

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
November 15, 2007**

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

ROLL CALL

Members Present: Boonstra (8:47), Carter, Crawford, Heatley, Kahan, Nerdrum, Pollock, Sylvester
 Members Absent: Fraser
 Staff Present: Kluczynski, Powell, Refalo
 Others: Michael VanOverbeke, Legal Counsel
 Jeff Rentschler, City Retiree
 Brad Armstrong, Gabriel, Roeder, Smith & Company
 Michael Gano, Gabriel, Roeder, Smith & Company
 Stephen Postema, City Attorney (8:35-9:20)

AUDIENCE COMMENTS

Mr. Rentschler stated he would like to defer his statements until Item E-2- "Proposed Post-Retirement Benefit Increase Language Changes" is discussed later on the agenda.

A. APPROVAL OF REVISED AGENDA

Mr. Powell stated that the following items have been revised since the distribution of the agenda packet:

- B-2 Executive Session Regarding VCP
- C-1 Authorization for Payment of Invoices – New invoices added to resolution
- E-3 Declaration of General Trustee Representative

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

Approved as revised

B. APPROVAL OF MINUTES

B-1 October 18, 2007 Regular Board Meeting Minutes

It was **moved** by Kahan and **seconded** by Heatley to approve the October 18, 2007 regular Board Meeting minutes as presented.

Approved

B-2 EXECUTIVE SESSION – Attorney/Client Discussion

It was **moved** by Heatley and **seconded** by Carter to convene an executive session for the purpose of an attorney/client discussion.

Approved

Roll call vote to convene executive session:

Boonstra - Absent	Fraser - Absent	Nerdrum - Yes
Carter - Yes	Heatley - Yes	Pollock - Yes
Crawford - Yes	Kahan – Yes	Sylvester – Yes

Approved

Executive session time: 8:37-9:20 a.m.

C. CONSENT AGENDA

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

Preliminary Retirement Resolutions - None

Final Retirement Resolutions - None

Resolutions:

C-1 Authorization For Payment of Invoices (\$ 245,104.49)

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 Nancy Sylvester/Chairperson, Chris Heatley/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	375.00	Monthly Parking Fee
3	Gray & Company	7,750.00	Investment Consultant Retainer – October 2007
4	SBC / AT&T	87.83	Monthly Telephone Service - 9/14/07 – 10/13/07
5	Arbor Springs Water Co., Inc.	25.50	Monthly Water Service
6	AT&T	158.84	Monthly Toll-Free Telephone Service
7	Qwest	29.67	Monthly Long-Distance Telephone Service
8	Staples Business Advantage	188.50	Miscellaneous Office Supplies
9	Levi, Ray & Shoup, Inc.	5,000.00	WWW Hosting
10	301 E. Liberty LLC	83.40	Monthly Electric Charge – 10/03/07 - 11/02/07
11	Bradford & Marzec, Inc.	37,348.63	Investment Mgmt. Fees – July-September 2007
12	Fisher Investments	59,029.88	Investment Mgmt. Fees – July-September 2007

13	Heitman Real Estate Investment Mgmt	5,642.57	Investment Mgmt. Fees – July-September 2007
14	Independence Investments	58,389.33	Investment Mgmt. Fees – July-September 2007
15	Loomis, Sayles & Company	47,059.65	Investment Mgmt. Fees – July-September 2007
16	Rhumblin Advisers	4,862.11	Investment Mgmt. Fees – July-September 2007
17	Schwartz Investment Counsel	14,093.00	Investment Mgmt. Fees – July-September 2007
18	Republic Parking System	79.10	Monthly Parking Validation Fees
19	Arbor Springs Water Co., Inc.	25.50	Monthly Water Service
	TOTAL	245,104.49	

C-2 Authorization for Conference/Training – IFEBP Benefit Communication & Technology Clinic, March 10-11, 2008 – Kluczynski

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, Lora Kluczynski, Management Assistant, has requested the Board of Trustees' authorization for her travel to Miami Beach, Florida, at Retirement System expense, estimated at \$3,160.00, to attend the IFEBP Benefit Communication & Technology Clinic, to participate in continuing education in her responsibility as Retirement System Staff person, therefore be it

