

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 17, 2009**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:35 a.m.

ROLL CALL

Members Present: Crawford, Flack, Hescheles, Kahan, Nerdrum, Stanford, Sylvester
Members Absent: Fraser, Kaur
Staff Present: Kluczynski, Powell
Others: Michael VanOverbeke, Legal Counsel
David Diephius, City Resident

AUDIENCE COMMENTS - None

A. APPROVAL OF REVISED AGENDA

Ms. Sylvester stated that the following items have been revised since the distribution of the agenda packet:

- C-5 Authorization for Payment of Invoices – additional invoices received.

Mr. VanOverbeke noted that he will distribute a report from Grant & Eisenhofer for his legal report – Item F-6.

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

Approved

B. APPROVAL OF MINUTES

B-1 August 20, 2009 Regular Board Meeting Minutes

It was **moved** by Kahan and **seconded** by Hescheles to approve the August 20, 2009 regular Board Meeting minutes as presented.

Approved

C. CONSENT AGENDA

It was **moved** by Hescheles and **seconded** by Nerdrum to approve the Consent Agenda as presented:

Preliminary Retirement Resolutions

C-1 Preliminary Approval for Service Retirement for Samuel Hopkins

WHEREAS, the Board of Trustees is in receipt of an application for retirement from **Samuel Hopkins (Applicant)**, dated August 18, 2009, and

WHEREAS, it appears, based on preliminary information provided, that said Applicant meets the eligibility requirements of the Retirement System and any applicable collective bargaining agreement, therefore be it

RESOLVED, that said application for service retirement of **Samuel Hopkins** is preliminarily approved subject to the adoption by the Board of a resolution approving the calculations of the

actuary, and further

RESOLVED, that upon receipt of all required certificates/forms completed by said Applicant and following said Applicant's last date on the active payroll, a retirement calculation will be completed based upon the certified numbers from the City of Ann Arbor Finance Department, and further

RESOLVED, that the Board's actuarial program certified by the Board's actuary shall perform the retirement calculation and employer transfer to the retiree reserve fund to the Board of Trustees as soon as possible, and further

RESOLVED, that upon receipt of the retirement calculations completed by the Board's actuarial software, the Board of Trustees will consider adoption of a resolution approving payments of the applicable benefit amounts.

C-2 Preliminary Approval of Early/Service Retirement for Lloyd Vogel

WHEREAS, the Board of Trustees is in receipt of an application for early/service retirement from **Lloyd Vogel (Applicant)**, dated September 8, 2009, and

WHEREAS, it appears, based on preliminary information provided, that said Applicant meets the eligibility requirements of the Retirement System and any applicable collective bargaining agreement, therefore be it

RESOLVED, that said application for early/service retirement of **Lloyd Vogel** is preliminarily approved subject to the adoption by the Board of a resolution approving the calculations of the actuary, and further

RESOLVED, that upon receipt of all required certificates/forms completed by said Applicant and following said Applicant's last date on the active payroll, a retirement calculation will be completed based upon the certified numbers from the City of Ann Arbor Finance Department, and further

RESOLVED, that the Board's actuarial program certified by the Board's actuary shall perform the retirement calculation and employer transfer to the retiree reserve fund to the Board of Trustees as soon as possible, and further

RESOLVED, that upon receipt of the retirement calculations completed by the Board's actuarial software, the Board of Trustees will consider adoption of a resolution approving payments of the applicable benefit amounts.

Final Retirement Resolutions

C-3 Approval of Early/Service Retirement for Cynthia Avery

WHEREAS, **Cynthia Avery** (Participant) has submitted an application for an early/service retirement to the Board of Trustees requesting an effective retirement date of August 8, 2009, and

WHEREAS, said Participant has been credited with 23 years and 11 months of service credit, and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for an early/service retirement as established pursuant to the provisions of the Retirement System and applicable collective bargaining agreement, and

WHEREAS, said Participant has provided all necessary data and certificates/forms to the Board of Trustees, and

WHEREAS, the Board of Trustees has provided all necessary personal and financial data to the Board of Trustees' actuary who has completed all necessary reports relating to Participant, and

WHEREAS, said Participant has elected to receive a Straight-Life Option – Terminating at Death, and

WHEREAS, said Participant has requested no annuity withdrawal under the provisions of the Retirement System and collective bargaining agreement, therefore be it

RESOLVED, that an early/service retirement is hereby granted to **Cynthia Avery** (Participant), effective August 8, 2009, and further

RESOLVED, that benefits be paid consistent with the foregoing, and further

RESOLVED, that copies of this resolution be forwarded to said Participant and the appropriate City representatives.

