

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
April 19, 2007**

The meeting was called to order by Nancy Sylvester, Chairperson, at 8:40 a.m.

ROLL CALL

Members Present: Boonstra, Carter (8:45), Crawford, Heatley, Kahan, Nerdrum, Pollock, Sylvester
Members Absent: Fraser
Staff Present: Jarskey, Kluczynski, Powell
Others: Tom Michaud, Legal Counsel
Mary Fales, Assistant City Attorney
Jeff Rentschler, City Retiree
Charles Helppie, Echelon Wealth Management, LLC

AUDIENCE COMMENTS

Mr. Rentschler, Chairman of the Ex-Officio Retiree Committee, commented on the pending Post-Retirement Benefit Increase language, and asked that the Board attempt to have the language negotiated with the City Attorney's office as soon as possible. Mr. Rentschler added that the annual Retiree Educational Session is being held on April 26th, and he expects that the group will be interested in finding out if they will be receiving an increase this year, noting that it has been two years since an increase has been granted, and some retirees are having a hard time with that. Mr. Rentschler stated that a decision should be made as to whether the Board should grant an increase this year using the existing language until the new Ordinance language is worked out.

A. APPROVAL OF REVISED AGENDA

Mr. Powell noted the following revisions to the agenda:

- C-3 Authorization for Payment of Invoices – New invoices added to resolution

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

Approved as revised

It was **moved** by Heatley and **seconded** by Boonstra to amend the agenda to add Item E-2, Post-Retirement Adjustment As Currently Written in the Retirement Ordinance.

Approved as amended

B. APPROVAL OF MINUTES

B-1 March 15, 2007 Regular Board Meeting Minutes

It was **moved** by Boonstra and **seconded** by Kahan to approve the March 15, 2007 regular Board Meeting minutes as presented.

Approved

C. CONSENT AGENDA

It was **moved** by Crawford and **seconded** by Boonstra to discuss Item C-5, "Authorization for Conference/Training –IFEBP/Investment Basics, July 14-18, 2007 – Judi Refalo", under the Action Items. (Moved to Item D-4 under Action Items)

Approved

It was **moved** by Heatley and **seconded** by Crawford to approve the following Consent Agenda:

Preliminary Retirement Resolutions

C-1 Preliminary Approval of the Application for Early/Service Retirement of David Butler

WHEREAS, the Board of Trustees is in receipt of an application for early/service retirement from **David Butler (Applicant)**, dated March 14, 2007, 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 **David Butler** 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 the Application for Service Retirement of Mark Hoornstra

WHEREAS, the Board of Trustees is in receipt of an application for retirement from **Mark Hoornstra (Applicant)**, dated March 12, 2007, 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 **Mark Hoornstra** 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 - None

Resolutions:

C-3 Authorization For Payment of Invoices (\$22,373.49)

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 Chris Heatley/Chairperson, Nancy Sylvester/Vice-Chairperson, or Jeffrey Kahan/Secretary, and Willie J. Powell/Executive Director.

	PAYEE	AMOUNT	DESCRIPTION
1	301 E. Liberty LLC	4,875.98	Office Lease (including monthly escalation fee)
2	Republic Parking System	315.00	Monthly Parking Fee
3	Gray & Company	7,750.00	Investment Consultant Retainer – March 2007
4	SBC / AT&T	227.28	Monthly Telephone Service - 2/14/07 – 3/13/07
5	Arbor Springs Water Co., Inc.	25.50	Monthly Water Service
6	Republic Parking System	97.00	Monthly Parking Validation Fee
7	301 E. Liberty LLC	159.39	Bill for Electric Service – 2/5/07-4/5/07
8	301 E. Liberty LLC	6.90	Replacement of building access card for W.Powell
9	AT&T	49.54	Monthly Toll-Free Telephone Service
10	FedEx Kinko's	3,587.00	Printing of Employee & Retiree Newsletters
11	Gabriel, Roeder, Smith & Company	3,485.00	Additional data work on Actuarial Valuation
12	Transition Imaging, LLC	1,058.59	Document Imaging Services
13	Transition Imaging, LLC	531.95	Document Imaging Services
14	Qwest	8.83	Monthly Long-Distance Telephone Service
15	University Office Equipment	136.31	Quarterly Copier Maintenance Contract
16	Staples Business Advantage	59.22	Misc. Office Supplies
	TOTAL	22,373.49	