RESOLVED, the Board of Trustees authorizes the conference and training request of Lora Kluczynski to travel to Miami Beach, Florida, at Retirement System expense, estimated at \$3,160.00, to attend the IFEBP Benefit Communication & Technology Clinic, to participate in continuing education in her responsibility as Retirement System Staff person, and

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

Consent agenda approved

D. PRESENTATION: Report of the 61st Annual Actuarial Valuation for the Year Ended June 30, 2007 – Gabriel, Roeder, Smith & Company

Mr. Armstrong presented the Actuarial Valuation for the year ended June 30, 2007, stating that the report is very favorable this year. Summary of this year's Actuarial Valuation:

COMMENT A: The Retirement System's financial experience was favorable during the year ending June 30, 2007. The experience gain was primarily the result of greater than expected investment

income recognized for actuarial valuation purposes (8.5% actual vs. 7.0% expected). The results of the experience are shown in the comparative schedules on pages B-2 and B-3. The computed City contribution rate decreased this year and the funded percentage increased from 97.8% last year to 100.1% this year. Due to unrecognized gains in the next four years, the contribution rate is likely to see another decrease next year in the absence of poor market investment returns.

COMMENT B: As a result of the May 31, 1994 amendment to Section 1:580 of the Retirement System Ordinance, the Retirement System has "first call" on the millage revenue.

COMMENT C: We do not expect any further retiree health care expenses to be paid out of the Retirement System.

CONCLUSION: The minimum employer contribution to the Retirement System, for the fiscal year beginning July 1, 2008 is \$6,894,506. The employer contributions DO NOT include any provision for the payment of federal social security taxes. It is the actuary's opinion that the required contribution rates determined by the most recent actuarial valuation are sufficient to meet the System's financial objective, presuming continued timely receipt of required contributions.

It was **moved** by Heatley and **seconded** by Boonstra to receive and file the Actuarial Valuation Report as of June 30, 2007, to acknowledge the presentation by the Board's Actuary, and direct that a copy of the Report be forwarded to the City as an indication of the required employer contributions to the Fund for the fiscal year beginning July 1, 2008.

Approved

E. ACTION ITEMS

E-1 Proposed Duty-Death Ordinance Language Changes

Mr. Boonstra stated that this language is being submitted by the Administrative Policy Committee for the Board's approval. Mr. VanOverbeke stated that he has revised the language to include that it be effective January 1, 2006 (Section 1:569), which was always part of the APC's discussions, but was not added to the language before now. Mr. VanOverbeke gave a brief summary of the changes to the drafted language.

It was **moved** by Heatley and **seconded** by Boonstra to approve the drafted Duty-Death Ordinance language, and that it be forwarded to City Council through the City Attorney's Office for their consideration and adoption.

Approved

E-2 Proposed Post-Retirement Benefit Increase Language Changes

Mr. Rentschler stated that he has reviewed the language, and believes that Mr. VanOverbeke and the Administrative Policy Committee have done a tremendous job in drafting this document, and it is something that retirees can live with by giving those that have been retired the longest more money than recent retirees. Mr. VanOverbeke gave a brief explanation of the language changes, including the funding of the pension adjustment account, and the ability of the Board, depending on funding in the pension adjustment account, to issue a one-time supplemental bonus check at the end of the year while not doing away with the ability to grant permanent adjustments to benefit payments. The program focuses on those who have worked longer for the City and the longer they've been retired, the larger the amount of their bonus check.

Mr. VanOverbeke stated that the language was also "cleaned up" by removing outdated language regarding former programs that no longer apply, as well as placing all applicable language in the same section, whereas before there were many references to various parts of the Ordinance. If approved by City Council, the language would be effective as of July 1, 2007. The Board decided to

add language that refers to the actuarial assumption rate, and that wording is added to reflect three quarters above the current rate, which will give flexibility without having to change the language. Ms. Sylvester thanked Mr. Rentschler for his great interest, time, and effort with this benefit language.

It was **moved** by Carter and **seconded** by Heatley to approve the Post-Retirement Benefit Increase Ordinance language, including the excess earnings definition reflect that it is three quarters and one percent greater than the actuarial assumed rate of return, and that the language be forwarded to the City Attorney's Office for placement in front of City Council.

Approved

Mr. Kahan thanked all of those involved with bringing this language together, that it will be a vast improvement, and makes all the sense in the world.