C-4 Approval of Service Retirement for Louis Della-Badia

WHEREAS, **Louis Della-Badia** (Participant) has submitted an application for a service retirement to the Board of Trustees requesting an effective retirement date of August 29, 2009, and

WHEREAS, said Participant has been credited with 17 years and 11 months of service credit (*which includes 2 years military service credit*), and

WHEREAS, the Board of Trustees has verified that the aforesaid Participant meets all those requirements for a service retirement as established pursuant to the provisions of the Retirement System and applicable collective bargaining agreement, and

WHEREAS, said Participant has provided all necessary data and certificates/forms to the Board of Trustees, and

WHEREAS, the Board of Trustees has provided all necessary personal and financial data to the Board of Trustees' actuary who has completed all necessary reports relating to Participant, and

WHEREAS, said Participant has elected to receive an Option III, 50% Joint & Survivor (Pop-Up) form of benefit (and nominated Linda Della-Badia, wife, as option beneficiary), and

WHEREAS, said Participant has requested a 25% annuity withdrawal under the provisions of the Retirement System and collective bargaining agreement, therefore be it

RESOLVED, that a service retirement is hereby granted to **Louis Della-Badia** (Participant), effective August 29, 2009, and further

RESOLVED, that benefits be paid consistent with the foregoing, and further

RESOLVED, that copies of this resolution be forwarded to said Participant and the appropriate City representatives.

Resolutions:

C-5 Authorization For Payment of Invoices (\$ 16,245.04)

WHEREAS, The Board of Trustees is vested with the general administration, management and

operation of the Retirement System; and

WHEREAS, Section 13(4) of Public Act 314 of 1965, as amended, provides that an investment fiduciary may use a portion of the income of the system to defray the costs of investing, managing, and protecting the assets of the system, may retain services necessary for the conduct of the affairs of the system, and may pay reasonable compensation for those services; 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 has previously approved a resolution at its regular meeting of June 19, 1997 to have accounts payable services provided through its custodian bank, The Northern Trust Company; and

WHEREAS, the Board is of the opinion that prompt payment to service providers for services rendered is appropriate and in the best interest of the plan; therefore be it

RESOLVED, that the Board of Trustees' custodial bank, The Northern Trust Company, is authorized and directed to provide payment to the following vendors and providers of service in the amount as indicated upon receipt by the Board of appropriate invoices or as required by lease agreements, subject to (a) review and approval of said invoices and lease agreements by appropriate Board representatives and (b) payment authorization signed by Nancy Sylvester/Chairperson, Alexa Nerdrum/Vice-Chairperson, or Jeremy Flack/Secretary, and Willie J. Powell/Executive Director.

	PAYEE	AMOUNT	DESCRIPTION
1	Gray & Company	7,935.90	Investment Consultant Retainer – August 2009
2	Coverall North America, Inc.	140.00	Office Cleaning Services for September 2009
3	AT&T	52.61	Monthly fax telephone-line service
4	Ann Arbor.com	108.00	Annual newspaper subscription
5	Transition Imaging	203.25	Digital Imaging Services – Invoice #1186
6	AT&T	76.49	Monthly Long-Distance Telephone Service
7	First Impression Printing	67.00	Business cards – William Stanford
8	Afternoon Delight	338.50	Manager Forum at WISD – September 4, 2009
9	Gabriel, Roeder, Smith & Co.	1,996.50	17 Calculations for Police Service Purchase Amounts
10	DTE Energy	250.96	Monthly Electric Fee dated 8/13/2009
11	Comcast	75.83	Monthly Cable Fee
12	Levi, Ray & Shoup, Inc. (Pension Gold)	5,000.00	Annual WWW Hosting fee
	TOTAL	16,245.04	

C-6 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
Brenda Acquaviva	General	6 Years, 3.5 Months	City of Detroit
Molly Wade	General	11 Years, 4.5 Months	State 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.

