

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
July 16, 2020**

B

The meeting was called to order by Board Secretary, Dave Monroe, at 8:38 a.m.

**ROLL CALL**

Members Present: DiGiovanni(*Via TX*), Hastie(*via TX*), Horning(*Via TX, 9:56 a.m. depart*),  
Lynch(*Via TX*), Monroe(*Via TX*), Peariso(*Via TX*), Schreier(*Via TX*)  
Members Absent: Flack, Nerdrum  
Staff Present: Buffone(*via TX*), Gustafson(*via TX*), Hollabaugh(*Via TX*), Orcutt(*via TX*)  
Others: Michael VanOverbeke, Legal Counsel(*via TX*)

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**Approved**

**B. APPROVAL OF MINUTES**

**B-1 June 18, 2020 Regular Board Meeting**

It was **moved** by Lynch and **seconded** by DiGiovanni to approve the June 18, 2020 Regular Board Meeting minutes.

**Approved**

**C. CONSENT AGENDA**

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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Jason Forsberg	Police	21 Years, 1 Month	University of Michigan

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 DiGiovanni and **seconded** by Hastie to approve the consent agenda as submitted.

**Approved**

**D. EXECUTIVE SESSION – Executive Director Annual Evaluation**

It was **moved** by Schreier and **seconded** by Hastie to convene an Executive Session for the purpose of discussing the Executive Director Annual Evaluation.

**Approved**

*Roll call vote:*

DiGiovanni - Yes	Horning – Yes	Nerdrum – Absent
Flack – Absent	Lynch – Yes	Peariso – Yes
Hastie - Yes	Monroe - Yes	Schreier – Yes

*Executive session time: 8:44 a.m – 9:30 a.m*

**E. ACTION ITEMS**

**E-1 Motion regarding Executive Director Annual Evaluation**

The Board acknowledged the Executive Director Evaluation has been discussed during the closed session and that no action was needed.

**E-2 Reciprocal Retirement Act – Dual Retirement Plan**

Upon receipt of the resolution approving his reciprocal time for vesting towards the DB Plan, an employee requested that ICMA update his vesting status for the DC Plan as well. Mr. VanOverbeke confirmed that reciprocal time does apply to the 401 and has submitted a memo to the Board stating so.

It was **moved** by Horning and **seconded** by Schreier to acknowledge receipt of the memo and recognizes that service credit under the reciprocal retirement act will be recognized in both plans within the hybrid retirement plan.

**Approved**

**F. DISCUSSION ITEMS**

**F-1 Budget Adjustments – FYE 20**

Ms. Orcutt informed the Board of FYE 20 Budget Adjustments due to the GRS billing and replacement of the AC Unit for the Retirement Office. \$20,000 in adjustments were made allocating \$15,000 from Due Diligence and \$5,000 from Contingencies/Miscellaneous.

It was **moved** by Peariso and **seconded** by DiGiovanni to approve the amended budget as submitted by the Executive Director.

**Approved**

**F-2 GRS Projections/Return Assumption**

The Board discussed the discount rate and the overall objective. The projections provided by GRS demonstrated three potential strategies which the Board reviewed and discussed. The Board agreed to aim to have a decision by the September meeting in order to incorporate in this year's valuation. Before making a final decision, the Board decided to continue the discussion with IPC and at the August meeting including the following: the probability of achieving certain rates of return and updated expected returns from Meketa; an additional GRS Modeling meeting; and further discussion on all.

**G. REPORTS**

**G-1 Executive Report – July 16, 2020**

**SUMMIT PARTNERS CAPITAL CALLS AND DISTRIBUTIONS**

Summit Partners Credit Fund III, L.P. requested a capital call of 1.77 % of our commitment to the Funds in the amount of **\$159,399** for the Retirement Plan and **\$44,277** for the VEBA on 6/23/20. With these installments, **CAAERS** will have funded 69.9% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

Summit Partners Credit Fund III, L.P. requested a capital call of 1.43 % of our commitment to the Funds in the amount of **\$129,177** for the Retirement Plan and **\$35,882** for the VEBA on 7/13/20. With these installments, **CAAERS** will have funded 71.4% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of **\$248,531** for the Retirement System and **\$69,037** for the VEBA on 6/30/20.