E-3 Declaration of General Trustee Representative

Mr. Powell informed the Board that Ms. Sylvester was the only individual to file a Declaration of Candidacy Form with the City Clerk's Office, and according to the Board's Election Policy, Ms. Sylvester will automatically become the General Trustee, without an election, for the term beginning January 1, 2008-December 31, 2010. Mr. Powell stated that the Board is asked to officially declare Ms. Sylvester as a General Trustee for the next term.

It was **moved** by Boonstra and **seconded** by Nerdrum to declare Nancy Sylvester as a General Trustee for the term beginning January 1, 2008 through December 31, 2010.

Approved

Mr. Boonstra added that the General Membership usually has quite a few people running for this seat, and he believes it speaks highly of what the General members think of Ms. Sylvester, to not see anyone else to run, and he believes Ms. Sylvester has done a very good job, especially as Chair, and thanked her for her work on the Board.

F. DISCUSSION ITEMS

F-1 "Me-Too" for the Special Retirement Window Retirees

Ms. Sylvester stated that the AFSCME Union is still waiting for a response from Ms. Schuler on whether she would like to meet to further discuss this issue. Ms. Sylvester stated that after the October Board meeting, staff had sent documentation to Ms. Schuler, the Human Resources Director, asking for further clarification on whether the lump sum payments distributed during the Special Retirement Window constituted a rate of pay increase or not. Ms. Schuler has responded with a memorandum dated October 31, 2007 indicating that the City's response is "No", the lump sum payments do not constitute a rate of pay increase.

Ms. Sylvester clarified that given Ms. Schuler's response, staff will not be recalculating the Window retirees' FAC's by taking the rate of pay that was originally used for their FAC and multiplying it by 2.5%, 5%, or 7.5% depending on their years of service at the time of retirement, which would have affected their monthly benefit. Mr. VanOverbeke stated that the only thing that makes this complicated is issue of "rate of pay", and it is the City's position to determine what that is. They used the rate of pay to determine what the lump sum was, and Retirement Staff was ready to proceed with the recalculations, but the City stepped in to say that it was not a rate of pay increase and that the recalculations should not be done. Mr. VanOverbeke stated that the Board is the interpreter of the plan provisions, and the employer (City) is the interpreter of the employment relationship. If the issue here is that the employees received a lump sum of money from the employer, the characterization of that money and interpreter of what that money is, is the employer's interpretation. Once they tell you what it is, the Board's interpretation of what rate of pay means under the Ordinance if it is not clear, is the Board's. The decision isn't whether or not the rate of pay increase, or anything else, gets

added to the retiree's pensions, the issue is did this lump sum of money that the employer paid the employees is a bonus or a rate of pay increase. Once they characterize it and inform the Board of what it is, the Board has to administer it.

Ms. Sylvester summarized that it is the responsibility of the City in this instance to define what those payments are, and unless we see there is a gross inconsistency, we have to accept that. Mr. VanOverbeke agreed and stated that the Board should accept it. Ms. Sylvester stated that the arbitration was based on what another union had been given, which was a rate of pay change, and the fact that there were active employees who came in to work the following day with a higher rate of pay was the subject of another arbitration that was subsequently settled, so she doesn't believe that the fact that people didn't get a permanent change in their rate of pay meant that it wasn't a rate of pay change, it meant that that issue was settled subsequently between the union and the City in their next contract. Mr. VanOverbeke stated he is not familiar with the arbitration documents, so it is hard for him to comment on those decisions. Ms. Sylvester stated that it is difficult for her to make a decision when Mr. VanOverbeke is unable to provide guidance when he is unfamiliar with the arbitration background.

Ms. Nerdrum stated that she doesn't feel as a Trustee that her role is to get involved between the City and the union, and if something changes between the two, then perhaps the issue could be revisited. Ms. Carter agreed, stating that she doesn't think the Board should or can take sides in this issue, and if the City tells the Board this isn't a rate of pay increase, she doesn't want to challenge their statement, and doesn't believe the Board's attorney should interpret a labor agreement between the City and the union. Mr. Heatley stated that if Ms. Carter's motion is to hold a neutral stance from the Board's position by interpreting what we've been given, and that it leaves the door open for further City/labor resolutions, then he would support that; but if the intent of the motion is to accept the City's position, then he would have to vote no. Ms. Carter stated that the intent of her motion is that based on the memorandum and what the City has indicated in this instance, and the Board should take no action, but if there is a change in the position between those parties, then the Board could take a look at it.