C-7 Resolution to Accept City of Ann Arbor Reciprocal Credit

WHEREAS, the Board of Trustees is vested with the general 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 Reciprocal Retirement Act (“Reciprocal Act”)[Public Act 88 of 1961, as amended (MCL 38.1101 et seq.)] was adopted by the City of Ann Arbor 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 Reciprocal Act allows a member to use service credit acquired with a preceding reciprocal unit for purposes of meeting the Retirement System’s normal retirement eligibility requirements upon satisfaction of certain conditions, and

WHEREAS, individuals who were previously employed by the City of Ann Arbor and were members of the Retirement System and subsequently terminated employment and withdraw all accumulated contributions and later were re-employed by the city and elected not to buy back previous service credits and,

WHEREAS, such individuals would like to be entitled to use previous service with the City in meeting the service requirements of the Retirement System and the previous service will not be used in calculating any benefits, 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
Brenda Acquaviva	General	6 Years, 11 Months	City of Ann Arbor

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 6-1 (J. Flack abstained)

D. ACTION ITEMS

D-1 Resolution to Hire Managed Futures Firms

WHEREAS, the Board of Trustees is vested with the general 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, Gray & Company has been advising the Investment Policy Committee to add Managed Futures Fund of Funds managers to the portfolio in order to add more diversity to the portfolio and to reduce volatility, and

WHEREAS, the Investment Policy Committee interviewed the following four firms for Managed Futures on August 24, 2009: Citigroup Orion Future Fund, Guidance Managed Futures Fund, Optima Futures Fund Limited, and Steben Futures Portfolio Fund, and

WHEREAS, the Investment Policy Committee and Gray & Company recommend funding Citigroup Orion Future Fund & Optima Futures Fund Limited by dividing the Managed Future allocation evenly between the two firms, so be it

RESOLVED, that the Board of Trustees authorizes the hiring of Citigroup Orion Future Fund and Optima Futures Fund Limited with each receiving 1.5% of the portfolio, and

FURTHER RESOLVED, that Citigroup Orion Future Fund and Optima Futures Fund Limited be

added to the portfolio after successful contractual negotiations with the Board's Legal Counsel and Executive Director for Board approval and a due diligence visit by Trustees and/or staff.

It was **moved** by Kahan and **seconded** by Flack to approve the resolution to hire Citigroup Orion Future Fund and Optima Futures Fund Limited as additions to the portfolio after successful contractual negotiations with the Board's Legal Counsel and Executive Director for Board approval and a due diligence visit by Trustees and/or staff.

Motion passes 6-1 (T. Crawford opposed)

Mr. Crawford stated that he was not able to attend all of the IPC meetings, but he is not in favor of managed futures accounts at this time, although he recognizes the diversification, he is not convinced on how the returns from these funds will be good with the bias that the index can have. Mr. Powell stated that a due diligence visit to these companies should be conducted, which requires two or more Trustees, and asked for volunteers to get in touch with him if they are able to attend.

E. DISCUSSION ITEMS - None

F. REPORTS

F-1 Executive Report – September 17, 2009

POLICE EARLY OUT PROGRAM

All of the Police Early Out Program participants have been successfully processed and have been issued their first monthly benefit payment with the exception of Cynthia Avery. Ms Avery was part of a special MOU that allowed her to work beyond June 30. Her last day of employment was August 7, 2009. She will receive her first monthly benefit payment in October. The seventeen participants who purchased the additional year paid the full cost of their additional year to the System. The total amount of the payment to the System for the additional year was \$503,590.00.

