

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
July 21, 2016**

The meeting was called to order by Jeremy Flack, Chairperson, at 8:38 a.m.

**ROLL CALL**

Members Present: Clark, Crawford, DiGiovanni, Flack, Hastie, Heusel (8:49), Lynch, Monroe, Nerdrum  
Members Absent: None  
Staff Present: Gustafson, Kluczynski, Walker  
Others: Frank Judd, Legal Counsel  
Anthony Fischer, City Employee  
Gayle Fischer  
David Diephuis, City Resident

**AUDIENCE COMMENTS - None**

**A. APPROVAL OF REVISED AGENDA**

It was **moved** by Clark and **seconded** by Nerdrum to approve the agenda as revised.  
**Approved**

**B. APPROVAL OF MINUTES**

**B-1 June 16, 2016 Regular Board Meeting**

It was **moved** by Nerdrum and **seconded** by Crawford to approve the June 16, 2016 Regular Board Meeting minutes as submitted.  
**Approved**

**B-2 June 29, 2016 Special-Call Board Meeting**

It was **moved** by Nerdrum and **seconded** by Crawford to approve the June 29, 2016 Special-Call Board Meeting minutes as submitted.  
**Approved**

**C. CONSENT AGENDA - None**

**D. EXECUTIVE SESSION – Disability Application/Medical Report & Disability Re-Examination Review**

It was **moved** by Crawford and **seconded** by Nerdrum to convene an Executive Session for the purpose of discussing the disability application and medical report for Anthony Fischer, as well as the disability re-examination medical report for Ralonda Robinson.  
**Approved**

*Roll call vote:*

Clark - Yes	Flack - Yes	Lynch - Yes
Crawford - Yes	Hastie – Yes (arrived at 8:49 a.m.)	Monroe - Yes
DiGiovanni - Yes	Heusel - Yes	Nerdrum - Yes

*Executive session time: 8:40 a.m. – 9:13 a.m.*

It was **moved** by DiGiovanni and **seconded** by Nerdrum to acknowledge receipt of the medical examination report from Robert D. Travis, M.D. dated July 6, 2016 with regards to non-duty disability retirement applicant Anthony Fischer; the Board noting the doctor has provided the certification that the member is physically and totally incapacitated for duty in the service of the City in the same or similar position held at the time of disability, and that such incapacity will probably be permanent, therefore the Board granting the non-duty disability retirement to Mr. Fischer pending receipt of final determination from the Worker's Compensation Board.

**Approved**

It was **moved** by Hastie and **seconded** by Nerdrum that the Board acknowledges receipt of the medical report dated June 16, 2016 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.

**Approved**

**E. ACTION ITEMS**

**E-1 Postponement of Actuarial RFP Process**

Ms. Nerdrum stated that the Audit Committee had planned on distributing the Actuarial Request for Proposals this month, but given the news of Ms. Walker's departure, the Committee recommends postponing the RFP process until a new Executive Director is in place. The Board agreed.

It was **moved** by Crawford and **seconded** by Monroe to postpone the Actuarial RFP process until further notice.

**Approved**

**E-2 Resolution to Increase Gail Jarskey to 100% FTE from 75% FTE**

Ms. Walker stated this recommendation comes from the Administrative Policy Committee after discussion at its recent meeting. Due to the current workload with various major accounting projects, it would be prudent that Ms. Jarskey be taken to full-time status in order to complete these projects given the upcoming staff transition. The Board agreed to approve the following resolution:

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the City of Ann Arbor Employees' 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 Retirement System's Executive Director will be retiring August 31, 2016, and there are a number of ongoing projects and increased work load pending until at least the end of the calendar year 2016, so be it

RESOLVED, that Gail Jarskey, the System Accountant, will assume a full time (100%) status immediately

It was **moved** by Crawford and **seconded** by Clark to approve the Resolution to Increase Gail Jarskey to 100% Full Time Employee from 75% Full Time Employee.

**Approved**

**F. DISCUSSION ITEMS**

**F-1 Staff Transition Planning**

Mr. Monroe stated that the APC discussed upcoming staff retirements in the office, and decided to bring it to the full Board for discussion. Ms. Lynch stated that she is in the process of revising the Executive Director job description as discussed at the APC meeting and she will soon forward a draft to the Trustees for review. The Board agreed that the candidate should have experience with both Defined Benefit and Defined Contribution Plans, and requested that this language be added to the job description.

