

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
January 21, 2010**

The meeting was called to order by Nancy Sylvester, Chairperson, at 9:02 a.m.

ROLL CALL

Members Present: Crawford, Flack, Kaur, Monroe, Sylvester
Members Absent: Clark, Fraser, Hescheles, Nerdrum
Staff Present: Jarskey, Kluczynski, Refalo
Others: Michael VanOverbeke, Legal Counsel
David Dephuis, City Resident

AUDIENCE COMMENTS - None

A. APPROVAL OF REVISED AGENDA

The agenda was revised as follows:

- C-1 Reciprocal Retirement Act – Service Credit
- D-1 Proposed Investment Policy Statement Revisions

It was **moved** by Crawford and **seconded** by Flack to approve the revised agenda, and to revise the order of the Action Items as follows: D-5, D-3, D-4, D-1, D-2.

Approved

B. APPROVAL OF MINUTES

B-1 December 17, 2009 Regular Board Meeting Minutes

It was **moved** by Crawford and **seconded** by Flack to approve the December 17, 2009 Board Meeting minutes as presented.

Approved

C. CONSENT AGENDA

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

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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Steven Lowe	Fire	5 Years, 8 Months	Pittsfield Charter Township
Bryce McAllister	Fire	2 Years, 3 Months	Dexter Area Fire Department
Lori Long	General	10 Years, 4 Months	City of Ypsilanti
Judith Quinn	General	5 Years, 5 Months	Oceana County
Tilvis Bolen	Fire	2 Years, 1 Month	City of Hazel Park
Anthony Savoni	General	15 Years	Washtenaw County

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 Proposed Investment Policy Statement Revisions

The Board briefly discussed Mr. VanOverbeke's revisions, and decided to send the Statement back to the Investment Policy Committee for further discussion and clarification of certain language.

D-2 Proposed Fees for Actuarial Services - GRS

This item was postponed until the February 18, 2010 regular Board meeting.

D-3 Retirement System Annual Report for the Year Ended June 30, 2009

The Board briefly discussed the Annual Report, and due to questions and comments from absent Trustees, it was decided to refer the Report to the Audit Committee for further discussion.

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

This item was postponed until the February 18, 2010 regular Board meeting.

D-5 Beneficiary Approval Request from Douglas Warsinski, City Employee

The Board discussed a beneficiary request submitted by City employee, Douglas Warsinski. A discussion ensued regarding the previously-approved Insurable Interest Policy (May 2009) and who qualifies as an eligible beneficiary. Mr. VanOverbeke noted that the attachments indicated in the policy were never created, including an "Other Qualified Adult Affidavit Form" and an "Insurable Interest Affidavit Form". After discussing Mr. Warsinski's situation, it was determined that he would need to complete the Insurable Interest Affidavit Form, and that his request will be approved subject to the form being signed and submitted to the Retirement Office. The Board requested that Mr. VanOverbeke draft the two forms for review by the Administrative Policy Committee at its February 2nd meeting. Mr. Crawford asked that in the meantime, Mr. VanOverbeke provide a brief written opinion of his acceptance of Mr. Warsinski's request. Mr. VanOverbeke agreed.

It was **moved** by Kaur and **seconded** by Flack to approve Mr. Warsinski's beneficiary request, subject to completion of the Insurable Interest Affidavit form (*after legal counsel has drafted and taken the form to the Administrative Policy Committee for approval*), and that Mr. VanOverbeke be directed to provide a brief opinion on his acceptance of this request.

Approved

MS. KAUR DEPARTED THE MEETING AT THIS TIME. DUE TO THE LOSS OF A QUORUM, THE REMAINING AGENDA ITEMS WERE POSTPONED UNTIL THE FEBRUARY 18, 2010 REGULAR BOARD MEETING.

E. DISCUSSION ITEMS

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

This item was postponed until the February 18, 2010 regular Board meeting.

F. REPORTS

F-1 Executive Report – January 21, 2010

PRE-TAX CONTRIBUTIONS FOR NON-UNION EMPLOYEES

On Monday, December 21, 2009, City Council amended the Retirement System Ordinance (*Chapter 18, Title I of the Code of the City of Ann Arbor*) to require all non-union employees' contributions to the Retirement System be pre-taxed effective with the first pay period in January 2010. Pre-tax biweekly payroll contributions are not subject to State and Federal withholding taxes, but would be subject to Social Security and Medicare taxes. Employees receive quarterly contribution statements. The quarterly contribution statements have four categories: "Pre-Tax Contributions," "Post-Tax Contributions," "Interest", and "Total." The non-union employees' new pretax contributions will be posted under the "Pre-Tax Contributions" column. The first pre-tax quarterly contribution statement will be for the quarter ending March 31, 2010. When an employee retires or terminates City employment, the taxable portion will be reported on the appropriate IRS forms. The IRS forms will differentiate between taxable and non-taxable amounts.