Mr. Pollock stated that he believes the Board has to advocate for retirees where appropriate, and where the Union has not said anything about this determination by the City or have not asked the Board to step in or is not aware of it, then the Board should not put on a union hat and debate this for them. Ms. Sylvester stated she is not advocating for any party, and as Trustees, she does not want to be stuck in the middle of this issue, and if the motion is passed, it is taking that position, and she wants to be comfortable with understanding the ability to accept that it is the City's role and responsibility to tell us what a payment is to a party and is it a part of the Board's role to question that or not to question it. Mr. VanOverbeke stated that there are instances where the Board will review a labor agreement, to the extent that you have to interpret the plan provisions, the question isn't whether or not rate of pay increases are included in FAC's, the question is whether or not a payment made by the City to this group of retirees constitutes a rate of pay increase. In his mind, that is a labor issue with the City and isn't the Board's place to interpret what that is. If the union disagrees with the City on this, they have their means of challenging what that is and if an arbitration letter comes before the Board stating that this was a rate of pay increase, then the Board will look to the Plan document, and if it is deemed a rate of pay increase to be included in the FAC's, then the Board will change the benefit.

Mr. VanOverbeke stated there is no Plan interpretation to be done here; we know rate of pay increases are included in FAC's, but whether or not a payment made by the City to the employees constitutes a rate of pay increase is the City's decision. Mr. Kahan stated that the City entered into an agreement with the union, and agreed to a benefit, which was not called "rate of pay" in the Memorandum of Understanding, and therefore he is not inclined to interpret it as something other than that.

It was **moved** by Carter and **seconded** by Crawford that based on the memorandum from Ms.

Schuler dated October 31, 2007 as well as consulting with the Board's legal counsel, the Board at this time will make no adjustments to the retirement benefits payable to the members who retired under the Special Retirement Window unless the Board receives something different from the City, and that correspondence be sent to those members notifying them that the City has indicated that the lump sum distribution does not constitute a change in the rate of pay, and accordingly no adjustment will be made to their benefit.

Motion passes 7-1

G. REPORTS

G-1 Executive Report – November 15, 2007

PENSION BOARD ELECTION

The deadline for filing the Declaration of Candidacy for Board Trustee was Wednesday, November 7, 2007 at 5:00 p.m. The City Clerk's Office notified the Retirement System that the only person to file a declaration of candidacy by the deadline was Nancy Sylvester. Since Nancy Sylvester is unopposed for the General member seat there will not be an election per the Board's Election Policy.

UPDATE – JEFFREY HARMON

Staff received Jeffrey Harmon's final severance payout numbers from the City. The third party Workers Compensation Administrator for the City has also provided the Pension Office with Jeffrey's offset amount. As per the AFSCME contract his pension payments are required to be offset by the amount of his Workers Compensation payments. In regards to the Workers Compensation offset, the AFSCME contract reads as follows: The Worker's Compensation and pension benefits paid to an employee or retiree shall be coordinated so that the amount of pension paid to that person shall be reduced by the amount of the Worker's Compensation payments. Upon termination of the period for payment of Worker's Disability Compensation, arising on account of his/her City employment, the employee or retiree shall again receive his/her full periodic pension payments." Jeffrey's pension benefit check was processed for payment on Wednesday, November 7, 2007. As per the Board's direction from the Regular Meeting on October 18, 2007, Jeffrey Harmon's six-month re-evaluation period begins with the date of his first benefit payment: *"It was **moved** by Boonstra and **seconded** by Heatley that based on legal counsel's recommendation to send Mr. Harmon for a re-evaluation six months after the date of his first benefit payment. **Approved**"*

OUTSTANDING OVER-PAYMENTS OWED TO THE SYSTEM

Geneva Martin

On Wednesday, October 31, 2007 staff filed a complaint with the Ann Arbor Police Department against Ms. Nancy Rhoads, the daughter of the late retiree, Ms. Geneva Martin. Ms. Rhoads owes the Retirement System \$752.96. The \$752.96 resulted in an overpayment from the death of Ms. Geneva Martin. The funds had been automatically deposited into Geneva Martin's account. Ms. Rhoads had access to the account and expended the money.

