009 Asset Value (Audited by Northern)	\$362,392,229
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$(4,850,382)
Percent Gain <Loss>	-1.3%
February 17, 2010 Asset Value	\$ 358,316,810

F-3 Retirement Report -The following employees have completed their paperwork for retirement

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Greg Hollingsworth <i>Withdrew Application</i>	Age & Service	February 27, 2010	Fire	27 years, 1 month	Safety Services – Fire
William Wheeler	Age & Service	March 6, 2010 May 1, 2010	General	40 years, 10 months	Public Services Administration
Thomas Blessing	Age & Service (prior deferred)	April 1, 2010	General	12 years, 1.5 months	City Attorney
Thomas Castro	Early/ Age & Service	April 22, 2010	General	19 years, 1 year reciprocal	Public Services
Susan Chambers	Age & Service	April 17, 2010	General	10 years, 9.5 months	City Attorney
Brian Clearwater	Age & Service	March 13, 2010	General	25 years	Public Services
Karen Hart	Age & Service (prior deferred)	April 1, 2010	General	12 years, 8.5 months	Planning & Development
Anthony Savoni	Early/ Age & Service	March 8, 2010	General	7 years, 3.5 months, 15 reciprocal	Planning & Development

Mr. VanOverbeke suggested placing the Retirement Report under the Information section of the agenda. The Board agreed that this should be done going forward.

F-4 Investment Policy Committee Report – February 2, 2010

Following are the Investment Policy Committee minutes from the meeting convened at 3:56 p.m. on February 2, 2010:

Member(s) Present: Flack, Hescheles, Sylvester
Member(s) Absent: None
Other Trustees Present: Monroe
Staff Present: Jarskey, Powell
Others Present: Larry Gray, Gray & Company
Chris Kuhn, Gray & Company
David Diephuis, City Resident

PROPOSED REVISIONS TO THE INVESTMENT POLICY STATEMENT

Ms. Sylvester stated that she believes the same changes will be made to this policy statement as made to the VEBA statement, and a motion would be in order to recommend approval by the Board of Trustees.

It was **moved** by Hescheles and **seconded** by Sylvester to recommend that the Board of Trustees approve the revised Investment Policy Statement as discussed.

Approved

REVIEW OF SMALL CAP MANAGER SEARCH MATERIAL

Due to time limitations, the Small Cap Manager Search Material was postponed until the next IPC meeting.

RETIREMENT SYSTEM QUARTERLY PERFORMANCE REPORT FOR DECEMBER 31, 2009

Mr. Gray reviewed the quarterly performance report. The Fund's total market value as of December 31, 2009 was \$363.58 million. The Fund had a return of 3.88% for the current quarter, and a return of 19.05% for the last twelve months.

Summary of Assets as of December 31, 2009:

Managers	Market Value
Domestic Equity	\$ 193,997,000
International Equity	39,811,000
Fixed Income	91,905,000
Real Estate	23,568,000
Alternative Composite	7,793,000
Cash & Cash Equivalents	6,506,000
Total Plan	\$363,580,000

ADJOURNMENT

It was **moved** by Flack and **seconded** by Hescheles to adjourn the meeting at 4:03 p.m.
Meeting adjourned at 4:03 p.m.

F-5 Administrative Policy Committee Report – February 2, 2010

Following are the Administrative Policy Committee minutes from the meeting convened at 1:10

p.m. on February 2, 2010:

Committee Members Present: Crawford, Kaur, Sylvester (1:12)
Members Absent: None
Other Trustees Present: David Monroe (2:20)
Staff Present: Powell, Refalo
Others Present: Michael VanOverbeke, Legal Counsel
David Diephuis, City Resident

REVISED BENEFICIARY FORMS

Mr. VanOverbeke discussed the Insurable Interest Policy that the Board had previously approved in May 2009, stating that the policy called for two forms to be developed and attached, but were never developed; one was an "Other Qualified Adult" affidavit form and the other was an "Insurable Interest Affidavit" that an employee would have to complete in order to name someone as their beneficiary. Mr. VanOverbeke stated that while the Board recognizes the use of the term "Other Qualified Adult", one of the decisions was to come up with language and criteria so that it doesn't have to monitor what the City has done with their criteria, and so that an employee would not always have to come to the Board for beneficiary approval. Mr. VanOverbeke noted that the Committee could do away with the term "Other Qualified Adult" entirely and create one "Insurable Party Affidavit" form that has all of the listed criteria options because the named individual may not always be an adult, but could still have an insurable interest. Mr. VanOverbeke presented the two drafted beneficiary forms which include various eligibility options.