TRANSITION FROM CHICAGO EQUITY TO RHUMLINE

Per the directive from the Board, Chicago Equity Partners, the mid-cap manager for the City of Ann Arbor Retiree Health Care Benefits Plan, has been terminated. Chicago Equity Partners was instructed to cease trading on Friday, January 8th, 2010. The final trade settlement date for Chicago Equity Partners was Wednesday, January 13, 2010.

Global Transition Solutions (GTS), the System's transition managers, began trading for the City of Ann Arbor Retiree Health Care Benefits Plan. GTS & Northern Trust will monitor all trade postings and all final trade settlements. GTS will provide Northern Trust with security and cash transfer instructions to transfer all securities and cash from the transition account to the new Rhumblin Advisers account. Rhumblin Advisers is the mid-cap index manager approved by the Board. The funds will be invested in the Rhumblin Russell Midcap Index. All securities are to be transferred to Rhumblin as of the close of the market on Thursday, January 21, 2010. On January 8, 2010 the market value of the Chicago Equity Partners' portfolio was \$11,799,354.00. GTS has estimated the cost of the transition to be 37.76 bps with the following breakdown:

Explicit Cost	6.12 bps
Market Impact	3.3 bps
Timing Cost	<u>28.34 bps</u>
Total	37.76 bps

Once all of the information is gathered, GTS will attend an IPC meeting to provide a detailed post-trade analysis for the Committee.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended December 31, 2009

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended December 31, 2009, to the Board of Trustees:

12/31/2009 Asset Value (Preliminary)	\$362,346,219
11/30/2009 Asset Value (Audited by Northern)	\$355,146,881
Calendar YTD Increase/Decrease in Assets (<i>excludes non-investment receipts and disbursements</i>)	\$55,950,865
Percent Gain <Loss>	17.7%
January 20, 2010 Asset Value	\$366,154,849

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	Age & Service	February 27, 2010	Fire	27 years, 1 month	Safety Services - Fire
Janet Logghe	Age & Service	February 25, 2010	General	28 years, 8 months	Safety Services - Police
Jayne Miller	Early / Age & Service	February 13, 2010	General	22 years, 9 months	Community Services Planning & Development
William Wheeler	Age & Service	March 6, 2010	General	40 years, 8 months	Public Services Systems Planning
Marylou Zimmerman	Age & Service	February 20, 2010	General	17 years, 10.5 months	City Attorney

F-4 Investment Policy Committee Report – January 5, 2010

Following are the Investment Policy Committee minutes from the meeting convened at 3:39 p.m. on January 5, 2010:

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

PROPOSED REVISIONS TO THE INVESTMENT POLICY STATEMENT

Mr. Kuhn gave a brief explanation of the drafted revisions to the Investment Policy Statement. Mr. Kuhn stated that he has forward the drafted statements for both the VEBA and Retirement System to the various money managers, and the only manager he has not heard back from is Schwartz Investment Counsel. The others have agreed to the revisions, including two minor changes regarding the fixed income language. Mr. Powell recommended that the Committee forward the changes to legal counsel for review before requesting Board approval. The Committee agreed.

It was ***moved*** by Sylvester and ***seconded*** by Flack to approve the Investment Policy Statement revisions pending legal review before forwarding the Statement to the Board of Trustees for approval.
Approved

DECEMBER 31, 2009 MARKET VALUES

Mr. Gray reviewed the Asset/Manager Allocation Table, stating that as of December 31, 2009, the total fund was at \$363,008,000 and the allocations are well within range of the rebalancing.

OTHER NOTES

Mr. Kuhn stated that cash will need to be transferred in order to continue to meet benefit needs as well as paying manager fees and expenses associated with the Fund, so approximately \$6 million would need to be put in the cash fund to carry through to the next six months, and \$10 million for the Morgan Stanley and Optima funds (managed futures). The Committee agreed.

Mr. Kuhn stated that he would like to discuss the small cap growth search at the February IPC meeting. The Committee agreed.

Mr. Kuhn noted that he is in the process of negotiating a performance-based fee with Lee Munder Capital, per the discussion at the last Committee meeting.

ADJOURNMENT

It was ***moved*** by Flack and ***seconded*** by Sylvester to adjourn the meeting at 4:00 p.m.
Meeting adjourned at 4:00 p.m.