C-4 Authorization for Conference/Training – 2007 Spring MAPERS Conference, June 3-5, 2007 – Heatley, Boonstra, Kahan, Sylvester, Jarskey, Powell

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, Chris Heatley, Andrew Boonstra, Jeffrey Kahan, Nancy Sylvester, Gail Jarskey, and Willie Powell have requested the Board of Trustees' authorization for their travel to Acme, Michigan, at Retirement System expense, estimated at \$ 5,238.00 (collectively), to attend the 2007 Spring MAPERS Conference, to participate in continuing education in their responsibilities as Board Trustees/Staff and in keeping with Board policy, therefore it be

RESOLVED, the Board of Trustees authorizes the travel requests of Chris Heatley, Andrew Boonstra, Jeffrey Kahan, Nancy Sylvester, Gail Jarskey, and Willie Powell to travel to Acme, Michigan, at Retirement System expense, estimated at \$ 5,238.00 (collectively), to attend the 2007 Spring MAPERS Conference, to participate in continuing education in their responsibilities as Board Trustees/Staff, and

FURTHER RESOLVED, that Chris Heatley, Andrew Boonstra, Jeffrey Kahan, Nancy Sylvester, Gail Jarskey, and Willie Powell comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

C-5 Authorization for Conference/Training –IFEBP/Investment Basics, July 14-18, 2007 – Judi Refalo

Moved as Item D-4 under Action Items.

C-6 Approval of Ordinary Death Benefits to Kris A. Trombley, Option II Beneficiary of Kristine Trombley, Deferred Participant

WHEREAS, the Board of Trustees is in receipt of a legal opinion regarding an Option II death benefit for Kris A. Trombley, the named beneficiary of Kristine Trombley (Deferred Participant) requesting an effective retirement date of November 5, 2006, and

WHEREAS, said Participant was a deferred retirement employee at the time of her death and has been credited with 13 years and 4 months of service credit, and

WHEREAS, the Board of Trustees has verified that Mr. Trombley meets all those requirements for an

Option II death benefit as established pursuant to the provisions of the Retirement System and the applicable collective bargaining agreement, and

WHEREAS, Mr. Trombley has provided all necessary data and certificates/forms to the Board of Trustees, and

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

RESOLVED, that Option II death benefits are hereby granted to Kris A. Trombley (Option II Beneficiary), effective November 5, 2006, and further

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

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

EDRO Resolutions

C-7 Shirley Martin v. Larry K. Martin

WHEREAS, the Board of Trustees is in receipt of an Domestic Relations Order dated April 25, 2000, wherein Shirley Martin, the alternate payee, is awarded certain rights to the benefits of Larry K. Martin, the participant, and

WHEREAS, the participant's date of birth is October 1, 1942 and the participant retired effective October 21, 1993 and at the time of retirement elected the Plan's Option II form of payment and nominated the Alternate Payee, Shirley Martin, as his named beneficiary, and

WHEREAS, the alternate payee is currently receiving a portion of the participant's retirement benefits pursuant to an Income Withholding Order, and

WHEREAS, the Domestic Relations Order does not rescind or replace the Income Withholding Order and accordingly the payments from the plan to the alternate payee shall continue in accordance with the current Income Withholding Order on file with the Retirement System, and

WHEREAS, the Domestic Relations Order provides in pertinent part that the "Participant's benefits shall continue to be payable in the payment form effective prior to the parties' date of divorce," 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, therefore be it

RESOLVED, that the Board of Trustees acknowledges receipt of said court order, will pay pension benefits consistent with said order, and further

RESOLVED, that benefits shall continue to be paid to the Participant in the form of the Plan's Option II benefit with the Alternate Payee as the designated beneficiary, and further

RESOLVED, that notwithstanding the address provided in the order that the Retirement System's address is:

City of Ann Arbor Employees' Retirement System
301 E. Liberty Street, Suite 680
Ann Arbor, Michigan 48104

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 the Michael Schroer, Esq., attorney for the Participant, and Steven A. Reed, Esq., attorney for the Alternate Payee.