Summit Partners Credit Fund II, L.P. issued a distribution in the amount of **\$119,338** for the Retirement System and **\$29,834** for the VEBA on 6/30/20.

**CONSTITUTION CAPITAL PARTNERS**

Ironsides Direct Investment Fund V, L.P. requested a capital call in the amount of **\$ 297,253** for the Retirement System and **\$ 99,084** for VEBA to fund current investments on June 26, 2020.

**DRA DISTRIBUTIONS**

DRA issued a distribution from the Growth and Income Fund X on 5/26/20 in the amount of **\$22,860** for the Retirement System and **\$15,240** for the VEBA consisting of dividends netted against management fees.

DRA issued a distribution from the Growth and Income Fund IX on 06/12/20 in the amount of **\$188,427** for the Retirement System and **\$55,420** for the VEBA consisting of gains on sales, dividends and return of capital netted against management fees .

## SVB CAPITAL CALL

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 232,000** for the Retirement Plan and **\$ 58,000** for the VEBA on July 9, 2020 for the purpose of funding current commitments.

## CARLYLE CAPITAL CALLS

Carlyle requested a capital call of our commitment to the Carlyle Realty Fund VIII in the amount of **\$ 258,892** for the Retirement System and **\$ 64,722** for the VEBA on 7/14/20 for the purpose of investment funding, fees and expenses netted against a distribution.

## ACTUARY UPDATE - FYE

GRS, ED and Staff met on June 24 to discuss this year's timeline and improvements to incorporate in this year's reports. The Pension Analyst is compiling the census data for submission to GRS which is due by July 15<sup>th</sup>.

## TRAINING PROGRAM UPDATE

The second training session on June 11<sup>th</sup> was also very well attended with 70 employees joining the Zoom webinar. A Dual Plan program is in the works however this is likely to hold until the FYE work and Audit is complete.

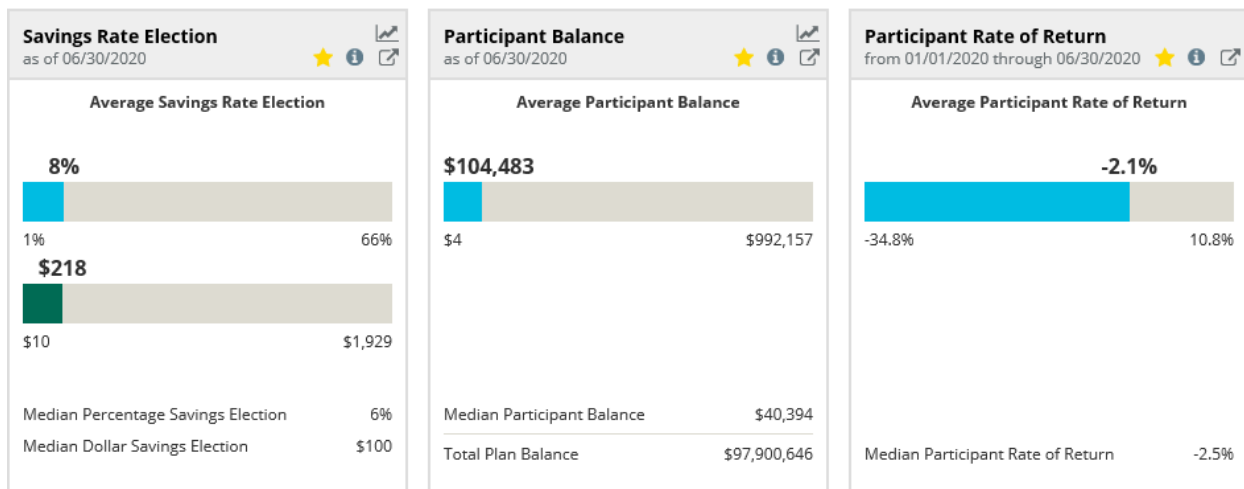
## STAFF OPERATIONS/UPDATE

The Pension Analyst processed 41 Estimates, 5 Final Calculations, 8 deceased calculations, 2 Non-vested and conducted 4 pre sessions. There were 28 retirements in FY2020.