EXPIRATION OF TRUSTEES' TERM

The following trustees' terms will be expiring on December 31, 2009: Jeffrey Kahan, General Representative, Alexa Nerdrum, Citizen Trustee, David Hescheles, Citizen Trustee, and William Stanford, Police Representative. In the past the Board Chair would send a letter to the Mayor and Council recommending the reappointment of the Citizen Trustee who was interested in reappointment. The Election Schedule below is for the elected trustees, Jeffrey Kahan and William Stanford:

Two Trustees are up for election for the three-year term: January 1, 2010 - December 31, 2012:

- General Trustee seat up for election: Jeffrey Kahan
- Police Trustee seat up for election: William Stanford

October 1: Election notices will be sent for electronic posting on A2 Central, A2 News, and Ultipro, and hard copies will be sent to various departments for posting. The election notice will indicate the deadline for Declarations of Candidacy, which will be 5:00 p.m., November 6, 2009.

November 6 5:00 p.m. deadline for Declarations of Candidacy.

November 10 Notices announcing election candidates will be distributed as indicated above.

November 23: Request General and Police employee lists from the Human Resources

Department.

- December 7: Deliver ballots and election materials to City Clerk's office & outlying areas.
- December 9 & 10: Election dates.
- December 17 Board certification of elected candidates followed by a general announcement to all employees via electronic formats.

The Board discussed the upcoming Citizen Trustee seats, and with both Ms. Nerdrum and Mr. Hescheles indicating that they are willing to serve another term, the following motion was made:

It was **moved** by Flack and **seconded** by Crawford to direct the Board Chairperson to send a letter to Mayor and City Council recommending the reappointments of Ms. Nerdrum and Mr. Hescheles for the term beginning January 1, 2010 to December 31, 2012.

Approved

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

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

8/31/2009 Asset Value (Preliminary)	\$345,935,790
7/31/2009 Asset Value (Audited by Northern)	\$334,138,124
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$32,676,042
Percent Gain <Loss>	10.3%
September 16, 2009 Asset Value	\$ 357,335,584

F-3 Investment Policy Committee Report – August 24, 2009

Following are the Investment Policy Committee minutes from the meeting convened at 2:03 p.m. on August 24, 2009:

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

**RETIREMENT SYSTEM QUARTERLY REVIEW
FOR THE QUARTER ENDED JUNE 30, 2009**

Mr. Gray and Mr. Kuhn reviewed the June 30, 2009 quarterly review. The Fund's total market value as of June 30, 2009 was \$322.58 million. The Fund had a return of 11.30% for the current quarter, and a return of -18.82% for the last twelve months.

Mr. Kuhn reviewed the Summary of Assets as of June 30, 2009:

Managers	Market Value
Domestic Equity	\$ 159,763,000
International Equity	32,317,000

<i>Fixed Income</i>	<i>86,416,000</i>
<i>Real Estate</i>	<i>34,045,000</i>
<i>Cash & Cash Equivalents</i>	<i>10,038,000</i>
<i>Total Plan</i>	<i>\$322,580,000</i>

MANAGED FUTURES PRESENTATIONS

Mr. Gray reminded the Committee that it had agreed to allocate 3% to Managed Futures, and that his firm recommends selecting two managers at 1.5% each. Mr. Gray added that this is a long-term plan, and they have selected institutional-quality names for the presentations. Managed Futures presentations were then made by the following firms:

Credit Suisse/Citigroup Orion Futures Fund L.P.
Jerry Pascucci & Betsy Nelson

Guidance Capital LLC, Managed Futures Fund
Chris Walvoord & Kelly Weller

Optima Fund Management - Futures Fund Limited
Brian Moss, Fabio Savoldelli, & L. Mercer Borden

Steben & Company, Inc. - Steben Futures Portfolio Fund
Brad Welder & Michael Bulley

The Committee discussed the presentations, and decided to recommend that the Board of Trustees hire Steben & Company, Inc. and Optima Fund Management for the Managed Futures allocation.

It was **moved** by Sylvester and **seconded** by Kahan to recommend that the Board of Trustees hire Steben & Company, Inc. and Optima Fund Management for the Managed Futures allocation, with each receiving 1.5% of the 3% allocated funds.

Motion passes 3-1 (Hescheles)

“HOW MANAGED FUTURES CAN HELP PORTFOLIOS”

Mr. Kahan had submitted the article “HOW MANAGED FUTURES CAN HELP PORTFOLIOS” from *Pensions & Investments*, which was received and filed.

