

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
January 20, 2022**

B

The meeting was called to order by Board Vice-Chairperson, Alexa Nerdrum, at 8:46 a.m.

ROLL CALL

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

AUDIENCE COMMENTS

Ms. Orcutt introduced the Board to new Trustee Jen Grimes.

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 December 16, 2021 Regular Board Meeting

It was **moved** by Schreier and **seconded** by Monroe to approve the December 16, 2021 Regular Board Meeting minutes as revised by Mr. Schreier.
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
Janel Hansen	Police	Traditional	3 Months	City of Greenville

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 Schreier and **seconded** by Monroe to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Resolution to Rebalance Domestic Equity to Real Assets

WHEREAS, the Board of Trustees is vested with the general 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 has an approved Investment Policy Statement in order to effectively monitor its portfolio, and

WHEREAS, the Investment Policy Statement has established a range for each asset class to control risk and maximize the effectiveness of the System's assets, and

WHEREAS, the System's investment consultant, Meketa Investment Group, has evaluated the current asset class allocations relative to their respective targets and determined that the portfolio is overweight in domestic equity and underweight in real assets, and

WHEREAS, Meketa Investment Group and the Investment Policy Committee have recommended a rebalance to reduce domestic equity by 4% and increase real assets by 4% with 2% to both A.E.W. Core Property and JP Morgan Infrastructure Investments Fund, so be it,

RESOLVED, that the Board of Trustees approve the recommended rebalance and authorizes the Executive Director to reallocate funds per Meketa Investment Group's Rebalancing Recommendation.

It was **moved** by Monroe and **seconded** by Praschan to approve the recommended rebalance and authorizes the Executive Director to reallocate funds per Meketa Investment Group's Rebalancing Recommendation.

Approved

D-2 Draft Resolution to Require Masks

WHEREAS, the Board of Trustees is vested with the general administration, management, and operation of the Retirement System, and

WHEREAS, Amendments to the Michigan Open Meetings Act require a return to in-person meetings starting January 1, 2022;

WHEREAS, Community transmission of COVID-19 remains high in Washtenaw County; and

WHEREAS, Recommendations from the Centers for Disease Control and Prevention (CDC) state that even fully vaccinated people can further reduce their risk of becoming infected with COVID-19 and transmitting it to others by wearing a mask indoors in public in areas of substantial or high community transmission; so be it,

RESOLVED, That, in order to reduce the transmission of COVID-19, protect the health of meeting attendees, minimize the possibility of disrupting the meeting, and thereby promote public participation by creating a safer meeting environment, the Board of Trustees of the City of Ann Arbor Employees Retirement System and Retiree Health Care Benefit Plan & Trust hereby establishes the regulation that all in-person attendees at meetings are required to wear a mask;

RESOLVED, That the type of mask required and how it must be worn shall be consistent with the order by the CDC titled Requirement for Persons To Wear Masks While on Conveyances and at Transportation Hubs, with an effective date of February 1, 2021, as from time to time amended, along with all supplemental guidance issued by the CDC;

RESOLVED, That any person that provides a medical reason which prohibits wearing a mask may contact the Retirement office at 734.794.6710 or via e-mail at lhollabaugh@a2gov.org to be provided a call-in number for the meeting;

RESOLVED, That this regulation shall be adopted and published as a temporary rule until rescinded or modified by the Board of Trustees.

It was **moved** by Monroe and **seconded** by Grimes to adopt and publish as a temporary rule until rescinded or modified by the Board of Trustees.

Approved

D-3 DC Plans RFP

The Board reviewed the drafted RFP and made revisions to include the cyber security disclosure. There was a discussion at APC regarding the costs that the System will incur for these services and the source of funding. In addition to the remaining administrative allowance balance (457), Ms. Orcutt is working with the City to incorporate the Ordinance

change to allow the 401 forfeitures to be used also for expenses as currently only offsets to future contributions are allowed in the language. There is a meeting scheduled next week with City legal staff and Mr. Mohoney, the Interim City Administrator to discuss.

It was **moved** by Monroe and **seconded** by Praschan to approve the request for proposal for recordkeeper search consulting services and investment advisory services for 401(a) defined contribution plan and 457(b) deferred compensation plan as revised and to issue at the Executive Director's discretion.

Approved

E. DISCUSSION ITEMS

E-1 Trustees' Terms Expiring in 2022

Ms. Orcutt informed the Board that Mr. Hastie and Ms. Lynch's terms are expiring December 31, 2022.

E-2 Board Retreat Topics

The Board discussed topics for the upcoming retreat. Items discussed to include were: 1) Actuarial projections on funding, 2) Structure of Committees/Charters, and 3) Investment Consultant General Overview.

