

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
February 17, 2022**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:35 a.m.

ROLL CALL

Members Present: DiGiovanni, Flack, Grimes, Hastie, Lynch, Monroe, Praschan, Schreier
Members Absent: Nerdrum
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt(*via TX*)
Others: Michael VanOverbeke, Legal Counsel(*via TX*)
William Callaway, AIG

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 January 20, 2022 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Grimes to approve the January 20, 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:

Name	Classification	Plan	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Scott Reece	Public Services	Traditional	4 Years, 7 Months	City of Lansing

RESOLVED, that the Board of Trustees notes that pursuant to the Reciprocal Retirement Act, said reciprocal retirement credit may only be used for purposes of meeting the retirement eligibility requirements of the Retirement System and that retirement benefits will be based upon actual service rendered to the City and shall be made payable consistent with the City Charter, applicable collective bargaining agreements, Retirement System policies/procedures, and applicable laws (specifically, MCL Public Act 88 of 1961, as amended), and further

RESOLVED, that a copy of this resolution shall be provided to the appropriate City and Union representatives and interested parties.

C-2 EDRO Resolution: Maya Gold v. Jason Gold

WHEREAS, the Board of Trustees is in receipt of an entered Order Clarifying Judgment of Divorce Retirement Division Paragraph dated January 28, 2022 (the “Order”), in the referenced domestic relations matter, and

WHEREAS, the Order provides in relevant part that:

“IT IS FURTHER ORDERED AND ADJUDGED that the Plaintiff and the Defendant will receive free and clear of any claim of the other, and present and all future entitle, vested and/or unvested defined benefit and/or defined contribution retirement plans, pensions, annuities, profit sharing, from and any all prior, current or future employments/employers, and all deferred compensation or investment accounts titled in their respective names, free and clear of any claim of the other. Further, an election of a reduced retirement allowance form of payment by either party is [to] be considered void by the retirement system.”

, and

WHEREAS, the Order further provides in relevant part that “pursuant to the foregoing provisions.... Maya Gold is not entitled to any portion of Jason Gold’s monthly benefits payable from the Retirement System”, and

WHEREAS, absent an additional award, order or Judgment of the Court, Ms. Gold will no longer be considered as Mr. Gold’s survivor beneficiary for purposes of the Option III 50% Joint and Survivor form of benefit, and that Mr. Gold’s benefit election shall revert to a straight life form of benefit, and

RESOLVED, that Jason Gold’s retirement allowance shall revert to the Retirement System’s Straight Life Allowance, and further

RESOLVED, that the reversion to a Straight Life Allowance shall be effective March 1, 2022 pursuant to the provisions of the Retirement System, and further

WHEREAS, said matter having been discussed with Legal Counsel who has opined that the terms of the Order Clarifying Judgment of Divorce are consistent with applicable law, therefore be it

RESOLVED, that the Board of Trustees acknowledges receipt of said Judgment and will pay future pension benefits consistent with it, and further

RESOLVED, that copies of this Resolution be sent to Jason Gold, the Participant; Jennifer M. Paine, Esq., attorney for the former spouse; and Maya Gold, the Participant's former spouse.

It was **moved** by Monroe and **seconded** by Lynch to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Election of Board Officers (Chairperson, Vice-Chairperson, Secretary)

It was **moved** by Grimes and **seconded** by Schreier to retain the existing Board Officers for the 2022 term:

Board Chairperson: Jeremy Flack

Vice-Chairperson: Alexa Nerdrum

Secretary: David Monroe

Approved

D-2 Appointment of Board Committee Members – APC, IPC & AC

It was **moved** by Grimes and **seconded** by Schreier to appoint the Committees as follows:

- Investment Policy Committee: Hastie/Chair, DiGiovanni, Flack, Monroe, Praschan
- Administrative Policy Committee: Monroe/Chair, Lynch, Schreier, Praschan
- Audit Committee: Nerdrum/Chair, Praschan, Monroe

Approved

D-3 FY 2023 Expenditure Budget

Ms. Orcutt presented and reviewed the expenditure budget for Fiscal Year 2022-2023. Mr. Hastie requested to have an annual comparison of the investment fees reviewed by basis points. Staff will be following up with the comparison.