ADJOURNMENT

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

MEETING RECONVENED

Further discussion ensued after adjournment regarding the motion to hire the Managed Futures firms, so the Committee decided to reconvene the meeting. After a short discussion, the Committee decided to make the following motion:

It was **moved** by Sylvester and **seconded** by Kahan to recommend that the Board of Trustees hire Optima Fund Management and Credit Suisse/Citigroup for the Managed Futures allocation, with each receiving 1.5% of the 3% allocated funds.

Approved

ADJOURNMENT

It was ***moved*** by Sylvester and ***seconded*** by Hescheles to adjourn the meeting at 5:00 p.m.
Meeting adjourned at 5:00 p.m.

F-4 Administrative Policy Committee Report – September 1, 2009

Following are the Administrative Policy Committee minutes from the meeting convened at 2:11 p.m. on September 1, 2009:

Committee Members Present:	Crawford, Kaur, Sylvester (2:20)
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Kluczynski, Powell, Refalo
Others Present:	None

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

Mr. Powell presented the survey results from the last meeting showing how different municipalities post their meeting agendas and packets, and stated that the issue is whether to allow the public to request and receive supporting documentation to agenda items before being discussed at the scheduled meetings. Mr. Crawford stated that he would not support handing out the documents before the Trustees have received the meeting packet. Ms. Refalo suggested that the Committee look at the last six months of packets to determine what sort of items could be given out ahead of a meeting, and the Committee agreed that it would be a good idea to create a snapshot of meeting items. Mr. Powell suggested that the Committee consider streamlining the meeting minutes to not include so much detail in the various conversations. Mr. Powell stated that perhaps the recordings of the tapes could be kept instead of deleted after Board approval, although the recordings would be subject to FOIA.

Ms. Kaur agreed, stating that some corporate companies keep their backup tapes for up to six years. Mr. Powell agreed that perhaps the current Record Retention Policy could be amended to keep the recordings for a six year period, and although it is rare, sometimes a Trustee may want to listen to a conversation from the recordings.

In regards to reformatting the agenda, Mr. Crawford stated that the expenditures listing could be removed since the Board approves an annual budget for these items, and if there were an item over \$5,000, perhaps that could be brought forward for approval. Mr. Powell stated that he spoke with the auditor about this issue, who was not sure if there was a legal requirement, and that legal counsel should probably provide an opinion. Ms. Sylvester stated that it may be a good idea to get Mr. VanOverbeke's opinion in writing, as well as getting his opinion on the Board agenda in general.

The Committee discussed the need for having both preliminary and final retirements on the Board agendas for approval, which prolongs the payment process to retirees since they are presented at two different meetings, when the Board only meets once per month. Mr. Powell presented samples of the current preliminary and final resolutions, as well as a copy of older Board minutes where the retirements were listed in a simpler format, showing only the name and very basic retirement information. Mr. Crawford wondered if there is a need for retirement approvals in general, and if there is nothing unusual about the retirement, an employee would automatically qualify, so he would like legal counsel's opinion on that as well as why there is a need for both preliminary and final retirement resolutions. Ms. Sylvester suggested that a disclaimer could be added before the retiree listing indicating that staff has processed the retirement accordingly and that the individual has met all of the required qualifications.

Mr. Powell stated that at the October meeting the Committee could review the summary of the meeting agendas from January-June 2009, and discuss which items should remain on the monthly agenda and which should be removed, and then the Committee could request legal counsel's opinion on the findings.

ADJOURNMENT

It was ***moved*** by Crawford and ***seconded*** by Kaur to adjourn the meeting at 2:53 p.m.
Meeting adjourned at 2:53 p.m.

F-5 Audit Committee Report – September 1, 2009

Following are the Audit Committee minutes from the meeting convened at 3:00 p.m. on September 1, 2009:

Committee Members Present:	Crawford, Kaur, Nerdrum, Sylvester
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Powell, Kluczynski
Others Present:	David Kausch, Gabriel, Roeder, Smith & Company

ACTUARIAL ASSUMPTIONS & METHODS

Wage increase assumptions

Mr. Kausch stated that in looking at the payroll provided for the valuation, it has gone up about 2.5% over the last year, and the assumption was 3.5%. With the Police Department's retirement window, the policy payroll will shrink, at least for the short term, and will affect the percent of payroll when the amortization is done. If the City is having a pay freeze or declining pay, GRS can provide a graduated scale where it would show a 0% increase or decrease per year, which will anticipate the amortization to avoid being short, which will drive a percent of payroll rate but will lower the normal cost of the Plan.