C-8 Tina Marie Raiford v. Robert Phillip Raiford

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated October 27, 2006, wherein Tina M. Raiford, the alternate payee, is awarded certain rights to the benefits of Robert P. Raiford, 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 of Trustees acknowledges receipt of said court order, will pay pension benefits consistent with said order subject to an application being filed by the participant seeking payment, and further

RESOLVED, that upon application of either the Alternate Payee or the Participant this file be forwarded to the Board of Trustees' 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 the Participant, and Edwin J. Literski, Esq., attorney for the Alternate Payee.

Consent agenda approved as revised

D. ACTION ITEMS

D-1 Larson Realty Lease Proposal

Mr. Powell stated that he has negotiated a one-year lease proposal with Larson Realty Group which would take effect September 1, 2007-August 31, 2008, with the fees remaining as they are now.

Mr. Crawford stated that he is inclined to vote against the approval of the proposed lease, and suggested that the Board consider moving the Retirement Office into the City Center Building or other City facility to avoid rental payments until another location is confirmed, perhaps future space in the new City Hall which is still in the planning stage. Mr. Boonstra stated he has no desire to move into a City facility because there is no way of knowing how long that may take, and he is comfortable with the proposed one-year lease, and noted that the Special Projects Committee is currently moving forward with Bart Wise of Swisher Commercial Realty in locating a new location for the office.

The Board discussed the length of the proposed lease, and believes it may need to be lengthened depending on the developments between the SPC and Swisher, perhaps on a month-to-month basis. Mr. Michaud stated that another possibility would be to ask Larson Realty to minimize the penalty if the Board asks to terminate the lease earlier within the time limit. Mr. Powell noted that the Board has already approved a motion to purchase future office space, and to allow the Special Projects Committee to move forward with exploring various facilities with Mr. Wise from Swisher Realty.

Note: *All members of the Board were present at the January 2007 Board Meeting, and the vote on the motion was unanimous for Item D-4, "Office Space Recommendation from Special Projects Committee".*

Mr. Heatley stated that there are Committees in place to discuss these issues, and this discussion is regenerating a lot of issues that have been discussed for a year and a half. Mr. Heatley stated that the SPC has proposed that the Board find its own facility and move forward, which the Board has voted on and approved, and the purpose of getting the extended lease is to buy some time until a new facility is found and the issues have all been debated at the SPC level, so that excessive Board time is not spent on further debates. Mr. Heatley called the vote on his motion.

It was **moved** by Heatley and **seconded** by Boonstra to approve the one-year lease agreement, and give Mr. Powell the authorization to further negotiate a month-to-month or percentage-out clause in the contract.

Motion carries 5-3

Mr. Boonstra stated that the Board had made a decision to move forward with purchasing its own property, and that he cannot support moving backward by entering into a City facility after all of the debates and discussions regarding this issue. Mr. Kahan asked Mr. Crawford how long he believes that the "free rent" agreement would last, especially if a new City Hall were to be finalized, and would the Board have to then pay market rate? Mr. Crawford stated that it would be up to the Board and City Administration to decide the appropriate payments, but he has no way of predicting what future Administration may do. Mr. Heatley stated that this is an independent Board, and has already approved the motion to move forward with purchasing its own facility, and he believes the Board should stay on course, the new lease has been voted on and approved, and he is very frustrated that the Board is continuing to digress with this issue at this point.

It was **moved** by Pollock and **seconded** by Crawford that the Board discontinue the current lease negotiations on the proposed lease and reconsider the Board's prior motion to purchase its own facility.