The Ann Arbor Police Department assigned a detective to the case. The detective visited Ms. Rhoads' home. As a result, Ms. Rhoads contacted the Pension Office by phone and sent the letter below for the Board's deliberations.

Lois Hickonbottom

On Wednesday, October 31, 2007 staff filed a complaint with the Ann Arbor Police Department against Ms. Melissa Robinson the daughter of the late retiree, Mr. Lois Hickonbottom. Ms. Robinson owes the Retirement System \$4,282.57. The \$4,282.57 resulted in an overpayment from the death of

Mr. Lois Hickonbottom. The funds had been automatically deposited into Mr. Hickonbottom's account. Ms. Robinson had access to the account and expended the money.

The Ann Arbor Police Department assigned a detective to the case. The detective contacted Ms. Robinson. As a result Ms. Martin contacted the Pension Office by phone and delivered the letter below to the Retirement System for the Board's deliberations.

2008 ANNUAL BOARD RETREAT

The proposed dates and times for the 2008 Board Retreat are as follows:

Friday, January 25, 2008 8:30 a.m. 4:00 p.m.
Friday, February 1, 2008 8:30 a.m. -4:00 p.m.
Friday, February 8, 2008 8:30 a.m.- 4:00 p.m.

Trustees are encouraged to send suggested topics to the Executive Director. A proposed agenda will be provided to the Board in December.

Outstanding payments motion:

It was **moved** by Heatley and **seconded** by Boonstra to acknowledge the letters from Nancy Rhoads and Melissa Robinson and accept their resolutions to this issue, and the Board will reserve any further action on this pending their stated intentions.

Approved

Mr. VanOverbeke stated that he would create the contracts for the individuals to sign.

Annual Retreat discussion:

Mr. Powell asked the Trustees to decide on a date for the annual retreat, and it was decided that the retreat be held on Friday, February 8, 2008.

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

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

10/31/2007 Asset Value (Preliminary)	\$461,118,481
9/30/2007 Asset Value (Audited by Northern)	\$453,171,339
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$41,752,628
Percent Gain <Loss>	9.6%
November 14, 2007 Asset Value	\$450,746,257

(Mr. Pollock departed at this time)

G-3 Investment Policy Committee Report – November 6, 2007

Following are the Investment Policy Committee minutes from the meeting convened at 4:00 p.m. on November 6, 2007:

Member(s) Present: Heatley, Kahan, Pollock, Sylvester
Member(s) Absent: Boonstra

Other Trustees Present: None
 Staff Present: Kluczynski, Powell
 Others Present: Chris Kuhn, Gray & Company
 Ivory Day, Gray & Company

RETIREMENT SYSTEM QUARTERLY REVIEW
FOR THE QUARTER ENDED SEPTEMBER 30, 2007

Mr. Day reviewed the September 30, 2007 quarterly review. The Fund's total market value as of September 30, 2007 was \$453,171,340. The Fund had a return of 2.39% for the current quarter, and a return of 14.2% for the last twelve months.

Mr. Day reviewed the Summary of Manager Performance:

Managers	Market Value
Domestic Equity	\$ 247,024,713
International Equity	48,640,633
Fixed Income	94,697,457
Stable Value	13,109,979
Real Estate	46,711,194
Cash & Cash Equivalents	2,987,364
Total Plan	\$453,171,340
Total Equity	295,665,346

SCHWARTZ REQUEST FOR CHANGE TO INVESTMENT POLICY STATEMENT &
SCHWARTZ LONG-TERM PERFORMANCE CHART

Mr. Day stated that in March 2006 Schwartz Investment Counsel was granted the ability to expand the duration range to plus or minus 25% of the Lehman Index, and since that time, the added flexibility has resulted in enhanced performance. At this point, Schwartz is requesting that the range be further expanded to plus or minus 50% of the Index, and they believe the increased flexibility will enable them to add further value in their management of the System's assets. Mr. Day stated that whether the Committee should allow Schwartz to go to the 50 basis points or not depends on its confidence in them in terms of being able to utilize them as an active manager.

