City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
August 19, 2015

The meeting was called to order by Jeremy Flack, Chairperson, at 8:39 a.m.

ROLL CALL

Members Present: Clark, Crawford, DiGiovanni, Flack, Hastie, Heusel, Lynch, Monroe, Nerdrum

Members Absent: None

Staff Present: Kluczynski, Walker

Others: Larry Langer, Buck Consultants (8:39-9:36)  
        Sharie Sell, Human Resources (8:39-9:36)

Ms. Walker introduced the two new Citizen Trustees to the Board, Julie Lynch and Tony DiGiovanni.

AUDIENCE COMMENTS – None

A. APPROVAL OF REVISED AGENDA

Since distribution of the original agenda packet, Mr. Langer had forwarded a letter as part of his presentation which has been added (Item D), and Ms. Walker submitted a revised Executive Report (Item H-1).

It was moved by Heusel and seconded by Clark to approve the agenda as revised.

Approved

B. APPROVAL OF MINUTES – July 16, 2015

It was moved by Crawford and seconded by Nerdrum to approve the July 16, 2015 Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA

C-1 Reciprocal Retirement Act – Service Credit

WHEREAS, the Board of Trustees is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees acknowledges that, effective July 14, 1969, the City of Ann Arbor adopted the Reciprocal Retirement Act, Public Act 88 of 1961, as amended, to provide for the preservation and continuity of retirement system service credit for public employees who transfer their employment between units of government, and

WHEREAS, the Board acknowledges that a member may use service credit with another governmental unit to meet the eligibility service requirements of the Retirement System, upon satisfaction of the conditions set forth in the Reciprocal Retirement Act, and

WHEREAS, the Board is in receipt of requests to have service credit acquired in other governmental unit retirement systems recognized for purposes of receiving benefits from the Retirement System, therefore be it

RESOLVED, that the Board of Trustees hereby certifies that the following member(s) of the Retirement System have submitted the requisite documentation for the recognition of reciprocal retirement credit:
<table>
<thead>
<tr>
<th>Name</th>
<th>Classification</th>
<th>Reciprocal Service Credit</th>
<th>Prior Reciprocal Retirement Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jefferson Robinson</td>
<td>Police</td>
<td>9 months</td>
<td>University of Michigan</td>
</tr>
</tbody>
</table>

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.

It was moved by Heusel and seconded by Crawford to approve the Consent Agenda as submitted.

Approved

D. **PRESENTATION – Larry Langer, Buck Consultants**

Mr. Langer was present to address concerns submitted to him in a letter dated June 18, 2015 from the Board of Trustees regarding issues and the need for clarification of his funding presentation at this year’s Board Retreat. The Board requested that he be present for further clarification.

E. **EXECUTIVE SESSION – Disability Re-Examination, & Executive Director Annual Evaluation**

It was moved by Clark and seconded by Crawford to convene an Executive Session for the purpose of discussing the disability re-examination medical report for Ralonda Robinson, as well as the Executive Director’s annual evaluation.

Approved

Roll call vote:

- Clark - Yes
- Flack - Yes
- Lynch - Yes
- Crawford - Yes
- Hastie - Yes
- Monroe - Yes
- DiGiovanni - Yes
- Heusel - Yes
- Nerdrum - Yes

Disability Re-Exam session time: 9:36 a.m. – 9:59 a.m.
E.D. Evaluation session time: 9:59 – 10:44 a.m.

F. **ACTION ITEMS**

**F-1 Motion Regarding Disability Re-Examination**

It was moved by Hastie and seconded by Heusel that the Board acknowledges receipt of the medical report dated July 28, 2015 from Carla Guggenheim, D.O., F.A.C.P., with regards to the independent medical re-evaluation of Ralonda Robinson, noting that the doctor has concluded that she remains totally and permanently incapacitated for duty in the service of the City, and that such incapacity will probably be permanent; the Board therefore grants the continuation of her disability retirement consistent with the Board’s Disability Retirement Procedures, and that Ms. Robinson be requested to continue with the annual medical re-examinations per the Board’s Policy.