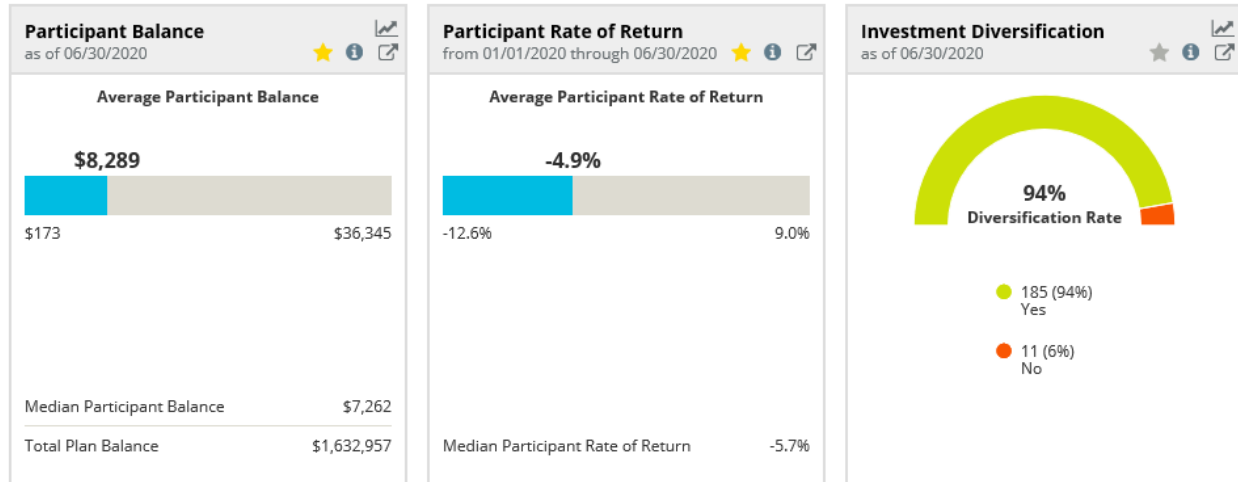
Staff continues to work remotely, and the mail is checked at least once per week. The office was cleaned and disinfected on June 10<sup>th</sup> and the City provided some PPE for use by Staff and visitors.

## G-2 Executive Report – ICMA-RC Update

### 457 Balance at 7/9/20 = \$ 99,816,109 – Statistics as of 6/30/20



**401 Balance at 7/9/20 = \$ 1,668,498 – Statistics as of 6/30/20**



**Current Items/Education:**

- Dan Stewart conducted virtual appointments during June 22 and 23 with 7 attendees. Jason Ashline said this was not uncommon and that nationwide appointment and webinar attendance has been low.
- Laura will be sending out an email this week with links to a variety of ICMA webinars conducted by ICMA . (not specific to Ann Arbor or by Nancy Lange)
- ICMA will be sending out a mail campaign by month end targeting employees in the 401 but not enrolled in the 457. Currently 50 out of 165 are participating in the 457 (about 30% ) which is up from the prior 20% rate one year ago,

**Other Items:**

Roth Codes – The deduction codes/rollup and update to the ICMA website are complete.

COVID-19 – ICMA confirmed receipt of the election to allow CRD’s from the 457 Plan.

**G-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended June 30, 2020**

Maria Buffone, Accountant, submitted the Financial Report for the month ended June 30, 2020 to the Board of Trustees:

6/30/2020 Asset Value (Preliminary)	\$511,054,107
5/31/2020 Asset Value (Audited by Northern)	\$507,391,323
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	(\$6,276,704)
Percent Gain <Loss>	1.2%
<b>July 15, 2020 Asset Value</b>	<b>\$516,795,982</b>

**G-4 Investment Policy Committee Minutes – July 7, 2020**

Following are the Investment Policy Committee minutes from the meeting

convened at 3:12 p.m. on July 7, 2020:

Member(s) Present: DiGiovanni(via TX), Hastie(via TX), Horning(via TX)(3:49pm arrival),  
Monroe(via TX)  
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  
Keith Beaudoin(via TX), Meketa Investment Group  
John Harris(via TX), Meketa Investment Group  
Christy Gahr(via TX), Meketa Investment Group  
Derek Proctor(via TX), Meketa Investment Group

### **ECONOMIC AND MARKET UPDATE DATA**

Mr. Jaung provided an economic and market update as of May 29, 2020, including reviewing prior drawdowns and recoveries from 1926-2020. Mr. Jaung informed the Committee that there will be significant economic impact and global recession and to expect heightened market volatility given the virus and previous high valuations. It is important to retain a long-term focus.

