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

ROLL CALL

Members Present:  DiGiovanni, Flack, Grimes, Lynch, Monroe, Nerdrum, Praschan, Schreier
Members Absent:  Hastie
Staff Present:  Buffone, Gustafson, Hollabaugh (Via TX), Orcutt
Others:  Michael VanOverbeke, Legal Counsel
          Paul Nacario, Innovest (Via TX)
          Jared Martin, Innovest (Via TX)
          Troy Jensen, Innovest (Via TX)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was moved by Monroe and seconded by Grimes to approve the agenda as submitted.
Approved

B. APPROVAL OF MINUTES

B-1  November 17, 2022 Regular Board Meeting

It was moved by Monroe and seconded by Grimes to approve the November 17, 2022 Regular 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>Plan</th>
<th>Reciprocal Service Credit</th>
<th>Prior Reciprocal Retirement Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris MacFarland</td>
<td>Community Services</td>
<td>Traditional</td>
<td>2 Years, 1.5 Months</td>
<td>Livonia Public Schools</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 Monroe and seconded by Grimes to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1  Member Interest Credits for Calendar Year 2023

GRS submitted a letter regarding the member interest credits, indicating that the computed rate of return for the fiscal year ending June 30, 2022 is 7.5%. Therefore, 1.82% regular interest should be credited to member accounts for the quarter ending March 31, 2023 and each of the remaining three quarters in calendar year 2022. Ms. Nerdrum asked that staff follow up with GRS to request a clarification on how they compute this figure per the Ordinance language.

It was moved by Monroe and seconded by Nerdrum to approve the Member Interest Credits for Calendar Year 2023.

Approved

D-2  Summary Annual Report for Fiscal Year End 6/30/2022

Ms. Orcutt presented the Summary Annual Reports for the fiscal year ended June 30, 2022 noting that the financial statements would be added once the Auditors have completed their audit. The Board discussed and agreed to table this item until the financial statements have been completed.

D-3  Notice of Disability Application

Ms. Orcutt informed the Board of the recent Disability Application received for Brent Kostanko. The applicant will be scheduled to visit the Board’s Medical Director and the medical report will be presented to the Board for review.

E. DISCUSSION ITEMS

E-1  Innovest Update
Paul Nacario, Troy Jensen and Jared Martin were present to provide updates to the Board regarding MissionSquare and the upcoming RFP.

Innovest is working on finalizing the 1 year extension MissionSquare contract with updated pricing. Innovest will confirm the contract is fully finalized and when the new pricing will be effective.

Innovest is working on the investment lineup changes approved at the October Board meeting. Ray Fortin confirmed with Innovest that the new funds will be effective February 24, 2022. MissionSquare will provide high level communication of changes to members when transitions occur. Innovest will provide a supplement to that communication and will submit a draft to Staff for review. It was also recommended by Innovest to have HR and Staff work with MissionsSquare to provide education sessions. Innovest would join remotely to provide support. Innovest can also provide 3-5 minute tutorial videos. The transition is expected to take 40-45 days to transition following communications to participants. There will be a 1 day black out period during this timeframe. Members will still have access to view their account but will not be able to make changes.

Missionsquare has been working behind the scenes for approximately 2 years to outsource their record keeping platform for efficiency and cost. The new platform went live October 2022. There have been multiple issues during this transition and the new platform is not as user friendly. Innovest has seen some hurdles with this transition for both participants and plan sponsors across their client base. For example, each participant had to re-create a password to gain access to the new platform. This resulted in long call times causing customer service issues with MissionSquare. Innovest mentioned that this transition has not been as smooth as anticipated however MissionSquare has been responsive in making corrections during this time.

Ms. Orcutt informed the Board of the long call times including the inefficient automated call back feature. Staff has received complaints from members and retirees regarding the lack of customer service. Payroll is also continuing to have issues using the new platform along with Staff having difficulty with the reporting. Ms. Orcutt will be meeting with Ray Fortin next week to discuss the progress. Innovest recommends continuing to push back with MissionSquare and review/discuss further during the RPF process. However, it’s important not to rush the RFP process to avoid a similar platform transition issue.

Innovest presented and discussed a drafted RFP timeline with the Board. Innovest will be onsite for the January meeting to discuss the RFP.

E-2  Update on Financial Statements/Audit Status

Ms. Orcutt, Ms. Buffone and Ms. Praschan discussed the status of the Financial Statements and Audit. Staff voiced their concerns regarding the audit. Ms. Praschan noted that Rehmann was having staffing issues which maybe the cause of some of the delays and issues. The Auditors are continuing to work on the statements and recently sent a revised draft for Staff to review. They must be submitted by 12/31 to avoid penalty.