Approved
F-2  Motion Regarding Executive Director Annual Evaluation

It was moved by Monroe and seconded by Crawford to grant Ms. Walker a 2.75% pay adjustment consistent with City policy retroactive to July 1, 2015.

Approved

G.  DISCUSSION ITEMS  - None

H.  REPORTS

H-1  Executive Report – August 19, 2015

INTERCONTINENTAL REIF III DISTRIBUTION

A distribution from the Intercontinental Real Estate Fund (REIF) III of $2,537,357.66, representing CAAERS pro-rata share of a total of $80,000,000, derived from the sale of two properties, was received July 23, 2015.

DRA GROWTH AND INCOME CAPITAL CALLS

Capital calls were funded on July 30 for the acquisition of several new properties, and to pay down the Fund’s credit facility for existing properties, in the amount of $818,519, for the Retirement System’s pro-rata share, and in the amount of $240,741, for the VEBA’s pro-rata share of the total capital call of $130,000,000. After this capital call the remaining Commitment to the Fund is $5,860,931 for the Retirement System and $1,723,803 for the VEBA.

INVESCO CAPITAL CALL

INVESCO Mortgage Recovery Loans AIV, L.P. - Capital Call #20 was made on July 24, 2015 in connection with additional funding of portfolio investments. The total amount of the Drawdown: $7,375,726. Retirement System’s allocable share of drawdown: $98,189.

INVESCO DISTRIBUTIONS


IRONSIDES COINVESTMENT FUND III

A capital call in the amount of $520,149.13 was issued for August 10, 2015 for Constitution Capital Partners Ironsides Co-Investment Fund III.

SUMMIT PARTNERS CREDIT FUND

On August 17, 2015, $248,400 was returned to the Retirement System and $62,100 to the VEBA from Summit Partners Credit Fund II, L.P. (the "Fund"). With this return, we will have funded twenty-six and nine-tenths percent (26.9%) of your total commitment to Summit Partners Credit Fund II, L.P. The capital was called in anticipation of closing on a specific investment, which has been put on hold.

ACTUARIAL VALUATION PROGRESS

For the pension census files, the new hire, termination, lump sums and allowance files, as well as the inactive retired and deferred retiree files have been completed and sent to Buck well in
advance of the scheduled date of July 31st. Buck submitted requests for clarification, and fluctuation analysis which are being completed by staff.

Submission dates:
- Data Request file with the new retirees and deferred members - July 7th
- Allowances and Lump Sum report - July 7th
- Termination Data - July 9th
- New Hire Report - July 9th
- Active Annual and Hourly Rates - July 13th
- Active Pay and Contribution Report - July 14th

The Retiree Health care census files and claims data were received by Kelly Beck, Benefits Manager at the City, August 12; however she stated she experienced trouble opening the files. As of 8-17- 2015 Kelly indicated all VEBA census information has been provided.

The accounting reports for FYE 2015 for the City have all been submitted on or before the due dates.

**STAFF ACTIVITY**

Staff has conducted one Retirement System Employee Self-Service presentation/training sessions, August 13, and scheduled another September 10, in early a.m., for Wheeler field operations staff at their facility. Initial sign up for the August 10th session was only 2 people, but there were additional walk-ins.

The RFP for legal services was issued on August 3 with a due date of September 8, 2015. The RFP was posted on the System’s website, on the MAPERS website, advertised as a legal notice on the Michigan bar website, and on the MLive website under legal notices. No responses have been received yet.