Mr. Day stated that Schwartz has been one of the System's managers for a long time, and they are showing their long-term performance from inception to now as doing very well, but we are living in a very different world now than we were then, and looking at more recent results the rolling-period-type results show an indication that they either have not or can not achieve the kind of results that the Committee probably wants to get from them. Mr. Day stated that he does not know that allowing them to go 50 basis points is going to help them do any better. Having a 50 basis point difference means that they are taking a more risky posture in relation to the Index which means that if they are wrong we stand to lose more for paying less, and if they are right we tend to gain more. Mr. Pollock stated that this begs the question, if you want to outperform you should give them the leeway, and if you don't want to outperform, you buy the Index, in other words, if we are not willing to give them the leeway, we should fire them and put the money in the Index.

Mr. Day stated that one of the questions he would ask Schwartz is how many of their other clients allow them to do this and for how long, and he would like to see their data so that he can do a comparison of the different constraints that they have. Mr. Day stated that he is not in a position to

endorse their request without seeing additional data and speaking with Schwartz directly. Mr. Kuhn stated that generally, Gray & Company is all for giving managers the flexibility to add value, but you don't want to give them too much rope to hang themselves because that will hurt the Fund, and it might be a good idea to have them come in to discuss this issue with the Committee. Mr. Pollock asked that Gray & Company provide questions that should be asked when speaking with Schwartz. It was decided that this item be postponed, and that Schwartz Investment Counsel be asked to attend the January 8, 2008 IPC meeting.

ADJOURNMENT

It was **moved** by Heatley and **seconded** by Pollock to adjourn the meeting at 4:33 p.m.
The meeting was adjourned at 4:33 p.m.

G-4 Administrative Policy Committee Report – November 6, 2007

Following are the Administrative/Personnel Policy Committee minutes from the meeting convened at 2:09 p.m. on November 6, 2007:

- Committee Members Present: Carter (2:23), Crawford, Heatley, Sylvester
- Members Absent: Boonstra
- Other Trustees Present: None
- Staff Present: Kluczynski, Powell
- Others Present: Michael VanOverbeke, Legal Counsel
Jeff Rentschler, City Retiree

PROPOSED DUTY-DEATH ORDINANCE LANGUAGE CHANGES

Mr. VanOverbeke stated that at the October APC meeting, Ms. Fales had submitted her revisions to the language, and most members had not had an opportunity to review the draft, so this item was postponed until today. Mr. VanOverbeke stated that he is comfortable with the Worker's Compensation language in the draft, and has no concerns with the remaining changes as submitted. Mr. VanOverbeke briefly reviewed the various changes in the drafted language, and stated that if the Board approves the document, it will then need to be sent to the Attorney's Office for forwarding to City Council.

It was **moved** by Heatley and **seconded** by Sylvester to approve the language as submitted by the Board's legal counsel, which includes the City Attorney's recommended changes, and direct that the proposed Ordinance draft in its entirety be forwarded to the full Board for review and approval at it's next meeting, and if approved, the language will then be processed for approval by City Council.

Approved

PROPOSED POST-RETIREMENT BENEFIT INCREASE LANGUAGE CHANGES

Mr. VanOverbeke stated that he has reviewed the drafted Ordinance language, which included a lot of format changes, and since last month he has reviewed the document to make sure that it was consistent with the earlier draft. Mr. VanOverbeke stated that the language is consistent with the earlier draft and what the Board had previously approved, and he recommends the Committee take the same action as it did with the first Ordinance document on the agenda. Ms. Sylvester asked Mr. VanOverbeke to give a brief review of the changes.

It was **moved** by Heatley and **seconded** by Carter to approve the language as submitted by the Board's legal counsel, which includes the City Attorney's recommended changes, and direct that the proposed Ordinance draft in its entirety be forwarded to the full Board for review and approval at it's next meeting, and if approved, the language will then be processed for approval by City Council.

Approved

BOARD GOVERNANCE POLICIES

Due to time constraints, the Committee decided to postpone this discussion until the December 4, 2007 APC meeting.

POVERTY INCREASE DISCUSSION

Due to time constraints, the Committee decided to postpone this discussion until the December 4, 2007 APC meeting.

ADJOURNMENT

It was **moved** by Carter and **seconded** by Heatley to adjourn the meeting at 3:05 p.m.
Meeting adjourned at 3:05 p.m.