Mr. VanOverbeke suggested that if a person meets a certain number of the listed requirements, and have it notarized, then the request would not have to be brought before the Board for approval, although an individual would have to come before the Board if the person in question did not meet the requirements. The Committee reviewed and discussed each of the listed criteria on the drafted forms, ultimately coming up with the following criteria options:

- You and your beneficiary share a common residence.
- You and your beneficiary are in a relationship of mutual support, caring and commitment.
- You and your beneficiary are not able to legally marry in the State of Michigan.
- Neither you nor your beneficiary are married to another individual.
- You and your beneficiary have natural or adopted children together.
- Either you or your beneficiary have a durable power of attorney for health care for the other.
- Either you or your beneficiary have a durable power of attorney for financial management for the other.
- You provide financial care and support for your beneficiary.
- You and your beneficiary have joint ownership of real estate.
- You and your beneficiary have a joint checking, savings, or brokerage account.
- Your beneficiary is a named beneficiary on your life insurance policy, your brokerage account, or your banking account.

Mr. VanOverbeke stated that the person would have to choose a certain number of options in order to qualify, and then sign an attestation at the bottom of the form declaring the statements to be true and to the best of their knowledge and belief, noting that the staff would not be required to collect documentation on each of the options because that person had signed the attestation on the form. After discussion, the Committee deemed that five options would need to be selected on the form in order for an individual to qualify as a beneficiary.

It was **moved** by Kaur and **seconded** by Sylvester to recommend that the Board of Trustees revise the current Insurable Interest Policy as discussed and to forward the revised Insurable Party Affidavit to the Board of Trustees for approval at the February 18th regular Board meeting, noting that the form will require a selection of five options in order for an individual to qualify as a beneficiary.

Approved

LEGAL COUNSEL CONTRACT / SCOPE OF SERVICES

Due to time limitations, this item was postponed until the March APC meeting.

**PUBLIC ACCESS/REVIEW OF BOARD & COMMITTEE PACKET ITEMS
& FORMAT OF BOARD AGENDA**

Due to time limitations, this item was postponed until the March APC meeting.

ADJOURNMENT

*It was **moved** by Kaur and **seconded** by Crawford to adjourn the meeting at 2:35 p.m.
Meeting adjourned at 2:35 p.m.*

F-6 Audit Committee Report – February 2, 2010

Following are the Audit Committee minutes from the meeting convened at 4:16 p.m. on February 2, 2010:

<i>Committee Members Present:</i>	<i>Crawford, Kaur (4:28), Nerdrum, Sylvester</i>
<i>Members Absent:</i>	<i>None</i>
<i>Other Trustees Present:</i>	<i>Monroe</i>
<i>Staff Present:</i>	<i>Jarskey, Refalo, Powell</i>
<i>Others Present:</i>	<i>David Diephuis, City Resident</i>

Mr. Powell advised the Committee that Ms. Kaur has suggested that due to her schedule, she would like to have the APC and AC meetings held consecutively, perhaps on a different day as the IPC meeting each month. Mr. Powell stated that this was discussed at the IPC meeting, and it was suggested that the IPC meeting remain on the first Tuesday of each month, and the APC and AC meetings be held on the second Tuesday of each month at 3:00 and 4:00 p.m. The Committee agreed to the schedule change, and asked that an email be sent to the other Board members advising them of the new dates and times.

Mr. Powell stated that some time ago, the Committee had set an RFP schedule for the various vendors, and an Actuarial RFP was scheduled for 2010. Mr. Powell stated that an Actuarial RFI was performed in 2008. After discussion, the Committee decided that an RFP should be issued in April 2010, and that Mr. Powell should bring a sample RFP to the next Audit Committee meeting in March.

*It was **moved** by Sylvester and **seconded** by Kaur to recommend to the Board of Trustees to begin the Actuarial RFP process in order to have it issued in April 2010.*

Approved

PROPOSED ANNUAL REPORT FOR THE FY ENDED JUNE 30, 2009

The Committee reviewed the proposed Annual Report, and Ms. Nerdrum suggested adding language regarding the actual funding of the System due to recent market performance. Ms. Nerdrum stated that she is willing to draft language for page 7 of the report and will ask legal counsel to review it prior to Board approval. The Committee discussed the Investment Performance chart from Gray & Company and agreed that the chart contains incorrect fee and inception information. Ms. Sylvester suggested that Mr. Powell contact Mr. Gray in order to clarify these concerns before leaving the chart in the report, and Mr. Crawford stated that the IPC should also work with Gray & Company to clarify the information for future quarterly reports.

The Committee discussed whether the entire chart from Gray & Company was necessary in the report, and decided that only the past year's information would be necessary, along with a narrative. Ms. Nerdrum suggested adding a paragraph explaining the Fiduciary Audit that was conducted, highlighting the areas that the Board and staff will be working on going forward. The Committee agreed. Ms. Sylvester departed at this time.