E-3 MAPERS One Day Seminar

Ms. Orcutt informed the Board of the upcoming MAPERS One-Day Seminar on March 4, 2022. Trustees shall let staff know if interested in attending to have registration completed.

It was **moved** by Monroe and **seconded** by Schreier to approve interested Staff or Board Members to attend the MAPERS One Day Seminar.

Approved

F. REPORTS

F-1 Executive Report – January 20, 2022

SUMMIT PARTNERS CAPITAL CALL AND DISTRIBUTIONS

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$977,832** for the Retirement System and **\$244,458** for the VEBA on 12/29/21.

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$879,901** for the Retirement System and **\$244,417** for the VEBA on 12/30/21.

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Partnership Fund III issued a distribution in the amount of **\$ 544,832** for the Retirement System on 12/28/21 comprised of gains on sales netted against a call for investments.

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 173,222** for the Retirement System and **\$ 57,740** for VEBA to fund current investments (netted against recallable capital) on 1/27/22.

CARLYLE DISTRIBUTION

Carlyle Realty Fund VIII issued a distribution in the amount of **\$697,888** for the Retirement System and **\$174,468** for the VEBA on 12/28/21. The distribution was netted against additional investment funding, fees, and expenses.

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund IX on 12/23/21 in the amount of **\$296,199** for the Retirement System and **\$87,117** for the VEBA consisting of a gain on sale and return of capital(unrecalable).

DRA issued a distribution from the Growth and Income Fund IX on 12/30/21 in the amount of **\$466,262** for the Retirement System and **\$137,136** for the VEBA consisting of a gain on sale and return of capital(unrecalable).

DRA issued a distribution from the Growth and Income Fund IX on 1/12/22 in the amount of **\$398,522** for the Retirement System and **\$117,213** for the VEBA consisting of a gain on sale and return of capital(unrecalable).

ANGELO GORDON CAPITAL CALL

Angelo Gordon Direct Lending Fund IV Annex, L.P. requested a capital call in the amount of **\$ 2,400,000** for the Retirement System and **\$ 1,000,000** for VEBA to fund current investments on 1/24/22.

TORCHLIGHT DISTRIBUTION

Torchlight Investors issued a distribution from the Debt Fund VII in the amount of **\$455,503** for the Retirement Plan and **\$202,446** for the VEBA on 12/29/21. These funds are unused capital and subject to recall.

BLACKROCK CAPITAL CALLS

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call for investments and expenses in the amount of **\$273,069** for the Retirement Plan and **\$102,401** for the VEBA on 1/28/22. Total commitments to this fund are \$8,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

PENSION ADMINISTRATION SOFTWARE RFP

Ms. Orcutt sent the edits along with the comments provided by Kyle Spade to Milliman on December 14. Milliman sent an update on the status of the contract on January 10th and 14th stating that certain IT specific items we requested were not included in the red lined draft received from their legal department. Those have been added but now it needs to go back through legal for review. They apologize for the delay.

STAFF OPERATIONS/UPDATE

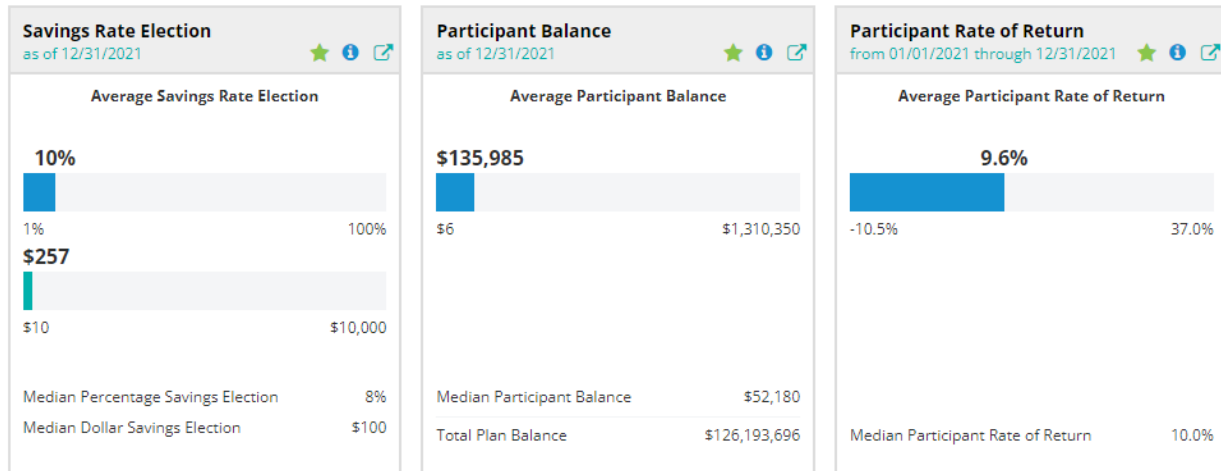
The Pension Analyst processed 46 estimates, 4 non-vested calculations, 1 deferred, 1 payout, 7 final calculations, 4 deceased calc and 8 pre sessions.