Assumed rate of return, amortization periods/methods, smoothing periods

Mr. Kausch stated that the amortization period is 15 years for the Retirement System and 30 years for the VEBA. A part of the correction for the healthcare transfers in the past the City is contributing more than the arc to the Retirement System and less than the arc to the VEBA, and for accounting purposes, GRS is amortizing those changes over a closed 15-year period for both the Retirement System and the VEBA, so it will be a little tricky, although it won't affect the Retirement System at all because that's part of the 15 years, but it will look a little bit odd on the VEBA side with accelerating the loss on the shortfall. 30 years is the longest allowed under GASB and under State law, so the Board does have the discretion to set that amortization period to increase to 30, and what that would do is lower the contribution.

Mr. Kausch will provide qualitative statements and impacts to the Plan and suggestions as to what would help the City's contribution, and a 30 year projection (which is very common). Ms. Nerdrum stated that she would be able to take the 30-year information and provide a 20 and 25 year projection for the Committee.

In regards to 5-year smoothing, Mr. Kausch stated that he is comfortable saying that no corridor is needed at this time, but as you get to 10 years, you would need a corridor because the longer your smoothing period is, the more you can diverge, so if the smoothing is switched to 10 years, it is not going to benefit the City.

Healthcare inflation

Mr. Kausch stated that the healthcare assumption last year was a short term rate of 9% and currently there is no reason to change the 3.5% assumption at this point. The short term assumption does depend a little on what the actual claim experience is, and he noted that he does not yet have the City's claims experience data, but should know more by the end of September.

DISCLOSURE & FOOTNOTES FOR UPCOMING ACTUARIAL REPORTS

To be discussed at the October 6th Audit Committee meeting.

OCTOBER MEETINGS

The Committee discussed the October meeting schedule, and decided that the APC meeting would start at 1:00 and the Audit Committee meeting will start at 3:00 to allow time for the actuarial discussions. The Committee will suggest that the IPC postpone their meeting until November.

ADJOURNMENT

It was ***moved*** by Sylvester and ***seconded*** by Crawford to adjourn the meeting at 4:25 p.m.
Meeting adjourned at 4:25 p.m.

F-6 Legal Report

Mr. VanOverbeke distributed a report from Grant & Eisenhofer in response to a previous inquiry from the Board at the August meeting. Mr. VanOverbeke asked the Board to review it over the next month for discussion at the October Board meeting.

G. INFORMATION

G-1 Communications Memorandum

The Communications Memorandum was received and filed.

G-2 October Planning Calendar

The October Planning Calendar was discussed, and it was decided that on Tuesday, October 6th, the IPC will meet at 1:00 p.m., the APC will meet at 2:00 p.m., and the Audit Committee will meet at 3:00 p.m.

G-3 Vendor Contacts

The Vendor Contacts information was received and filed.

G-4 Status of Pending Projects Report

The Status of Pending Projects Report was received and filed. The Board discussed updating the status report, and decided that Mr. Powell will combine his tracking reports with the status report and send it to the Trustees after each meeting as well as in the monthly Board packets.

H. EXECUTIVE SESSION – Raiford EDRO Status

The Board convened an executive session for the purpose of discussing the Robert Raiford EDRO case (attorney/client privilege).

Roll call vote:

Crawford - Yes	Hescheles - Yes	Nerdrum - Yes
Flack – Yes	Kahan - Yes	Stanford - Yes
Fraser - Absent	Kaur - Absent	Sylvester - Yes

Executive session time: 9:18 – 9:30 a.m.

I. TRUSTEE COMMENTS

The Board discussed a recent visit with a trading representative at DTE.

J. ADJOURNMENT

It was **moved** by Kahan and **seconded** by Flack to adjourn the meeting at 9:33 a.m.
Meeting adjourned at 9:33 a.m.

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