Roll call vote:

Boonstra - No	Fraser - Absent	Nerdrum - Yes
Carter - Yes	Heatley - No	Pollock - Yes
Crawford - Yes	Kahan - No	Sylvester - No

Motion denied 4-4

D-2 Resolution to Place Invesco, Inc. on Watchlist for its Stable Value Product

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 Board of Trustees has an approved Investment Policy Statement in order to effectively monitor on a ongoing basis its investment managers; and

WHEREAS, the Investment Policy Statement stipulates that any major organizational change within an investment firm may warrant a review of the investment manager's relationship with the Fund and any changes in investment professionals could warrant termination by the Board, and

WHEREAS, Invesco, Inc. has informed the Retirement System that five of their senior leaders and eleven other individuals will be departing from its fixed income group, and

WHEREAS, Gray & Company recommended to the Investment Policy Committee on April 3, 2007, that Invesco be placed on the watchlist for its Stable Value Product that the firm manages for the System, and

WHEREAS, the Investment Policy Committee agrees with Gray & Company's recommendation to place Invesco on the watchlist for the Stable Value Product, be it

RESOLVED, that the Board of Trustees places Invesco, Inc. on the watchlist for the Stable Value Product.

It was **moved** by Heatley and **seconded** by Pollock to place Invesco's Stable Value Product on the Watchlist.

Approved

D-3 City Attorney's Office Recommended Changes to the Proposed Duty-Death Ordinance

Ms. Fales reviewed her advisory memorandum included in the agenda packet, which outlines the recommended changes from the City Attorney's Office. The Board discussed concerns regarding the Worker's Disability Compensation Act, vesting issues, and benefits to beneficiaries, and Mr. Michaud suggested that the proposed language be further discussed and clarified between the Board's legal counsel and Ms. Fales before the language is sent to City Council for approval. The Board agreed, and thanked Ms. Fales for her time and preparation of the proposed lanaguage.

It was **moved** by Boonstra and **seconded** by Pollock to refer this language back to the Administrative Policy Committee in order to give Ms. Fales and the Board's legal counsel additional time to meet and discuss the changes in greater detail.

Approved

D-4 Authorization for Conference/Training – IFEBP/Investment Basics, July 14-18, 2007 – Judi Refalo (formerly Item C-5)

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, Judi Refalo, Pension Analyst, has requested the Board of Trustees' authorization for her travel to Brookfield, Wisconsin, at Retirement System expense, estimated at \$2,120.00 to attend the IFEBP-Investment Basics Certificate Series Training Program, to participate in continuing education in

her responsibility as Retirement System Staff person, therefore it be

RESOLVED, the Board of Trustees authorizes the conference/training request of Judi Refalo to travel to Brookfield, Wisconsin, at Retirement System expense, estimated at \$2,120.00, to attend the IFEBP-Investment Basics Certificate Series Training Program, to participate in continuing education in her responsibility as a Retirement System Staff person, and

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

Mr. Crawford stated he believes it would be more appropriate for Ms. Refalo to find an investment conference in the local area, rather than in Wisconsin since she works primarily with pension benefits and not investments. Mr. Pollock agreed, stating that he would want to make sure that the training is pertinent to what her role is as opposed to location and travel costs. Mr. Powell explained that the Board has always encouraged training and development of its staff, and because we have a small number of employees, it is the attempt to provide as much cross training as possible. Mr. Powell stated that IFEBP is one of the best trainers out there for employee benefit education, whereas a local school or training facility would be more generic in their training. Mr. Pollock stated he will not support the motion because he wants to be clear of what the staff's role needs to be internally and that they have clear marching orders when someone calls about a question that they are not qualified to answer, not that he doesn't want to support staff development at all, but he wants to have better understanding in this office of how we have a plan for training the staff.

Mr. Kahan stated he is inclined to support the request because of Mr. Powell's explanation, and the desire for the staff to be comprehensive, not only with the duties that they carry out every day, but the larger mission of the organization, and much of the mission has to do with investments.

It was **moved** by Kahan and **seconded** by Boonstra to approve the Authorization for Conference/Training for the IFEBP Investment Basics Conference for Ms. Refalo.