It was **moved** by Hastie and **seconded** by Nerdrum to delegate the Administrative Policy Committee to revise the current Executive Director job description and move ahead with the hiring process.

**Approved**

The Board briefly discussed Ms. Jarskey's upcoming retirement at the end of the year, and the timing of the hiring and training process for the accounting position. Mr. Crawford suggested moving ahead with getting the position posted and having someone in place for training purposes before Ms. Jarskey retires. The Board agreed and decided to contact the Human Resources Department to get the position posted as soon as possible. Mr. Hastie asked if the position should be posted as a part-time or full-time position, and Ms. Walker stated that due to the added projects and responsibilities in this position, she would recommend that the position be made a full-time position. After further discussion, Ms. Nerdrum suggested that the posting could indicate it as being a 75-100% position in order to have more flexibility, and the Board agreed.

The Board discussed the hiring process and timing for Ms. Walker's position, and Mr. Crawford stated that HR has been contacted to bring a proposal to the Board for assisting with the search. Regarding an Individual Personal Services Contract, Ms. Walker asked that the Board clarify or decide on a work schedule for her after her August 31<sup>st</sup> retirement date during the transition phase, stating that she would prefer to work a minimum of two days per week. After further discussion regarding the upcoming workload and proposed hourly payment, the Board agreed that the contract will include Ms. Walker working a minimum of two days per week through the end of December 2016.

It was **moved** by DiGiovanni and **seconded** by Heusel to approve that Ms. Walker's Services Contract will include a work schedule of a minimum of two days per week until December 31, 2016 at the proposed hourly rate as discussed by the Board of Trustees.

**Approved**

**F-2 Correspondence from Buck Consultants Regarding Inflation Assumption**

Ms. Nerdrum stated that Mr. Langer of Buck Consultants has responded to the Board's question as to if the current inflation assumption rate should be changed from 3.50%, which seems high, to 2.00% or 2.50%, and whether adjusting down the inflation to that would change any of our gross assumptions that are used in the valuation. Mr. Langer provided the following response:

*The current set of assumptions has been used since the June 30, 2013 valuation. We anticipate that the June 30, 2018 valuation will reflect updated assumption based on the experience review covering the period June 30, 2013 through June 30, 2018.*

*Inflation is a key component of both returns and salary increases in the actuarial model:*

- *Assumed rate of return (Earnings/discount rate) = inflation + real rate of return = 3.00% + 4.00% = 7.00%*
- *Salary increases = inflation + productivity + merit and longevity pay = 3.00% + 0.50% + a component for merit and longevity that varies by age*

*So, from the above, the above seems to indicate a reduction in inflation would require a reduction in the assumed rate of return and the salary increases would be needed. But I have seen many instances where a decrease in inflation has occurred and the assumed rate of return or salary increases did not decrease by the same amount. For example, Buck became actuary for a system recently which used an assumed return of 7.50% and a 5.00% inflation assumption. (The system had not performed an experience review in over a decade). After review, all were comfortable with the 7.50% return, but not the 5.00% inflation. Inflation was reduced to 3.00%, and the real return was increased from 2.5% to 4.5%. Salary increases were reduced by 2.00% across the board as well.*

*As an aside, if consideration is being given to reviewing the assumptions before then, I recommend that they all be reviewed. That being said, I recommend that we stay the course for a change in assumptions in 2018.*

Ms. Nerdrum reviewed the response with the Board, and stated that she feels comfortable with leaving the current assumptions as-is, and after further discussion, the Board agreed to make no changes at this time.

**G. REPORTS**

**G-1 Executive Report – July 21, 2016**

**SUMMIT PARTNERS CAPITAL CALLS**

Summit Partners Credit Fund II, L.P. has requested a series of capital calls as follows:

<u>Date</u>	<u>Retirement System</u>	<u>VEBA</u>
February 26, 2016	\$985,136	\$246,284
March 7, 2016	\$80,386	\$20,097
March 10, 2016	\$805,479	\$201,370
March 15, 2016	\$38,603	\$9,651
April 4, 2016	\$42,392	\$10,598
April 15, 2016	\$18,892	\$4,723
April 29, 2016	\$(105,311)	\$(37,578)
May 12, 2016	\$351,023	\$87,756
May 27, 2016	\$172,296	\$43,074
June 3, 2016	\$57,173	\$14,293
June 29, 2016	\$168,885	\$42,221

The general partners have created a bank subscription line to consolidate funding efforts and reduce the frequency of capital calls. As of the most recent capital calls, the investments are 66% funded.