**H-2 City of Ann Arbor Employees’ Retirement System Preliminary Report for the Month Ended July 31, 2015**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended July 31, 2015 to the Board of Trustees:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/31/2015 Asset Value (Preliminary)</td>
<td>$470,046,511</td>
</tr>
<tr>
<td>6/30/2015 Asset Value (Audited by Northern)</td>
<td>$474,330,128</td>
</tr>
<tr>
<td>Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)</td>
<td>$8,304,473</td>
</tr>
<tr>
<td>Percent Gain &lt;Loss&gt;</td>
<td>1.8%</td>
</tr>
<tr>
<td><strong>August 18, 2015 Asset Value</strong></td>
<td><strong>$ 473,967,604</strong></td>
</tr>
</tbody>
</table>

**H-3 Investment Policy Committee Minutes – August 4, 2015 (Hastie)**

Following are the Investment Policy Committee minutes from the meeting convened at 3:05 p.m. on August 4, 2015:

Member(s) Present: Clark, Flack, Monroe
Member(s) Absent: Hastie
Other Trustees Present: None
Staff Present: Jarskey, Walker
Others Present: Henry Jaung, Meketa Investment Group
Edward Urban, Meketa Investment Group

**JUNE 30, 2015 QUARTERLY INVESTMENT REVIEW**

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As of June 30, 2015, the Retirement System was valued at $474.1 million, a decrease of $1.4 million for the fiscal year.

- During the fiscal year, the Retirement System reported net cash outflows of approximately $19.1 million.

The Retirement System returned -0.1% for the second quarter, and 3.6% for the fiscal year, net of fees.

- The Retirement System’s second quarter return was driven by mixed performance among the asset classes.
- Equities posted negative performance for the quarter, excluding international emerging markets. Both domestic and international developed equities returned -0.1% for the quarter. International emerging markets posted gains of 0.7%.
- High yield bond assets achieved the highest return within fixed income (+0.7%), followed by bank loans (+0.6%). Investment grade bonds, TIPS, and emerging market debt all declined for the quarter, posting returns of -1.0%, -0.2%, and -0.6%, respectively.
- Real estate performance was positive at 2.4%, while hedge funds declined 0.5%.

At the end of June, the Retirement System was within all of its asset allocation target ranges.

**DISCUSSION REGARDING RECENT FOIA**

The Committee discussed a recent FOIA request for information pertaining to investment manager performance; Ms. Walker stated that these requests are becoming more frequent and often require significant staff time. The Committee, along with Meketa, decided that going forward staff will include additional performance detail from Meketa’s quarterly reports on the System’s website in order to make the information more accessible to the public.

**IPC PROJECT TRACKING**

Due to time constraints, this item was postponed until the October IPC meeting.

**ADJOURNMENT**

It was moved by Flack and seconded by Clark to adjourn the meeting at 4:47 p.m. Meeting adjourned at 4:47 p.m.

<table>
<thead>
<tr>
<th>IPC Project Tracking Table</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
</tr>
<tr>
<td>Board’s Preliminary Financial Report: Add benchmark info on reports – stock market index</td>
</tr>
<tr>
<td>Custom Benchmarks</td>
</tr>
</tbody>
</table>

**H-4 Administrative Policy Committee Minutes – August 11, 2015 (Monroe)**

Following are the Administrative Policy Committee minutes from the meeting convened at 1:46 p.m. on August 11, 2015:
Committee Members Present: Crawford, Monroe, Heusel
Members Absent: None
Other Trustees Present: None
Staff Present: Kluczniski, Walker
Others Present: None

EXECUTIVE DIRECTOR EVALUATION PREPARATION

The Committee convened a closed session to discuss Ms. Walker’s annual evaluation (1:49-2:28 p.m.). It was decided that a formal evaluation will be conducted with the full Board of Trustees at the August 19th regular meeting.

FAC RECALCULATION POLICY

The Committee continued their discussion regarding the revised FAC Recalculation Policy. After discussion regarding the proposed language and the various case-by-case scenarios, Mr. Monroe stated that he still is not comfortable with the language as presented, and believes a brief discussion with the Board of Trustees may be necessary. Due to time constraints, the Committee decided to postpone further discussion until the September APC meeting.