F. REPORTS

F-1  Executive Report – December 15, 2022
DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA requested a capital call of our commitment to the Growth and Income Fund X in the amount of $521,053 for the Retirement Plan and $347,368 the VEBA on 12/7/22 for the purpose of funding current commitments.

MESIROW CAPITAL CALL

Mesirow Financial Private Equity Fund VIII-A, L.P. requested a capital call in the amount of $650,000 for the Retirement Plan and $195,000 for the VEBA on 12/12/22. With these installments, CAAERS will have funded 34% of our total commitments of $10,000,000 for the Retirement Plan and $3,000,000 for the VEBA.

SUMMIT PARTNERS DISTRIBUTIONS

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of $471,374 for the Retirement System and $130,936 for the VEBA on 12/8/22.

CONSTITUTION CAPITAL CALL

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of $192,469 for the Retirement System and $64,156 for VEBA to fund current investments and pay management fees on 12/22/22.

PENSION ADMINISTRATION SOFTWARE CONVERSION

Staff continues to meet weekly with Milliman and has started one hour training sessions. Milliman was onsite for all day training with Staff on 12/7. The “Go Live” date was postponed from 12/1 to 12/19. Staff will have a 30-day period from that date to continue to test and advise Milliman of any issues with calcs, data or reports. Service with Buck will be extended until January 31, 2023. Please see timeline for additional updates.

FYE/AUDIT UPDATE

Rehman provided drafts of the financial statements on November 15th which were revised and returned to Rehmann. Rehmann was still testing items and posing questions this week. An Audit Committee meeting will be scheduled upon receipt of the revised drafts sometime in January.

TRUSTEE ELECTION UPDATE

The letters for the reappointment of Julie Lynch and Brock Hastie’s replacement were presented at the December 5 City Council Meeting and will have a second reading on the 19th.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with HR, Legal and other City staff in November and December to discuss the AAPOA contract provisions regarding the retirement language.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 32 estimates, 2 final calculations, 2 deferred calcs, 1 deceased calc, 1 payout and 3 pre sessions. Extensive time was also spent testing reporting and calcs for Milliman.
HAPPY HOLIDAYS!

F-2  Executive Report – MissionSquare (ICMA) Update

457 Balance at 12/9/22 - $103,162,000 Statistics as of 11/30/2022

<table>
<thead>
<tr>
<th></th>
<th>Your Plan</th>
<th>Peer Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Readiness</td>
<td>49.9%</td>
<td>40%</td>
</tr>
<tr>
<td>Investment Diversification</td>
<td>89.5%</td>
<td>88%</td>
</tr>
<tr>
<td>Participation Rate (Avg.)</td>
<td>83.7%</td>
<td>70.7%</td>
</tr>
<tr>
<td>Number of Eligible Participants</td>
<td>558</td>
<td>160</td>
</tr>
<tr>
<td>Account Balance (Avg.)</td>
<td>$80,703</td>
<td>$53,284</td>
</tr>
<tr>
<td>Average Savings Rate</td>
<td>2.9%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Rate of Return (Avg.)</td>
<td>-8.34%</td>
<td>-8.68%</td>
</tr>
<tr>
<td>Percent of Balances out on loan</td>
<td>0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Percentage of Participants with an Outstanding Loan</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan Annual Contributions (Avg.)</td>
<td>$6,355</td>
<td>$5,317</td>
</tr>
<tr>
<td>Active Saver Pre-Tax Savings Rate</td>
<td>1.6%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Auto Enrollment Rate</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of Participants in a Target Date Fund</td>
<td>244</td>
<td>54</td>
</tr>
<tr>
<td>Number of Investments</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>