## STAFF

The Executive Director, Pension Analyst, Legal Counsel, and Trustee Julie Lynch met at City Hall to view a presentation regarding the new hybrid plan proposed design on July 14<sup>th</sup>. The presentation was delivered by the City CFO, with assistance with questions from the Director of HR, and City of outside attorneys. The consultant who designed the plan attended at the end of the meeting and was available for some questions regarding plan design and implementation.

Staff has completed all of the actuarial valuation census reports and sent them to Buck, who is currently doing the review and fluctuation analysis.

The auditor has made a selection of 40 benefit calculations to test for this year's audit. Unlike the last two years' requests, which have focused on current retirement, the calculations requested include retirement dates from 1989 to 2016. Field work is scheduled to occur between August 29 and mid September.

### **G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended June 30, 2016**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended June 30, 2016 to the Board of Trustees:

6/30/2016 Asset Value (Preliminary)	\$459,185,844
5/31/2016 Asset Value (Audited by Northern)	\$455,140,595
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$13,967,506
Percent Gain <Loss>	3.1%
<b>July 20, 2016 Asset Value</b>	<b>\$ 464,324,680</b>

### **G-3 Investment Policy Committee Minutes – No Report**

### **G-4 Administrative Policy Committee Minutes – July 12, 2016**

Following are the Administrative Policy Committee minutes from the meeting convened at 3:12 p.m. on July 12, 2016:

*Committee Members Present:* Crawford, Heusel (via tx), Lynch, Monroe  
*Members Absent:* None  
*Other Trustees Present:* None  
*Staff Present:* Kluczynski, Walker  
*Others Present:* David Diephuis, City Resident

### **EXECUTIVE DIRECTOR COMMENTS**

*Ms. Walker stated that she wanted to make something clear and on the record at this time. Ms. Walker stated that she understands that it has been perceived by some Board Members that she is determined and anxious to retire, and that her request for retiree healthcare would have resulted in her immediate retirement had it been granted. Ms. Walker advised the Committee that this is not the case, and wanted to make sure it is clear. Ms. Walker stated that she had informed the Board of Trustees that due to personal reasons, she was not sure how long she would be able to stay, and that is why she couldn't commit to the extended 3-year time period that was offered, which is a far cry from her stating that she needed to retire immediately.*

*Ms. Walker stated that she was upset and offended that it was assumed that she was negotiating in bad faith and the moment she was granted the healthcare that she would be*

retiring immediately. Ms. Walker stated that she understands that the Board felt that it would "look bad" to whomever monitors this type of issue, and had they granted the retiree healthcare when she first requested it some time ago, it would not have been an issue. Ms. Walker stated that she just wanted to be treated like others in her similar situation, and added that she was also disturbed by the discussion under closed session that the Board had regarding her age, which should have not been a factor in the discussion.

Ms. Walker stated that Human Resources has suggested that she inform the Trustees of what she would be able to do, therefore she wanted to let the Committee know that she would be able to stay at least until the end of the year or possibly longer if the Board were to offer subsidized retiree healthcare. Ms. Walker reiterated that it was not her intention to make the request and then immediately retire.

Mr. Monroe stated that at the time of the Board's discussion, it was their impression that Ms. Walker had certain parameters that had to be met; therefore they had decided to move ahead with the hiring process. Mr. Heusel stated that he doesn't feel that as a Committee, they have the ability to respond to Ms. Walker's current offer, and that it should perhaps be taken to the full Board for further discussion. The Committee agreed to place an item on the July Board agenda for further discussion regarding this issue and the hiring process.

### **HIRING PROCESS FOR EXECUTIVE DIRECTOR**

The Committee discussed the options for conducting the Executive Director search, including hiring an outside firm to conduct the search, or requesting assistance from the City's H.R. staff to conduct the search. Mr. Crawford added that he feels this shouldn't be a cost-driven decision given the magnitude of this position, and the Board needs to be happy with the quality received from the process. After further discussion, the Committee ultimately decided to collect additional data and potential process timelines before making a decision. Mr. Crawford stated that he will speak with Human Resources, Ms. Lynch volunteered to call the three firms that had given quotes to the Board in 2010 as well as the Michigan Municipal League, and Mr. Monroe stated he will contact MAPERS and Mr. VanOverbeke for further information on posting options. It was decided that the Committee will then seek direction from the Board at the regular meeting on July 21<sup>st</sup> as to which avenue to take for the search. The Committee also reviewed the current job description for the Executive Director position, and found that minor revisions should be made and brought back for further review and discussion prior to any job posting.