Motion passes 6-2

E. DISCUSSION ITEMS

E-1 Disability Re-Evaluation

Mr. Powell explained the Board's policy on annual disability re-evaluations, and stated that there is one retiree, Leza Scott, who qualifies and retired last June with a disability retirement, but since it has not been a full year since her retirement, he suggested that the Board wait until next year before sending her back for a re-evaluation. The Board agreed.

It was **moved** by Crawford and **seconded** by Heatley to wait until 2008 to refer Ms. Scott for a disability re-evaluation.

Approved

E-2 Post-Retirement Adjustment as Currently Written in the Retirement Ordinance

Mr. Powell stated that Mr. Armstrong with Gabriel, Roeder, Smith & Company has inquired as to this year's post-retirement benefit increase because the pending proposed Ordinance language is still being held in the City Attorney's Office, and would like to know if they should go ahead and calculate the increase based upon the current method in the Ordinance, which would be a percentage increase as opposed to a bonus increase which is being considered in the new language. Mr. Armstrong would be able to provide their report to the Board at the May 17th regular meeting. Mr. Heatley agreed, and stated he isn't sure how long it may take to get the proposed Ordinance language passed by Council.

It was **moved** by Crawford and **seconded** by Heatley to move ahead with the existing Ordinance language so that Gabriel, Roeder, Smith & Company can make their presentation at the Board meeting in May.

Motion passes by 7 votes and 1 abstention

F. REPORTS

F-1 Executive Report – April 19, 2007

MID-CAP CORE PRODUCTS

The Northern Trust Company offered the System the most competitive price for the S&P 400 Mid-Cap Index Fund. Northern will charge the System 2 basis points on the first \$50 million and 1 basis point for funds in excess of \$50 million. Contracts for the S&P 400 Mid-Cap were signed by the Board's Chair and sent to Northern for signatures. Contracts for the Russell Mid-Cap with Rhumblin have been forwarded to legal counsel for review.

2007 EDUCATIONAL LUNCHEON

The 2007 Retiree Educational Luncheon will be held on Thursday, April 26, 2007 at the Four Points Sheraton in Ann Arbor from 11:30 a.m.-2:30 p.m. As of April 13, 2007, 84 persons had registered. The educational topic is "Wellness & Aging" with Regina Abney from the Turner Geriatric Clinic. Ms. Regina ("Nina") Abney, L.M.S.W., A.C.S.W., received her M.S.W. and Certificate in Gerontological Studies from Boston University School of Social Work and has been in geriatric health and community based eldercare programs for over 18 years. She is a certified social worker whose practice includes: geriatric assessments, psychotherapy with individuals and families, and group work.

Ms. Abney is a native of Germany and is fluent in German and English. She has worked in the field of gerontology and social work in Massachusetts, New Jersey, Tuebingen, Germany and Michigan. Her special interests include long-term care issues, aging issues, and care giving, substance abuse prevention, as well as international social work. She enjoys walking, swimming and music, especially classical and Celtic.

TRANSITION IMAGING, LLC

Transition Imaging has scanned and returned all of the Regular, Disability, Deceased, and Deferred files. They have scanned and returned all the Retirement System & VEBA Board Minutes, and the Committee Meetings Minutes from 1999-2005.

PAPERLESS AGENDAS: Mr. Powell stated that beginning in May, the Board will be receiving their Committee and Board agenda packets electronically rather than by hard copy, since everyone has now received their laptop computers. Mr. Powell stated that any revisions to the agenda will be sent to the Trustees on Wednesday afternoon before the Thursday morning Board meeting. Mr. Powell discussed concerns regarding confidential information, and the Board discussed possible ways to encrypt the hard drives on the computers to avoid tampering, such as installing software and password-protections.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended March 31, 2007

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended March 31, 2007, to the Board of Trustees:

3/31/2007 Asset Value (Preliminary)	\$435,372,076
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2/28/2007 Asset Value (Audited by Northern)	\$435,748,908
Increase/Decrease in Assets (<i>excludes non-investment receipts and disbursements</i>)	\$1,686,308
Percent Gain <Loss>	0.4%
April 18, 2007 Asset Value	\$445,515,902

F-3 Investment Policy Committee Reports – April 3, 2007

Mr. Heatley reviewed the following IPC minutes:

Following are the Investment Policy Committee minutes from the meeting convened at 3:10 p.m. on **April 3, 2007**:

Member(s) Present: Boonstra, Heatley, Kahan, Pollock
Member(s) Absent: Sylvester
Other Trustees Present: None
Staff Present: Jarskey, Powell
Others Present: Larry Gray, Gray & Company
Charles E. Helppie III, Echelon Wealth Management, LLC
Matt Horning, City Treasurer

RHUMBLINE ADVISORS

Mr. Gray provided and reviewed informational materials on Rhumbline's index funds as well as an outline providing information on Rhumbline and other mid-cap value index managers. The outline indicates that Rhumbline was formed in October 1990 and they currently manage over \$15.9 billion in total firm assets. They currently manage approximately \$4.7 billion in Russell strategies, and service a variety of clients, ranging from Public Funds to Foundations/Endowments. Rhumbline currently services 56 Public Fund clients, and is 100% employee owned, which is currently the only indexer that has this status.

Mr. Gray reminded the Committee that their recent decision was to split the funds from Oppenheimer Capital into the S&P 400 and the Russell Mid Cap. Rhumbline's main objective in their mid cap index fund is to track the Russell Mid Cap index.

It was ***moved*** by Kahan and ***seconded*** by Pollock to give Mr. Powell the direction to negotiate with Rhumbline to cover the Russell Mid Cap and to determine the most perfect manager for the S&P 400 in the mid cap space.

Approved

INVESCO

Mr. Gray discussed recent news regarding Invesco, and that Deutsche Asset Management has taken approximately 16 people out of Invesco's fixed income division, many are senior and global partners for more administrative or analyst-types that are leaving Invesco to go to Deutsche Asset Management. Invesco has over 150 people globally in the team, so there is still depth and will still meet the services, but there are several top names in the organization being removed from the fixed income space. These changes involve the System's stable value fund, and Gray & Company is recommending that the Committee place Invesco on the watch list while they figure this out, at least for the next two quarters at the very minimum. Mr. Gray stated that he does not want to prematurely sell out stable value because we would be hard-pressed getting back in to stable value because of the recent tax law changes. Gray & Company is continuing to research this situation.

Mr. Powell asked Mr. Gray if he thinks that some of the Trustees should conduct a due diligence visit

to Invesco to check in with the people who would be managing the stable value fund. Mr. Gray stated that it may take 30+ days to let the dust settle and really know what is going to happen with this situation,

and it may not be centered in Dallas, but there may also be a lot of electronic communications going on. Mr. Gray agreed that later it would be a good idea to do an on-site visit and he would be happy to attend the visit as well.

It was **moved** by Kahan and **seconded** by Pollock to place the Invesco-Stable Value portfolio on the watch list, and direct Mr. Powell to send Invesco a letter expressing the Committee's concern, and that on behalf of the Fund, the Committee would like to conduct an on-site visit as soon as possible to get a better understanding and a resolution of the product and how this will impact the pension fund.

Approved

ALTERNATIVE INVESTMENTS

Mr. Kahan asked that the Committee discuss alternative investments, and asked Mr. Gray that when looking at our overall portfolio, what other alternative asset classes exist that he think might be complementary, bearing in mind we are a public fund and are looking for long-term growth and stability, and also considering the restrictions that we have and the size of our Fund. Mr. Gray stated that with the size of the System's Fund it doesn't keep us from much, and he likes private equity, and there are still a lot of quality companies that are able to assess value. There are also firms that can mitigate the J-curve, such as Mezzanine Financial.