FIDUCIARY AUDIT RECOMMENDATIONS AND CONSIDERATIONS

Mr. Powell reviewed the Fiduciary Review Recommendations Discussion Guide which details the results of the recent Audit and how staff has prioritized the various recommendations from Ennis Knupp. The Committee was able to review and discuss the Benefits Processing section and a portion of the Member Education section before the end of the meeting, and noted that this will be an ongoing working document and staff will update the document accordingly with status changes for future meetings.

It was ***moved*** by Crawford and ***seconded*** by Kaur to adjourn the meeting at 5:51 p.m.
Meeting adjourned at 5:51 p.m.

F-7 Legal Report

Mr. VanOverbeke provided a verbal report regarding the adoption of House Bill 5323/PA 314, noting that the expansion regarding foreign investments was removed, and there was an expansion of reporting of fees, which will require all of the investment service providers to disclose before they do any work or are hired any and all fees that will be paid as well as a once per year disclosure any and all fees paid from the account. The accounting section of PA 314 is still being revised regarding travel accounting, and there will be an amendment requiring that the summary annual report include a specific line item on travel and education expenditures.

G. INFORMATION

G-1 Communications Memorandum

The Communications Memorandum was received and filed.

G-2 March Planning Calendar

The March Planning Calendar was received and filed.

G-3 Board Tracking Report

The Board Tracking Report was received and filed.

G-4 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	Gray & Company	8,312.14	Investment Consultant Retainer – December 2009
2	DTE Energy	408.50	Monthly Gas Fee dated December 11, 2009
3	DTE Energy	201.46	Monthly Electric Fee dated December 11, 2009
4	Abraham & Gaffney, P.C.	500.00	Final billing for completion of Audit for FY 6/30/2009
5	University Office Equipment	102.14	Quarterly Copier Maintenance Contract
6	Gabriel, Roeder, Smith & Co.	7,675.00	Actuarial & Consulting Services for Oct.-Dec. 2009

7	Lee Munder Capital Group	39,924.38	Investment Mgmt. Fees – 9/30/09 – 12/31/09
8	Levi, Ray & Shoup, Inc.	337.50	Support services (December 1-31, 2009)
9	Allstar Alarm, LLC	90.00	3 Months Central Station Monitoring (February-April 2010)
10	MAPERS	50.00	2010 Membership Renewal
TOTAL		57,601.12	

G-5 Correspondence from Gray & Company – Administrative Expense Ratios

Mr. Powell stated that the Board had requested Gray & Company to perform a comparison of their peers to see how much others are charging for their expenses and Mr. Gray’s letter indicates that he was unable to obtain that information because his clients generally declined due to the time and resources necessary to properly complete the request. Using information that they had at their disposal, Gray & Company estimated that the expense ratio of similar sized funds is between 0.45% and 0.55%, and the major difference between funds’ expense ratios is the percentage of assets allocated to low cost index funds.

Mr. Crawford stated that he would leave it up to the IPC to challenge the request further or make the decision to remove it from the Tracking Report, and wonders if private plans might publish that kind of information. Ms. Sylvester suggested discussing this item at the upcoming Board retreat since there is already an IPC discussion scheduled during that meeting, even though it seems that it will be a receive-and-file item. The Board agreed.

G-6 Oaktree PPIP Private Fund L.P. – Due Diligence Report

Mr. Flack reviewed the report and discussed the due diligence visit with Oaktree that he and Gray & Company attended on January 22, 2010.

H. TRUSTEE COMMENTS

Mr. Monroe discussed an upcoming conference by NCPERS, and expressed an interest in attending the Trustee Educational Development Seminar (TEDS) on May 1 & 2. Ms. Sylvester stated that Mr. Clark may be interested in attending as well, so a general motion was made for any interested Trustees.

It was **moved** by Flack and **seconded** by Crawford to allow Mr. Monroe as well as other interested Trustees to attend the NCPERS/TEDS Conference in May at an estimated cost of \$2,500 per person.

Approved

Mr. VanOverbeke discussed the upcoming MAPERS Conference in May, noting that if Trustees are interested, they may want to begin registering in order to secure a room. The Board agreed, and made a general motion to allow interested Trustees to attend, at an estimated cost of \$800 each.

It was moved by Flack and seconded by Monroe to allow any interested Trustees to attend the 2010 Spring MAPERS Conference on May 23-25, 2010 at an estimated cost of \$800 per person.

Approved

I. ADJOURNMENT

It was **moved** by Crawford and **seconded** by Flack to adjourn the meeting at 10:52 a.m.

Meeting adjourned at 10:52 a.m.

**Willie J. Powell, Executive Director
City of Ann Arbor Employees' Retirement System**

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