The Pension Analyst also conducted the bi-annual death audit after receiving the information from Northern Trust. The list₅ contained 25 retiree names that were an

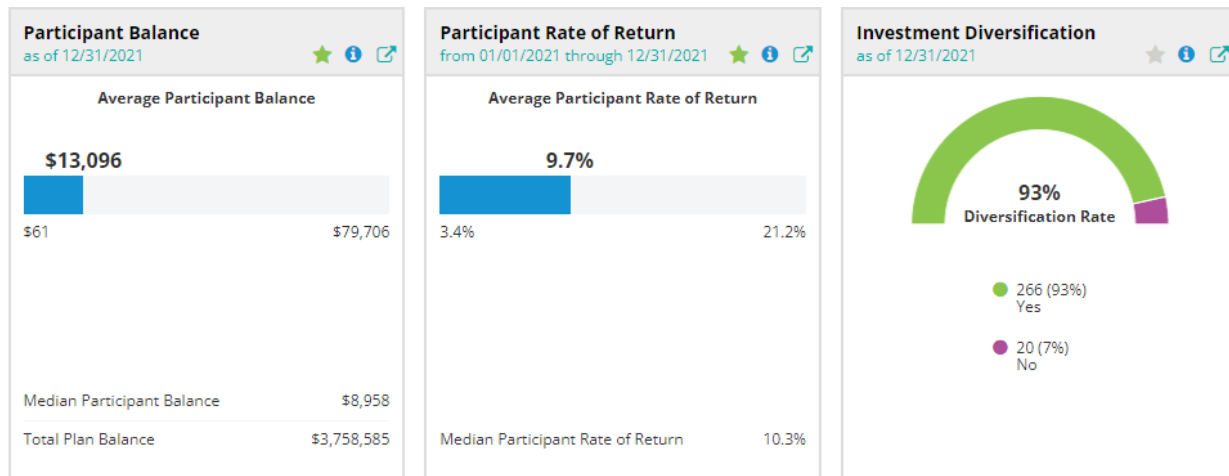
“exact or close match” to name and / or DOB. Of those 25 there was only 1 retiree death that we had not been notified of. Payments have been stopped until we receive confirmation that the retiree did indeed pass and the beneficiary is living at which point retro payments will be issued as appropriate.

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 1/11/22 - \$ 123,208,061 – Statistics as of 12/31/21



401 Balance at 1/11/22 – \$ 3,695,332 - Statistics as of 12/31/21



Current Items/Education:

MSQ provided the onsite education dates for the coming year:

Gina John

Dan Stewart

Jan 25 & 26

February 22-24

Mar 23 & 24

April 26-28

May 25 & 26

June 28-30

Jul 20 & 21

August 23-25

Sep 21 & 22

October 25-27

Nov 16 & 17

December 13-15

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended December 31, 2021

Maria Buffone, Accountant, submitted the Financial Report for the month ended December 31, 2021 to the Board of Trustees:

12/31/2021 Asset Value (Preliminary)	\$656,959,653
11/30/2021 Asset Value (Audited by Northern)	\$640,142,288
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$94,085,701
Percent Gain <Loss>	16.1%
January 19, 2022 Asset Value	\$641,597,682

F-4 Investment Policy Committee Minutes – January 5, 2022

Following are the Investment Policy Committee minutes from the meeting convened at 10:09 a.m. on January 5, 2022:

*Member(s) Present: DiGiovanni, Hastie, Monroe(11:00-11:17 a.m. depart), Praschan
Member(s) Absent: Flack
Other Trustees Present: None
Staff Present: Buffone(via TX), Gustafson(via TX), Hollabaugh(via TX), Orcutt(via TX)
Others Present: Henry Jaung (via TX), Meketa Investment Group
John Harris(via TX), Meketa Investment Group
Keith Beaudoin(via TX), Meketa Investment Group*

ECONOMIC AND MARKET UPDATE DATA AS OF NOVEMBER 30, 2021

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

EXECUTIVE SUMMARY

Mr. Jaung provided an executive summary of the Retirement System and VEBA.

RETIREMENT SYSTEM

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

November 30, 2021 Performance Update: As of November 30, 2021, the balance of the Funds was \$636,753,233 for ERS. Fiscal Year to Date performance was 2.3% for ERS net of fees.