G-5 Special Projects Committee Report – November 6, 2007

Following are the Special Projects Committee minutes from the meeting convened at 1:04 p.m. on November 6, 2007:

Committee Members Present:	Crawford (1:08), Kahan, Sylvester
Members Absent:	Boonstra, Heatley
Other Trustees Present:	None
Staff Present:	Kluczynski, Powell, Refalo
Others Present:	Bart Wise, Swisher Real Estate Jeff Rentschler, City Retiree

REAL ESTATE PURCHASE

Mr. Wise reviewed his revisions to the sales contract that were discussed at the last SPC meeting. Ms. Sylvester stated that she wants to be sure that the seller obtain all of the necessary permits to ensure that the purchasing process goes smoothly. Ms. Sylvester noted that before we would be able to begin constructing our portion of the building, all of the other individual units in the building will have to have all of the necessary construction permits filed with the City, even if there are no prospective tenants scheduled for occupancy. Mr. Wise stated he would discuss this with the seller, and add this language to the sales contract.

The Committee discussed hiring a liaison to work between the Committee and the seller to oversee the entire project. Ms. Sylvester stated that she knows of someone who is a retired chief building inspector for the City, is a licensed builder, a registered building and mechanical inspector, and he knows the workings of the City as well as local contractors. Mr. Wise agreed that hiring this person as a project manager would eliminate a lot of the second-guessing that the Committee is dealing with, and we could be confident that the process is going smoothly and on schedule. It was noted that legal counsel would be asked to write up an agreement before hiring a project manager. Mr. Powell stated that he would call around to find out what the going rate is for this kind of consultant. Mr. Powell suggested that at the next meeting the Committee discuss a projected flow chart and timeline in order to stay on track.

It was **moved** by Sylvester and **seconded** by Kahan to authorize Mr. Powell to hire a project manager subject to legal counsel's written agreement with this individual.

Approved

ADJOURNMENT

It was **moved** by Sylvester and **seconded** by Kahan to adjourn the meeting at 2:05 p.m.

Meeting adjourned at 2:05 p.m.

Mr. Powell stated that he has spoken with Mr. Barber, who has agreed to work as a liaison between the Retirement System, the Realtor, and the seller at a rate of \$50.00 per hour.

G-6 Audit Committee Report – November 6, 2007

Following are the Audit Committee minutes from the meeting convened at 4:45 p.m. on November 6, 2007:

<i>Committee Members Present:</i>	<i>Nerdrum, Pollock, Sylvester</i>
<i>Members Absent:</i>	<i>Crawford</i>
<i>Other Trustees Present:</i>	<i>None</i>
<i>Staff Present:</i>	<i>Refalo, Powell</i>
<i>Others Present:</i>	<i>None</i>

Mr. Pollock requested that the agenda items be switched in order to discuss the Scope of the Audit first. The Committee agreed.

SCOPE OF AUDIT– ABRAHAM & GAFFNEY, P.C.

Mr. Pollock stated that the Committee had recently asked Mr. Powell and Ms. Jarskey to put together an executive summary of the audit so that the Committee could present an overview of the audit to the Board. Mr. Pollock stated that the report that was submitted does not cover what the audit does and doesn't cover. Mr. Pollock stated that what the Committee is looking for is an executive summary of what the audit is, the scope of the audit, and the process of constructing the report, and that it should not be more than a one-page summary. Mr. Powell stated that he believed that the Committee wanted to view the source documents and what the auditors use to process the audit. Ms. Nerdrum stated that when looking at the submitted report as an independent Trustee, she would not have a clear understanding of what Abraham & Gaffney do versus what we think should be done from a plan audit, which would be the next step, to go into a full plan audit and having an understanding of what is currently being done and what do we need to have done.

Ms. Nerdrum stated that it is helpful for both the Committee and the Board to know what is the scope of the financial audit and what's being looked at so that when we go to look at the broader Plan fiduciary audit we will be able to see what's currently being done. Mr. Pollock stated that the summary should be made in a user-friendlier format so that anyone could read and understand what the audit is and is not; such as this is a transaction audit, but not a fiduciary audit. Mr. Pollock suggested that the summary also include an explanation of Pension Gold since it is used in creating the audit. Mr. Pollock asked Mr. Powell to be sure to include a summary of the items that the Board actually has authority to change (actuarial assumptions, cost of living increases, etc.), and which items are City Council driven, plan sponsor driven, and Trustee driven, which gets back to tying together Ms. Nerdrum's actuarial presentation because it shows what we do and do not have an impact on in this report.