It was **moved** by Monroe and **seconded** by Hastie to approve the 2022-2023 Expenditure Budget as presented.

Approved

E. DISCUSSION ITEMS

E-1 Board Retreat Topics

The Board discussed the following topics for the upcoming retreat:

Investment Items - 2022 Asset Allocation study, a high level overview of the investment structure and a presentation by David Lebovitz, Global Market Strategist with J.P. Morgan Asset Management.

Legal – Discuss Structure of Committees/Charters

GRS – Presentation about non-binary gender identity and its implications for Retirement Systems.

MissionSquare – Technology Transition for Plan Sponsor & Participants, an overview of the current plans including communication/education with participants and update on active vs retiree demographics of the 457.

Staff will present a final agenda to the Board in March for approval.

F. REPORTS

F-1 Executive Report – February 17, 2022

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$376,000** for the Retirement Plan and **\$94,000** for VEBA on 2/17/22 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 55.4 % of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

DC PLANS RECORDKEEPER SEARCH CONSULTANT/INVESTMENT ADVISORY SERVICES RFP UPDATE

The RFP was issued on January 24th. Four firms submitted questions by the February 4 deadline. Responses to the questions were sent to all firms on Monday the 7th.

PENSION ADMINISTRATION SOFTWARE CONVERSION

The final draft of the contract was fully executed on February 4, 2022. Laura and ED will meet with Milliman on February 11 to touch base and coordinate a kickoff meeting with all parties. An update will be provided at the Board meeting.

ERS/VEBA UPDATE TO COUNCIL-BUDGET WORK SESSION

Staff worked with GRS to prepare a PowerPoint presentation and record a video for the FY23 budget presentation in lieu of the Council Work Sessions. Jim Anderson, Rich Koch and ED recorded the video on February 10. The presentation will be shared with City Council and posted on the City's Budget Public Process page by the originally scheduled meeting date which was February 28.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 65 estimates, 11 non-vested calculations, 1 payout, 2 final calculations, 4 deceased calcs and 4 pre sessions.

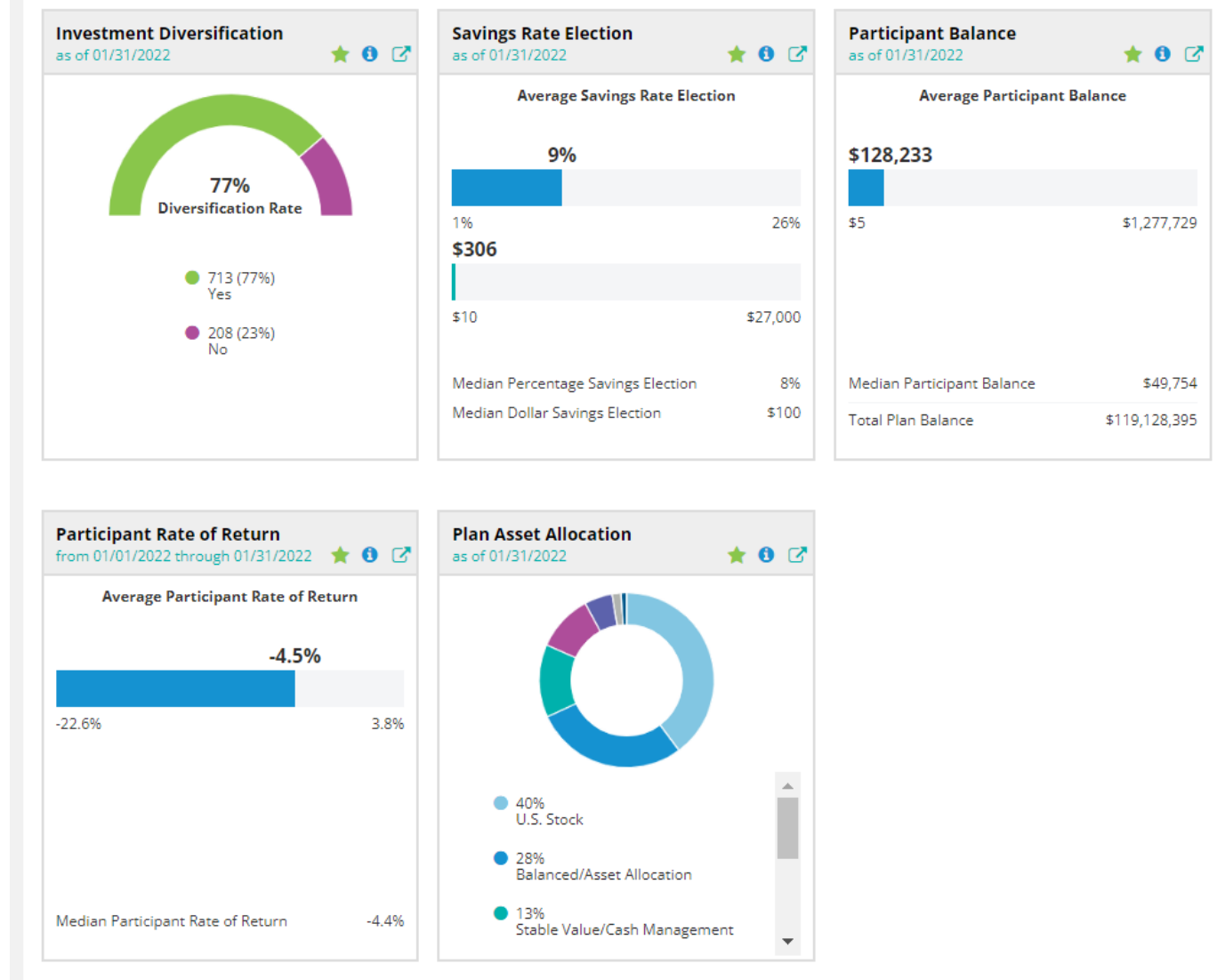
The calculations for the Minimum Benefit (aka Poverty Level) Increases were completed in February. Increases were applicable to 90 retirees resulting in a total annual increase of approximately \$ 53,157.