457 Admin Allowance Balance = $40,500
**401 Balance at 12/8/22 – $4,295,000 Statistics as of 11/30/2022**

<table>
<thead>
<tr>
<th></th>
<th>Your Plan</th>
<th>Peer Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Readiness</td>
<td>69%</td>
<td>66%</td>
</tr>
<tr>
<td>Investment Diversification</td>
<td>98.6%</td>
<td>92.6%</td>
</tr>
<tr>
<td>Participation Rate (Avg.)</td>
<td>95.9%</td>
<td>20%</td>
</tr>
<tr>
<td>Number of Eligible Participants</td>
<td>294</td>
<td>112</td>
</tr>
<tr>
<td>Account Balance (Avg.)</td>
<td>$12,764</td>
<td>$52,331</td>
</tr>
<tr>
<td>Average Savings Rate</td>
<td>7.5%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Rate of Return (Avg.)</td>
<td>-6.56%</td>
<td>-7.93%</td>
</tr>
<tr>
<td>Percent of Balances out on loan</td>
<td>0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Percentage of Participants with an Outstanding Loan</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Plan Annual Contributions (Avg.)</td>
<td>$4,424</td>
<td>$5,598</td>
</tr>
<tr>
<td>Active Saver Pre-Tax Savings Rate</td>
<td>0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Auto Enrollment Rate</td>
<td>0%</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of Participants in a Target Date Fund</td>
<td>273</td>
<td>71</td>
</tr>
<tr>
<td>Number of Investments</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

**401 Forfeiture Balance = $60,188**

**Current Items/Education:**

Dan Stewart will be conducting individual appointments and a webinar December 13-15. The one-year amendments to the Plans extending the term and incorporating the new pricing were signed and returned to MSQ on 12/8.

Innovest will provide an update at the December Board meeting on the fund mapping and an updated 2023 work plan.

**F-3 City of Ann Arbor Employees’ Retirement System Preliminary Report for the Month Ended November 30, 2022**

Maria Buffone, Accountant, submitted the Financial Report for the month ended November 30, 2022 to the Board of Trustees:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11/30/2022 Asset Value (Preliminary)</td>
<td>$589,514,859</td>
</tr>
<tr>
<td>10/31/2022 Asset Value (Audited by Northern)</td>
<td>$578,190,471</td>
</tr>
<tr>
<td>Calendar YTD Increase/Decrease in Assets</td>
<td>($47,752,443)</td>
</tr>
</tbody>
</table>
F-4 Investment Policy Committee Minutes – December 6, 2022

Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on December 6, 2022:

Member(s) Present: DiGiovanni, Flack, Hastie
Member(s) Absent: Monroe, Praschan
Other Trustees Present: None
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others Present: Henry Jaung, Meketa Investment Group
John Harris, Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF OCTOBER 31, 2022

Mr. Jaung provided an economic update noting that investor sentiment improved in October as markets repriced for continued easing of inflation risks, a potential slowing in monetary policy tightening efforts, and hopes for a soft-landing in 2023.

Persistently high inflation and tightening of monetary policy, the war in Ukraine, lingering COVID-19 issues, lockdowns in China and recent political developments will all have considerable consequences for the global economy.

EXECUTIVE SUMMARY

Over the past 3, 5, 7, and 10 years, the ERS has returned 7.5%, 6.7%, 7.4% and 7.6%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 5.4%, 5.7%, 6.7% and 6.9%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

RETIREMENT SYSTEM

Act 314 Compliance Review: All investments are currently in compliance.

October 31, 2022 Performance Update: As of October 31, 2022, the balance of the Funds was $574,656,135 for ERS. Fiscal Year to Date performance was 0.1% for ERS net of fees.

VEBA

Act 314 Compliance Review: All investments are currently in compliance.

October 31, 2022 Performance Update: As of October 31, 2022, the balance of the Funds was $227,453,241 for VEBA. Fiscal Year to Date performance was -0.4% for VEBA net of fees.

CURRENT ISSUES
Brock Hastie’s Tenure as IPC Chair: Meketa recognized Mr. Hastie’s tenure as IPC chair, thanking him for his time and reviewing the growth since October 2010 when Mr. Hastie joined the Board.

Over Mr. Hastie’s tenure, the ending market value of the Retirement System fund was $195 million higher and VEBA was $57 million higher, than if the fund was invested in a 60/40 benchmark allocation.

Ms. Orcutt inquired about the timing of funding the new SSGA commitment. Mr. Harris will work with staff and suggested next week as a trade date.

It was decided to hold the next IPC meeting in February given there aren’t any pending action items. Meketa will have the updated capital market expectations by the February or March IPC meeting.

**ADJOURNMENT**

It was moved by Flack and seconded by DiGiovanni to adjourn the meeting at 4:19 p.m. Meeting adjourned at 4:19 p.m.

F-5 **Administrative Policy Committee Minutes – December 13, 2022**

Following are the Administrative Policy Committee minutes from the meeting convened at 3:10 p.m. on December 13, 2022:

Committee Members Present: Lynch, Monroe, Praschan, Schreier
Members Absent: None
Other Trustees Present: Grimes
Staff Present: Buffone, Gustafson(Via TX), Hollabaugh, Orcutt(Via TX)
Others Present: None

**RS & VEBA ANNUAL REPORT DRAFTS**

The Committee reviewed and revised the drafted annual reports. The drafts will be presented at the Board meeting.