Mr. Gray stated that there are also hedge funds and real assets such as timber, copper, oil, and the Committee should only attempt to get the best of the best, and if it can't it shouldn't go there at all. Mr. Gray also stated that he always advises his clients not to let relationships or politics get in the way of making these kinds of important decisions. Mr. Gray stated he would like to bring the Committee more information on the different asset classes. Mr. Kahan asked if adding to our alternative space some sort of a broad-based natural resource fund could enhance long-term performance, and Mr. Gray agreed that it would, not to say that the other classes wouldn't add enhanced performance. Mr. Pollock stated that he believes the Committee should look at all of the alternative assets without limiting it to just one area.

The Committee discussed a future meeting where alternative investments could be presented by Gray & Company, as well as a dollar amount that we might be able to direct into this additional class. Mr. Gray stated that he could bring a broad overview to the May meeting, and conduct an educational session at the June meeting. The Committee agreed.

ADJOURNMENT

It was **moved** by Pollock and **seconded** by Kahan to adjourn the meeting at 3:40 p.m.

The meeting was adjourned at 3:40 p.m.

F-4 Administrative Policy Committee Reports – April 3, 2007

Mr. Boonstra reviewed the following APC minutes:

Following are the Administrative/Personnel Committee minutes from the meeting convened at 2:31 p.m. on **April 3, 2007**:

Committee Members Present:	Boonstra, Carter, Crawford,
Members Absent:	Heatley, Sylvester
Other Trustees Present:	Pollock (2:30)
Staff Present:	Jarskey, Powell
Others Present:	None

BROAD REVIEW OF PENSION SYSTEM

(As included in the Executive Director Goals & Objectives)

Mr. Powell stated that the Board requested, that as one of his goals and objectives, he should perform a broad review of the pension system and make recommendations as to how it can be ran more effectively. Mr. Powell said that in doing research in finding how other systems are operating, he found that many current procedures are not in written form. Mr. Powell reviewed a draft of proposed "Governance Policies", which explains the System's background, purposes, and various process and policy guidelines.

Ms. Carter stated that she would like to see this documented somehow highlighted to show the items that are already in writing, items that are currently performed as a matter of policy but are not in written form, and the new items that are being proposed. Mr. Powell agreed, and stated that the majority of the content would be items that are performed and are not in writing. Mr. Boonstra suggested that the revised document be emailed to all of the Trustees within the next two weeks. Mr. Powell suggested that the Executive Director Evaluation packet be distributed to all of the Trustees at the regular Board meeting in May, so that the evaluations can be discussed at the June 5th APC meeting. The Committee agreed.

Mr. Powell noted other suggestions, such as obtaining a CPA firm that specializes in retirement tax laws, since there have been issues in the past where tax information was needed, and the System's actuary and legal counsel would provide different answers. Mr. Powell suggested that a fiduciary audit be conducted to look at the System's administration, and vendors (legal, actuarial, and investments) to find out if the System is getting the best services possible. Mr. Powell also suggested conducting a Request for Information for a claims management service, to review class action litigations.

The Committee discussed Mr. Powell's suggestions, and decided that Mr. Powell's annual evaluation and the review of the Governance Policies document should be the priority at this time, followed by the other three suggestions, and perhaps those items should be referred to the Audit Committee.

*It was **moved** by Crawford and **seconded** by Pollock to refer Mr. Powell's suggestions regarding RFI's for a CPA firm, fiduciary audit, and claims management service to the Audit Committee for further investigation.*

Approved

INVESTMENT COST ANALYSIS

(As included in the Executive Director Goals & Objectives)

Mr. Powell stated that the Committee has asked for an analysis of the true investment costs to the System, which he distributed for discussion. Mr. Powell reviewed the various accounting procedures that money managers use for billing, such as taking the fees directly from the account or providing quarterly invoices. Ms. Carter suggested adding the amount of funds each of the managers has, and per dollar, how much they are charging. After further minor suggestions, Mr. Powell stated that he would revise the analysis and bring it back to the next APC meeting.

COMPUTER POLICY

Mr. Boonstra stated that he has received his laptop computer and is still working with connection issues at his home. Mr. Powell stated that beginning in May, the Board and Committee packets will be sent electronically.