The new standard mileage rate for 2022 is 58.5 cents per mile for miles driven on city business or for city travel. This rate is in effect as of Jan. 1, 2022.

ED will be attending the Board meeting virtually on the 17th.

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 2/9/22 - \$ 119,232,000 – Statistics as of 1/31/22

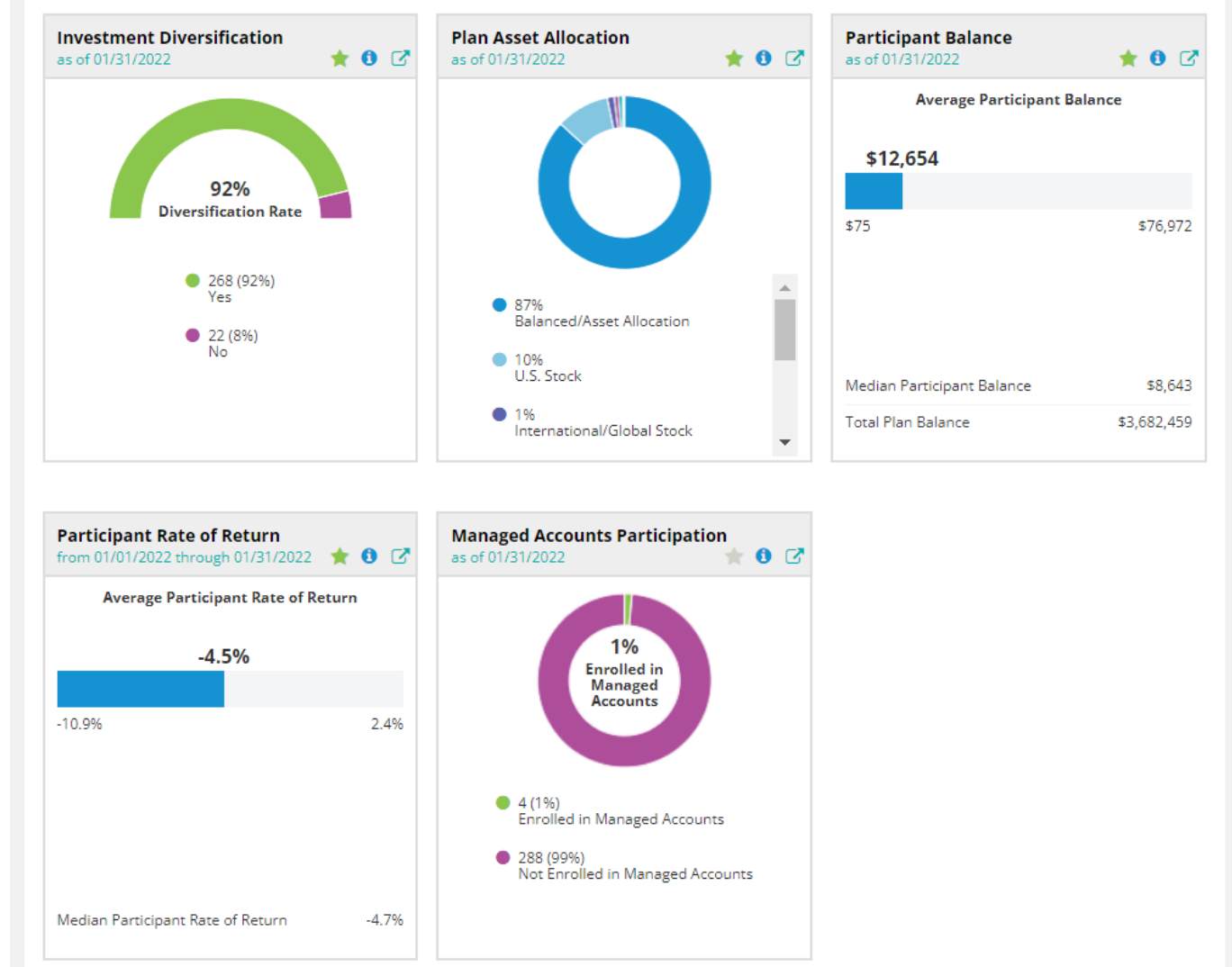


Current Items/Education:

Gina John is no longer with MSQ. Dan Stewart will be onsite every other month beginning in February. This month's webinars will be "I Am Nearing Retirement. Now What?" and "Investing in Volatile Markets".

The Ordinance change regarding Forfeitures is on the agenda for the February 22 Council Meeting.

401 Balance at 2/9/22 – \$ 3,732,000- Statistics as of 1/31/22



F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31, 2022

Maria Buffone, Accountant, submitted the Financial Report for the month ended January 31, 2022 to the Board of Trustees:

1/31/2022 Asset Value (Preliminary)	\$639,754,534
12/31/2021 Asset Value (Audited by Northern)	\$658,548,123
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$15,992,557)
Percent Gain <Loss>	-2.4%
February 16, 2022 Asset Value	\$630,508,629

F-4 Investment Policy Committee Minutes – February 8, 2022

Following are the Investment Policy Committee minutes from the meeting convened at 3:11 p.m. on February 8, 2022:

Member(s) Present: DiGiovanni, Flack(via TX, 3:45-4:16 p.m.), Hastie, Monroe, Praschan
Member(s) Absent: None
Other Trustees Present: Grimes(via TX)
Staff Present: Buffone, Gustafson(via TX, 3:21 p.m. arrival), Hollabaugh, Orcutt
Others Present: Henry Jaung(via TX), Meketa Investment Group
John Harris(via TX), Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF DECEMBER 31, 2021

Mr. Jaung provided an economic update reviewing the market returns, sector returns, breakeven inflation, and the current impact of the pandemic.

EXECUTIVE SUMMARY

Mr. Jaung provided an executive summary of the Retirement System and VEBA. Domestic Equities and Real Estate had the highest absolute return in the trailing 1 year period, each returning 26%. Domestic equities built upon strong performance in 2020 (17%) return, while Real Estate was more of a recovery story from a muted 2020 (2% return). Emerging Market Equities had the highest relative return outperforming its benchmark by over 9% in the trailing 1 year period. DFA was the primary contributor outperforming the Emerging Market benchmark by 15%. International Equities had strong absolute and relative returns in 2021, returning 16%, outperforming the benchmark by 4.5%. Both WCM and Artisan outperformed their benchmarks by over 10%.