Ms. Nerdrum asked about the status of the fiduciary audit, and Mr. Powell stated that he has begun to work on pulling information together and has spoken with an audit firm. Mr. Powell stated that he could send the Committee a copy of the RFP to be sure it is on track with what the Committee wants to include. Mr. Pollock suggested that other municipalities be contacted to see what their process has been when performing a fiduciary audit, and MAPERS may have information as well. Mr. Powell stated he would like to have the RFP completed by December so that interviews of firms could be conducted in January 2008. Mr. Pollock asked that Mr. Powell provide an idea from MAPERS or other Executive Directors of how many municipalities have actually done a fiduciary audit, and what MAPERS (or NCPERS) may recommend for an audit because they may be able to provide examples.

ACTUARIAL BASICS PRESENTATION

Ms. Nerdrum stated that it would be helpful if she could receive feedback on what the Trustees and the Committee needs to see in her presentation at the Board Retreat next year. Mr. Pollock suggested that everyone review the powerpoint presentation and direct their suggested changes and recommendations to Ms. Nerdrum as soon as possible. Mr. Powell was asked to forward the previous presentation to all of the Committee members for their review and comments.

ADJOURNMENT

It was **moved** by Sylvester and **seconded** by Nerdrum to adjourn the meeting at 5:18 p.m.
Meeting adjourned at 5:18 p.m.

G-7 Legal Report

Mr. VanOverbeke requested that the Board convene an executive session for the purpose of discussing various securities litigation cases.

It was **moved** by Boonstra and **seconded** by Nerdrum to convene an executive session for the purpose of discussing various securities litigation cases that the Board is involved with.

Roll call vote to convene executive session:

Boonstra - Yes	Fraser - Absent	Nerdrum - Yes
Carter - Yes	Heatley - Yes	Pollock - Absent
Crawford - Yes	Kahan - Yes	Sylvester - Yes

Approved

Executive Session time: 11:34 – 11:44 a.m.

It was **moved** by Heatley and **seconded** by Crawford to acknowledge receipt of the securities litigation reports from the Board's legal counsel as well as two memorandums dated September 26, 2007 regarding Health Management Associates Inc. Securities Litigation, and September 26, 2007 regarding Radian Group Inc. Securities Litigation, and to ratify the Board's movement as a lead plaintiff in both cases.

Approved

H. INFORMATION

H-1 Communications Memorandum

The Communications Memorandum was received and filed.

H-2 December Planning Calendar

The December Planning Calendar was received and filed. Ms. Nerdrum requested that the Audit Committee meeting be changed to Thursday, December 13, 2007 at 4:30 p.m.

H-3 Vendor Contacts

The Vendor Contacts information was received and filed.

H-4 Status of Pending Projects Report

The Status of Pending Projects Report was received and filed.

H-5 Correspondence from Julie Gonsch, The Northern Trust Company

Ms. Gonsch, the System's Relationship Manager with Northern for almost 5 years, has submitted a letter indicating that she will be moving into a different position within the company, and that Michael Peska, her current back up, will be the interim Relationship Manager for the System. Mr. Peska is a Vice President and has been with Northern for 15 years.

I. TRUSTEE COMMENTS

Mr. Boonstra thanked the Board for allowing him to attend the recent IFEBP Conference, which was very beneficial. Mr. Boonstra also thanked everyone involved with working on the Ordinance changes that were discussed earlier in the agenda.

Mr. Crawford suggested that the Retirement System's website be updated to add all of the minutes going back to January 2007. The Board agreed.

Mr. Powell asked the Board to approve a travel reimbursement for Mr. Boonstra, who had turned in a travel reimbursement, but was then misplaced. The Board agreed.

It was **moved** by Heatley and **seconded** by Crawford to approve the travel reimbursement for Mr. Boonstra.

Approved

J. ADJOURNMENT

It was **moved** by Crawford and **seconded** by Kahan to adjourn the meeting at 11:50 a.m.

Meeting adjourned at 11:50 a.m.

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