APC PROJECT TRACKING

Due to time constraints, the project tracking table was postponed until the September APC meeting.

ADJOURNMENT

It was moved by Heusel and seconded by Crawford to adjourn the meeting at 3:00 p.m.
Meeting adjourned at 3:00 p.m.

<table>
<thead>
<tr>
<th>Description</th>
<th>Originated</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance Policy</td>
<td></td>
<td>Pending</td>
</tr>
<tr>
<td>Fiduciary Audit Recommendations &amp; Considerations (Ennis Knupp report)</td>
<td></td>
<td>Pending</td>
</tr>
<tr>
<td>- Continue to discuss priorities and next steps on implementation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue with Worker’s Compensation &amp; Pension Payment Integration for a Disability Retiree</td>
<td>12/9/2014</td>
<td>Pending</td>
</tr>
</tbody>
</table>

H-5 Audit Committee Minutes – No Report

H-6 Legal Report – No Report

I. INFORMATION (Received & Filed)

I-1 Communications Memorandum

I-2 September Planning Calendar

I-3 Record of Paid Invoices

The following invoices have been paid since the last Board meeting:
<table>
<thead>
<tr>
<th>PAYEE</th>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hasselbring-Clark Co.</td>
<td>132.34</td>
<td>Monthly copier cost per copy – May &amp; June 2015</td>
</tr>
<tr>
<td>Arbor Inspection Services, LLC</td>
<td>235.00</td>
<td>Annual fire sprinkler/alarm inspection</td>
</tr>
<tr>
<td>Fall MAPERS Registrations</td>
<td>825.00</td>
<td>Clark, Walker, Kluczynski</td>
</tr>
<tr>
<td>Fisher Investments</td>
<td>62,965.03</td>
<td>Investment mgmt. fees: 4/30/2015 - 6/30/2015</td>
</tr>
<tr>
<td>DTE Energy</td>
<td>12.04</td>
<td>Monthly Gas Fee dated</td>
</tr>
<tr>
<td>DTE Energy</td>
<td>256.11</td>
<td>Monthly Electric Fee dated</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>382.34</td>
<td>Monthly telephone service</td>
</tr>
<tr>
<td>Loomis, Sayles &amp; Company</td>
<td>46,403.10</td>
<td>Investment manager fees for 4/1/2015-6/30/2015</td>
</tr>
<tr>
<td>Allstar Alarm LLC</td>
<td>90.00</td>
<td>Quarterly alarm monitoring – August-October 2015</td>
</tr>
<tr>
<td>B Green and Clean</td>
<td>140.00</td>
<td>Office cleaning services for October 2015</td>
</tr>
<tr>
<td>Staples Advantage</td>
<td>84.06</td>
<td>Miscellaneous Office supplies</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>111,525.02</strong></td>
<td></td>
</tr>
</tbody>
</table>

I-4 Retirement Report

Retirement paperwork has been submitted by the following employee(s):

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of Retirement</th>
<th>Effective Date</th>
<th>Group</th>
<th>Years of Service</th>
<th>Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wendy Rampson-Gage</td>
<td>Age &amp; Service</td>
<td>September 5, 2015</td>
<td>General</td>
<td>31 years, 3 months</td>
<td>Community Services, Planning &amp; Development</td>
</tr>
</tbody>
</table>

J. TRUSTEE COMMENTS

Mr. Monroe informed Ms. Lynch and Mr. DiGiovanni of the Fall MAPERS Conference in September, suggesting that they let staff know if they wish to attend in order to arrange registrations.

K. ADJOURNMENT

It was moved by Nerdrum and seconded by Hastie to adjourn the meeting at 11:17 a.m.

Meeting adjourned at 11:17 a.m.

Nancy R. Walker, Executive Director
City of Ann Arbor Employees’ Retirement System