It was moved by Schreier and seconded by Lynch to submit the RS and VEBA Summary Annual Report as revised to the Board for approval.

**APPROVED**

**VMT FRAUDULENT ALERT NOTICE**

Legal has informed Staff of multiple fraudulent attacks made on public employee retirement systems in Michigan. In each instance a change of direct deposit form was submitted to change a member’s direct deposit information so that his or her pension payments would be directed to a new account at “GreenDot Bank.” Further, the forms contained accurate identifying information about the member including his or her social security number.

The Committee discussed the recent attacks on the Retirement System and will discuss further at the Board with legal.
MISSIONSQUARE UPDATES

Site Conversion Issues Update: Staff is continuing to have ongoing issues with MissionSquare’s new website. Ms. Orcutt has been in contact with MissionSquare regarding the issues. Ms. Orcutt will be meeting with Ray Fortin next week to discuss if any improvements can be made to the quarterly financial reports.

Fund Transition: Innovest will be presenting at the Board meeting to provide updates.

Contract Extension: Legal has reviewed the contract amendments. Ms. Orcutt is waiting for MissionSquare to send a final draft of the contract to sign.

Upcoming Education: Dan Stewart is holding one-on-one consultations & webinars December 13-15th.

ADJOURNMENT

It was moved by Lynch and seconded by Schreier to adjourn the meeting at 3:46 p.m. Meeting adjourned at 3:46 p.m.

F-6 Audit Committee Minutes – None.

F-7 Legal Report

Mr. VanOverbeke informed the Board of multiple fraudulent attacks made on public employee retirement systems in Michigan. In each instance a change of direct deposit form was submitted to change a member’s direct deposit information so that his or her pension payments would be directed to a new account at “GreenDot Bank.” Further, the forms contained accurate identifying information about the member including his or her social security number.

Legal recommended to review any internal review procedures; contact the custodian bank and notify them of this fraudulent scheme; and request additional scrutiny be used when reviewing change of direct deposit forms. Specifically, it was recommended that any purported attempt to direct payments to “GreenDot Bank” be confirmed with the member prior to authorizing the request.

Legal is still working on getting virtual components added to the Open Meetings Act.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 December Planning Calendar

G-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>American Express</td>
<td>$694.37</td>
<td>Office Cleaning &amp; Culligan Water</td>
</tr>
</tbody>
</table>
G-4 Retirement Report

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Retirement Type</th>
<th>Effective Retirement Date</th>
<th>Group</th>
<th>Union</th>
<th>Years of Service</th>
<th>Department/Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adam Ajam</td>
<td>Age &amp; Service</td>
<td>January 4, 2023</td>
<td>General</td>
<td>AFSCME</td>
<td>29 Years, 0.5 Months</td>
<td>Public Services</td>
</tr>
<tr>
<td>Scott Zeleny</td>
<td>Age &amp; Service</td>
<td>January 4, 2023</td>
<td>Police</td>
<td>AAPOA</td>
<td>26 Years, 7 Months</td>
<td>Safety Services</td>
</tr>
<tr>
<td>Cheryl Saam</td>
<td>Age &amp; Service</td>
<td>January 4, 2023</td>
<td>General</td>
<td>TEAMSTERS</td>
<td>24 Years, 10.5 Months</td>
<td>Community Services</td>
</tr>
<tr>
<td>Stephanie Warner</td>
<td>Age &amp; Service</td>
<td>January 10, 2023</td>
<td>Police</td>
<td>AAPOA</td>
<td>26 Years, 3 Months</td>
<td>Safety Services</td>
</tr>
<tr>
<td>Douglas Martelle</td>
<td>Age &amp; Service</td>
<td>December 30, 2022</td>
<td>Police</td>
<td>AAPOA</td>
<td>27 Years, 3 Months</td>
<td>Safety Services</td>
</tr>
</tbody>
</table>

G-5 Analysis of Page Views on Retirement System Website

I. TRUSTEE COMMENTS / SUGGESTIONS

J. ADJOURNMENT

It was moved by Monroe and seconded by Nerdrum to adjourn the meeting at 10:28 a.m.

Meeting adjourned at 10:28 a.m.

Wendy Orcutt
Wendy Orcutt, Executive Director
City of Ann Arbor Employees’ Retirement System