Fossil Fuel Company Exposure: As of September 30, 2021, approximately 2.0% of the total fund was invested in fossil fuels. Within this exposure, approximately 1.4% of the total Retirement System is invested in the Carbon Underground 200 Companies.

VEBA

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

November 30, 2021 Performance Update: As of November 30, 2021, the

balance of the Funds was \$250,281,946 for VEBA. Fiscal Year to Date performance was 2.2% for VEBA net of fees.

Fossil Fuel Company Exposure: As of September 30, 2021, approximately 1.8% of the total fund was invested in fossil fuels. Within this exposure, approximately 1.1% of the total Retirement System is invested in the Carbon Underground 200 Companies.

ASSET ALLOCATION REVIEW

Meketa discussed asset allocation policy with the Committee noting that U.S. Equities are overweight while Real Assets are underweight compared to targets. After further review, it was decided to make the following motion:

It was **moved** by DiGiovanni and **seconded** by Praschan to rebalance 4% from Domestic Equity via the NT Russell 1000 Index with 2% to A.E.W. Core Property and 2% to the J.P Morgan Infrastructure Investments Fund for both the Retirement System and VEBA once the funds are available.

Approved

ADJOURNMENT

It was **moved** by DiGiovanni and **seconded** by Praschan to adjourn the meeting at 11:37 a.m.

Meeting adjourned at 11:37 a.m.

F-5 Administrative Policy Committee Minutes – January 11, 2022

Following are the Administrative Policy Committee minutes from the meeting convened at 1:10 p.m. on January 11, 2022:

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

DC PLANS RFP REVISED DRAFT

The Committee reviewed the RFP draft making some revisions. The Committee also discussed the timeline and possible use of a scoring system. Mr. Schreier inquired about the source of payment for the expenses associated with these services. Ms. Orcutt and Ms. Buffone noted the administrative allowance for 457 costs and that 401 forfeitures can be used to offset reasonable plan expenses. However, the Ordinance currently states that forfeitures can only be used to offset future contributions. The Retirement System drafted a letter to Council in 2019 requesting this change but it has yet to be taken to Council. Ms. Orcutt will discuss again with Margaret Radabaugh this week.

It was **moved** by Schreier and **seconded** by Praschan to recommend to the Board to issue the drafted RFP for Recordkeeper Search Consulting Services and Investment Advisory Services for the 401(a) defined contribution and 457(b) deferred compensation plans.

Approved

DRAFT RESOLUTION TO REQUIRE MASKS

The Committee reviewed the drafted mask requirement resolution for the Board. The Committee agreed to recommend to the Board for future meetings.

It was **moved** by Schreier and **seconded** by Praschan to recommend the resolution to require masks to the Board.

Approved

CYBER SECURITY DISCLOSURES REVIEW

This item was postponed due to time constraints.

ADJOURNMENT

It was **moved** by Praschan and **seconded** by Schreier to adjourn the meeting at 2:19 p.m.

Meeting adjourned at 2:19 p.m.

F-6 Audit Committee Minutes – None

F-7 Legal Report

Mr. VanOverbeke gave the Board a brief refresher regarding fiduciary liability insurance.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 February 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	Applied Imaging	\$32.95	Printing Service 12/2021
2	Buck	\$1,868.39	Pension Admin Software Hosting 12/2021
3	Culligan	\$34.97	Water Service 1/2022
4	Laura Hollabaugh	\$148.64	DTE Electric Reimbursement 11/11/2021-12/13/2021
5	Laura Hollabaugh	\$95.44	DTE Gas Reimbursement 11/11/2021-12/13/2021
6	GRS	\$7,005.00	Pension Valuation Q1 2022
7	GRS	\$2,550.00	GASB 67/68 Q1 2022
8	City of Ann Arbor Treasurer	\$670.13	K.Spade's FY22 Q2 Hours Worked
9	Meketa Investment Group	\$10,000.00	Investment Consulting 12/2021
	Total	\$22,405.52	

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
Sarah Singleton	Age & Service	January 29, 2022	General	Non Union	28 Years, 3 Months	Financial & Administrative
Renee Wagner	Age & Service	February 3, 2022	Police	Police Pro	28 Years, 10.5 Months	Safety Services
Shane Dennis	Age & Service	February 26, 2022	Police	COAM	25 Years	Safety Services
Robert Herrst	Age & Service	January 29, 2022	General	AFSCME	17 Years, 4.5 Months	Public Services
Brett Hansen	Age & Service	February 11, 2022	Police	AAPOA	25 Years	Safety 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 Nerdrum to adjourn the meeting at 10:09 a.m.
Meeting adjourned at 10:09 a.m.

Wendy Orcutt

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