UPDATE ON NEW FUND COMMITMENTS

Private Equity – Mesirow Financial Private Equity Fund VIII

- *Commitment amounts: \$10 million in ERS and \$3 million in VEBA*
- *Status: Fund contracts approved before second close month end January*
- *Funding: initial capital call of 28% of committed capital with an expected 10-15% of additional capital to be called over the duration of 2022. Funding will come existing PE distributions and overweight portfolio positions.*

Infrastructure – J.P. Morgan Infrastructure Investments Fund

- *Original commitment amounts: \$15 million in ERS and \$3 million in VEBA*
- *Additional commitment amounts: \$14 million in ERS and \$6 million in VEBA*
- *Status: Fund contracts approved*
- *Funding: First commitment amounts expected to be called in April 2022; source of funds will be from the sale of TIPS. Additional commitment amounts expected to be called in July 2022; source of funds will be from the sale of the R1000 index.*

Real Estate – AEW Core Property Trust

- *Additional commitment amounts: \$14 million in ERS and \$6 million in VEBA*
- *Status: Fund contracts approved*
- *Funding: Portion of the commitment amount to be called in April 2022 and the remainder of commitment to be called in July 2022. Sources of funds will be from sale of the R1000 index.*

RETIREMENT SYSTEM

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

December 31, 2021 Performance Update: As of December 31, 2021, the balance of the Funds was \$659,055,698 for ERS. Fiscal Year to Date performance was 6.8% for ERS net of fees.

VEBA

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

December 31, 2021 Performance Update: As of December 31, 2021, the balance of the Funds was \$259,788,105 for VEBA. Fiscal Year to Date performance was 6.4% for VEBA net of fees.

INDEX FEE NEGOTIATIONS

Meketa is having ongoing fee discussions Northern Trust and State Street Global Advisors on their proposed fees for the current index funds held in the plans. IR&M was also included in this discussion. The ERS receives favorable pricing from Northern Trust for their index funds due to the custody relationship with them. If a switch was made to lower fee index products at Northern Trust, there is a potential that some of those fee savings are offset by Northern Trust by raising the custody fee they charge. Meketa is having ongoing discussions with them on the potential impact of this switch and will be presenting a more thorough fee proposal at the March IPC meeting. Meketa presented potential fee savings on index products held in the ERS and VEBA as proposed by Northern Trust and IR&M.

UPDATE ON BOARD RETREAT TOPICS AND SPEAKER MISSIONSQUARE PLAN INVESTMENT REPORT REVIEW

Meketa is planning on discussing the following topics at the Board Retreat: 2022 Asset Allocation study, high level overview of the investment structure and a presentation by David Lebovitz, Global Market Strategist, J.P. Morgan Asset Management. Ms. Orcutt also informed the Committee that MissionSquare could also be present for a topic should the Board approve.

MISSIONSQUARE PLAN INVESTMENT REPORT REVIEW

The Committee reviewed the quarterly report provide by MissionSquare. The Committee raised questions about certain funds that have underperformed. Ms. Orcutt will be following up with MissionSquare regarding the underperforming funds.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by DiGiovanni to adjourn the meeting at 4:44 p.m.
Meeting adjourned at 4:44 p.m.

F-5 Administrative Policy Committee Minutes – February 8, 2022

Following are the Administrative Policy Committee minutes from the meeting convened at 2:13 p.m. on February 8, 2022:

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

The meeting was called to order without a quorum.

RFP UPDATE

Responses to RFP questions were sent out by Staff Monday, February 8, 2022.

CYBER SECURITY FOLLOW UP

Ms. Orcutt and Ms. Grimes informed the Committee that the cyber security disclosures have been reviewed and that there is nothing of concern. This process will continue to be done annually.

MISSIONSQUARE UPDATES

Forfeiture Language to Council: The updated language will be presented at the February 22 City Council meeting. Language including the revenue ruling number from the internal code has been added. Ms. Orcutt will be attending the City Council meeting virtually to comment or answer any questions that may arise.

457 Contribution Issues: Ms. Orcutt informed the Committee of two recent issues where employees have made changes to their deferral amounts and there were misunderstandings on both the timing of when deferral changes take effect as well as the amount of deferral (annual vs per pay period). In both instances payroll had to reissue a check and rerun all related reports to rectify the situation. Staff is working with HR, payroll and MissionSquare to ensure a better process is in place. Several suggestions are being considered and will be discussed at upcoming APC meetings.

A2 News Items – Pre-Retirement Catch Up & Gina John Departure: Staff will be sending out updates regarding Gina John's departure as well as a reminder of the Pre-Retirement Catch up process.