F-5 Administrative Policy Committee Report – January 5, 2010

Following are the Administrative Policy Committee minutes from the meeting convened at 1:14 p.m. on January 5, 2010:

Committee Members Present: Crawford, Sylvester
Members Absent: Kaur
Other Trustees Present: None
Staff Present: Kluczynski, Powell, Refalo
Others Present: David Diephuis, City Resident

LEGAL COUNSEL CONTRACT / SCOPE OF SERVICES

The Committee discussed the scope of services for legal counsel, and Ms. Sylvester suggested that all of the consultants be asked to annually provide a recap or summary of their services over the prior year and what projects were worked on and/or completed. This document could then be kept in a binder for quick reference. The Committee reviewed the original listing of client services that Mr. VanOverbeke provided upon being hired with the System, and also decided to discuss the following items at the February APC meeting:

1. Participation at Board Meetings:
 - a. Seated at table, or in the audience?
 - b. Stay for legal opinion only, or for the entire meeting?
2. Billing practices – time increments or retainer?
3. Annual recap of the (calendar) year's events
4. New documentation process?

The Committee discussed the quarterly billing practices, and the consent was that they should be defined better. Mr. Crawford stated that he has no strong opinion on whether Mr. VanOverbeke should be present at every meeting, and Ms. Sylvester stated that she prefers that he is present for any questions that may come up during the meeting, but she feels that every Board member should be able to voice their opinion on this issue. The Committee decided to continue the discussion at the February APC meeting with the hopes that Ms. Kaur will also be in attendance to discuss her views on the scope of services and the services list that the Committee has revised.

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

The Committee discussed the format for future “notifications of retirements” for the regular Board meeting packets. After discussion, it was decided that the Board will also be notified of the retirements at the same time the City is notified after an employee has completed their retirement paperwork, so when Ms. Refalo sends the routine memo to the employee’s service area director, Human Resources, and Payroll areas, she will then send a copy to the Board of Trustees for their information. Mr. Powell stated that per the motion at the December Board meeting, the Board will receive a report of retiring employees which will reflect the individual’s name, the type and date of retirement, the employee group, years of service, and service area or unit. The Committee discussed the format of the Board agenda, and it was decided that the invoices can be paid during the month, with an informational report in the Board packet showing all invoices paid as long as they fall within in the approved budget.

The Committee agreed that the reciprocal credit, military service credit, and EDRO notices will also become part of the information report at the end of the agenda. Ms. Sylvester asked if the Committee has received information from legal counsel stating that the Board is not legally required to approve or disapprove employee retirements, and Mr. Powell stated that he has spoken with Mr. VanOverbeke on this issue, and he had stated that the Board is not required to approve retirements.

Ms. Sylvester asked that Mr. Powell receive that statement in writing. The Committee agreed that the Conference & Training resolutions should be approved by the Board per past practice. The Committee discussed what should be available to the public, and Mr. Crawford stated that he believes the Trustees should receive the agenda packet before the public, but that the agenda

could be made available afterward. Due to Mr. Crawford’s need to depart the meeting, the Committee agreed to continue this discussion at the February APC meeting.

ADJOURNMENT

It was ***moved*** by Sylvester and ***seconded*** by Crawford to adjourn the meeting at 2:48 p.m. **Meeting adjourned at 2:48 p.m.**

F-6 **Audit Committee Report – No Report**

F-7 **Legal Report – None**

G. **INFORMATION**

G-1 **Communications Memorandum**

The Communications Memorandum was received and filed.

G-2 **February Planning Calendar**

The February Planning Calendar was received and filed.

G-3 **Vendor Contacts - None**

G-4 **Board Tracking Report**

The Board Tracking Report was received and filed.

G-5 **Record of Paid Invoices**

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

	PAYEE	AMOUNT	DESCRIPTION
1	Coverall North America, Inc.	140.00	Office Cleaning Services for January 2010
2	Comcast	75.62	Monthly Cable Fee
3	AT&T	136.08	Monthly Long-Distance Telephone Service
4	Staples Business Advantage	193.94	Miscellaneous office supplies
5	AT&T	57.97	Monthly Toll-Free Telephone Service
6	NCPERS	150.00	2010 Annual Membership Dues
7	Ann Arbor.com	108.00	Newspaper subscription
8	Afternoon Delight	166.75	December 2009 Board meeting
	TOTAL	1028.36	

G-6 **Correspondence from Gray & Company – Administrative Expense Ratios**

This item was postponed until the February 18, 2010 regular Board meeting.

H. **TRUSTEE COMMENTS - None**

I. **ADJOURNMENT**

It was **moved** by Crawford and **seconded** by Flack to adjourn the meeting at 9:35 a.m.
Meeting adjourned at 9:35 a.m.

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