Ms. Walker informed the Committee of the staff accountant's intention to retire in December of this year, and that consideration should be taken to begin the recruitment process for this position sooner rather than later. Ms. Walker stressed the importance of accounting training, especially with upcoming budget projects (including GASB changes), and the possible overlap of executive director and accountant training during the end of the year time period. Ms. Walker suggested that Ms. Jarskey be taken to full-time in the interim in order to ensure that current and upcoming accounting and budget projects are completed. The Committee agreed, and decided to make that recommendation at the July Board meeting as well.

### **FIDUCIARY AUDIT RECOMMENDATIONS & CONSIDERATIONS**

This item was postponed until August due to time constraints.

### **ADJOURNMENT**

It was **moved** by Crawford and **seconded** by Lynch to adjourn the meeting at 4:28 p.m.  
**Meeting adjourned at 4:28 p.m.**



**G-6 Legal Report – “Stockholder Action Involving Dreamworks Animation Skg Inc.”**

Mr. Judd briefly reviewed the current securities litigation case, stating that there have been no developments since the filing of the complaint, and recommended that the Board make a formal motion to approve the action with Dreamworks. Mr. Crawford asked that the Board be notified if other stockholders, perhaps a larger entity, decides to file and take lead in the case, and Mr. Judd agreed that the Board will be notified.

It was **moved** by Monroe and **seconded** by Heusel to approve the filing action with Dreamworks Animation Skg, Inc.

**Approved**

**H. INFORMATION (Received & Filed)**

**H-1 Communications Memorandum**

**H-2 August Planning Calendar**

**H-3 Record of Paid Invoices**

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

	<b>PAYEE</b>	<b>AMOUNT</b>	<b>DESCRIPTION</b>
1	DTE Energy	20.45	Monthly Gas Fee dated June 13, 2016
2	DTE Energy	192.35	Monthly Electric Fee dated June 13, 2016
3	AT&T	400.65	Monthly telephone service
4	Buck Consultants	1,583.33	Monthly hosting fees for February 2016
5	Buck Consultants	1,583.33	Monthly hosting fees for May 2016
6	Hasselbring-Clark Co.	37.50	Monthly copier cost per copy – May 2016
7	Print Link	59.50	Printing of window envelopes (for deferred qtlly stmts)
8	Terry Clark	660.72	Reimbursement for 2016 Spring MAPERS Conf.
9	VanOverbeke, Michaud & Timmony P.C.	997.50	Legal Services – 11/1/2015 – 11/30/2015
10	VanOverbeke, Michaud & Timmony P.C.	1,680.00	Legal Services – 12/1/2015 – 12/31/2015
11	MAPERS	750.00	Fall Conference Registration: Flack, Clark, Gustafson
12	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for June 2016
13	West Arbor Office Center Condo Assoc.	1,238.73	July 2016 Bi-Annual condo association dues
14	Staples Advantage	104.34	Miscellaneous Office supplies
15	Comcast	89.58	Monthly Cable Fee
16	Culligan of Ann Arbor/Detroit	7.00	Water service – July 2016
17	City of Ann Arbor Treasurer	533.20	ITSU Service Charge (K. Spade) for June 2016
18	Meketa Investment Group	10,000.00	Investment Consultant Retainer - June 2016
	<b>TOTAL</b>	<b>20,113.18</b>	

**H-4 Retirement Report**

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

<b>Name</b>	<b>Type of Retirement</b>	<b>Effective Date</b>	<b>Group</b>	<b>Years of Service</b>	<b>Service Area</b>
<b>Matthew Schroeder</b>	Age & Service	July 30, 2016	Fire	20 years, 10 months	Safety Services Fire Department

<b>Gary Wilson</b>	Age & Service	September 3, 2016	General	27 years, 11 months	Public Services Field Operations
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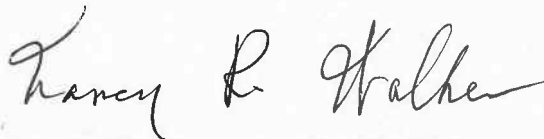
**H-5 Analysis of Page Views on City Intranet / Retirement System Page**

**I. TRUSTEE COMMENTS / SUGGESTIONS - None**

**J. ADJOURNMENT**

It was **moved** by Nerdrum and **seconded** by Hastie to adjourn the meeting at 10:23 a.m.

**Meeting adjourned at 10:23 a.m.**



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