Board Retreat Topics – Technology Transition for Plan Sponsor & Participants: Ray Fortin is available to provide an update regarding the new MissionSquare website transition. The Committee agreed that it may be beneficial to have MissionSquare present at the Retreat. Ms. Orcutt will confirm with the Board.

TEMP TO PERM BUY BACK LANGUAGE

Ms. Orcutt informed the Board of a recent finding of employee job code usage. A temp employee was coded as "intern" and was interested in purchasing buy-back time however the Ordinance language excludes time worked as in intern. Ms. Orcutt and Ms. Buffone met with HR for clarification. It was confirmed by the City that the employee was in fact an intern but hired in at a different level in the fall therefore the employee will be eligible to purchase a short period of the time. HR will be conducting an audit for employees with this coding to ensure job titles are being assigned appropriately.

LABOR CONTRACT LANGUAGE

FAC language continues to be incorrect on labor contracts despite Ms. Orcutt trying with the City to get these revised. The committee would like to follow up on this topic with Michael VanOverbeke.

FIDUCIARY LIABILITY INSURANCE POLICY

Ms. Orcutt provided a copy of the policy and informed the Committee that MissionSquare was not included on the fiduciary liability insurance policy because they are considered a TPA. Mr. Schreier noted that most parties who handle funds are bonded as a requirement. Ms. Orcutt will discuss further with legal.

MARCH APC DATE/TIME

The Committee reviewed schedules and agreed to schedule the next APC meeting for March 15, 2022 at 3:00 PM.

ADJOURNMENT

The meeting was adjourned due to lack of quorum at 2:52 p.m.

Meeting adjourned at 2:52 p.m.

F-6 Audit Committee Minutes – None

F-7 Legal Report

Mr. VanOverbeke informed the Board that the State pension tax has been a recent topic for the State and may be removed in 2023.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 March Planning Calendar

G-3 Record of Paid Invoices

The following invoices have been paid since the last Board meeting.

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	Allstar Alarm	\$156.00	Fire alarm monitoring 2/1/2022-4/30/2022
2	American Express	\$1,026.39	Kroger(office/meeting supplies) , SJ Cleaning & Weber's(retreat fee)
3	Applied Imaging	\$37.48	Printing Service 1/2022
4	Arbor Inspection	\$6,212.00	Fire sprinkler backflow device replacement
5	Laura Hollabaugh	\$129.27	DTE reimbursement for electric 12/14/2021-1/12/2022
6	Laura Hollabaugh	\$113.74	DTE reimbursement for gas 12/14/2021-1/12/2022
7	IRM	\$3,766.76	Investment manager fee Q2 2021
8	Loomis Sayles	\$37,136.71	Investment manager fee Q2 2021
9	Staples	\$124.99	Office drop box
10	Staples	\$86.62	Miscellaneous office supplies
11	Meketa	\$10,000.00	Investment consultant fee 1/2022
	Total	\$58,789.96	

G-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Union	Years of Service	Department/Service Area
David Borneman	Age & Service	February 25, 2022	General	NON UNION	28 Years, 3.5 Months	Community Services
Robert Schneider	Age & Service	March 1, 2022	Police	AAPOA	25 Years, 0.5 Months	Safety Services
Cynthia Telfer	Deferred Age & Service	January 1, 2022	General	TEAMSTERS	23 Years, 11 Months	Housing Commission
Joon Hur	Age & Service	February 25, 2022	Police	AAPOA	25 Years	Safety Services
Jeffrey Lalonde	EDRO Recipient	March 1, 2022	FIRE	N/A	N/A	Safety Services
David Monroe	Age & Service	March 4, 2022	Police	AAPOA	35 Years, 0.5 Months	Safety Services
Stephen Postema	Age & Service	March 12, 2022	General	NON UNION	18 Years, 11 Months	City Attorney
Kelly Stark	Age & Service	March 26, 2022	General	AFSCME	31 Years, 4.5 Months	Public Services
John Kimberly	Age & Service	March 9, 2022	General	AFSCME	20 Years, 1.5 Months	Public Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Monroe and **seconded** by Grimes to adjourn the meeting at 9:20 a.m.
Meeting adjourned at 9:20 a.m.

Wendy Orcutt

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