ADJOURNMENT

*It was **moved** by Pollock and **seconded** by Carter to adjourn the meeting at 3:10 p.m.*

Meeting adjourned at 3:10 p.m.

F-5 Special Projects Committee Report – April 3, 2007

Mr. Kahan reviewed the following SPC minutes:

Following are the Special Projects Committee minutes from the meeting convened at 1:15 p.m. on **April 3, 2007**:

<i>Committee Members Present:</i>	<i>Boonstra, Crawford (1:45), Kahan</i>
<i>Members Absent:</i>	<i>Heatley, Sylvester</i>
<i>Other Trustees Present:</i>	<i>None</i>
<i>Staff Present:</i>	<i>Jarskey, Powell</i>
<i>Others Present:</i>	<i>Bart Wise, Swisher Real Estate</i>

SESSION WITH BART WISE, SWISHER COMMERCIAL REAL ESTATE

Mr. Wise discussed the following proposed timeline with the Committee:

- 1. Set parameters, goals, budget and specifications. 1-30 days*
- 2. Tour sites that meet minimum requirements. 1-30 days*
- 3. Identify property. Negotiate/sign a Purchase Agreement. 1-30 days*
- 4. Due diligence for property under contract. Closing. 30-60 days*
- 5. Design interior improvements for property. Dual track as #4 above*
- 6. Perform interior improvements in prep for occupancy. 60-90 days*
- 7. Construct building (in the case of 2080 S. Main) 120-150 days*

Mr. Wise discussed available office condominiums and proposed site locations in the local Ann Arbor area. Mr. Kahan stated that he would like to begin site tours of some of the proposed locations, including the West Arbor Office Condominiums, Forest Cove, and the Huron Valley Professional locations. Mr. Wise agreed, and noted that he is still waiting for information on locations in the downtown area, such as Ashley Terrace. The Committee discussed when to conduct the site visits, and Mr. Boonstra stated that he would like to get back with the Retirement office as to what days would be good for him to be away from work. The Committee agreed, and decided to schedule the site visits after hearing from Mr. Boonstra.

ADJOURNMENT

*It was **moved** by Kahan and **seconded** by Crawford to adjourn the meeting at 1:56 p.m.
Meeting adjourned at 1:56 p.m.*

F-6 Legal Reports

Mr. Michaud requested that the Board hold an executive session at the end of this meeting for the purpose of discussing a securities litigation issue. The Board agreed.

G. INFORMATION

G-1 Communications Memorandum

The Communications Memorandum was received and filed.

G-2 May Planning Calendar

The May Planning Calendar was received and filed.

G-3 Vendor Contacts - None

H. TRUSTEE COMMENTS

There were no Trustee comments presented.

I. FUTURE AGENDA ITEMS - None

EXECUTIVE SESSION:

It was **moved** by Crawford and **seconded** by Boonstra to convene an executive session for the purpose of discussing Spartan Vinyl securities litigation.

Roll call vote:

Boonstra - Yes

Fraser - Absent

Nerdrum - Yes

Carter - Yes

Heatley - Yes

Pollock - Yes

Crawford - Yes

Kahan - Yes

Sylvester - Yes

Approved

Executive Session time: 10:12 a.m. – 10:25 a.m.

It was **moved** by Pollock and **seconded** by Boonstra to accept the terms of the buy-out for Spartan Vinyl securities held in the Loomis, Sayles & Company portfolio as reviewed by the Board's legal counsel.

Approved

Donaldson & Company Discussion:

Mr. Powell advised the Board that John Withers, the Board's representative with Donaldson, has resigned. Mr. Powell stated that he has spoken with Gray & Company as to what this means as far as going forward with our System. Gray & Company promised to look into the matter and report to the Board at the May 1st Equity Forum.

J. ADJOURNMENT

It was **moved** by Boonstra and **seconded** by Kahan to adjourn the meeting at 10:26 a.m.

Meeting adjourned at 10:26 a.m.

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