Meketa will continue to monitor the situation and communicate frequently.

### **EXECUTIVE SUMMARY**

Mr. Jaung provided an executive summary for the Retirement System and VEBA. The ERS had a strong May 2020, with 3.2% return, outperforming the Policy and the 60/40 benchmarks in most periods. The trades made during Q1 continue to add to the ERS, to date they have netted a positive \$3.1 million. VEBA also has a strong May 2020, with 3.4% return.

Initial estimates for Fiscal YTD performance is 4.9% for ERS and 3.7% for VEBA. Actual numbers will be ready for the August IPC meeting.

### **RETIREMENT SYSTEM**

Act 314 Compliance Review: Mr. Beaudoin reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

May 31, 2020 Investment Review: As of May 31, 2020, the balance of the Funds was \$505,556,331 for ERS. Fiscal Year to Date performance was 2.9% for ERS net of fees.

### **VEBA**

Act 314 Compliance Review: Mr. Beaudoin reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

May 31, 2020 Investment Review: As of May 31, 2020, the balance of the Funds was \$188,981,456 for VEBA. Fiscal Year to Date performance was 1.7% for VEBA net of fees.

### **HEXAVEST UPDATE**

Meketa's International Research Team held a follow up video-conference meeting with Hexavest in May 2020 to better understand the changes at the firm and discuss primary concerns which include the recent reduction in Investment Staff, Firm stability given outflows and lower asset under management, and Performance results not on-line with the Firm's historical profile. Meketa has concluded to monitor AUM and cash flows and to keep a close eye on performance.

### **REAL ESTATE UPDATE**

Christy Gahr and Derek Proctor from the Meketa Real Estate Team were present to discuss the Real Estate Update. In the first quarter of 2020, vacancy rates increased slightly for all property types. Meketa compared the vacancy rates from one year ago stating that overall, the vacancy rates across all properties increased two basis points from Q1 2019.

The Committee will discuss Real Estate Asset Allocation further at upcoming meetings.

### **TALF 2.0 UPDATE**

Meketa informed the Committee that spreads continue to tighten in all credit sectors, including the AAA securitized market, making it difficult to generate attractive returns. The Fed set the first loan rate at 1.3% and the first TALF ABS priced with a coupon of 127%. Only \$252 million subscribed for this security. The TALF investment window extends through September 30, 2020.

### **DISCUSSION ITEMS**

Employee Inquiry – 457: Ms. Orcutt informed the Committee regarding an employee's questions regarding certain ICMA funds and the response from ICMA. The Committee discussed his questions and Staff will follow up with the employee.

August IPC Agenda: The Committee reviewed schedules for the August IPC meeting. The next IPC meeting was tentatively scheduled for the week of August 11<sup>th</sup>.

### **ADJOURNMENT**

It was **moved** by Horning and **seconded** by Monroe to adjourn the meeting at 5:07 p.m.  
**Meeting adjourned at 5:07 p.m.**

### **G-5 Administrative Policy Committee Minutes – July 10, 2020**

Following are the Administrative Policy Committee minutes from the meeting convened at 8:05 a.m. on July 10, 2020:

Committee Members Present:	Lynch(Via TX), Monroe(Via TX), Peariso(Via TX), Schreier(Via TX)
Members Absent:	None
Other Trustees Present:	None
Staff Present:	Buffone(Via TX, depart at 8:08 AM), Hollabaugh(Via TX), Orcutt(Via TX)
Others Present:	None

### **2019-20 EXECUTIVE DIRECTOR EVALUATION**

The Committee reviewed the results of the 2019-20 Executive Director Evaluation Forms. Staff was dismissed at this time.

### **ICMA UPDATE**

Ms. Orcutt provided the following updates:

ROTH Codes and Annual Max: HR and ICMA have updated their websites with the appropriate coding.

Recent Training: Dan Stewart provided webinar meetings June 22-23. There were 7 scheduled. Jason Ashline from ICMA informed staff employee attendance is currently low nationwide due to the pandemic.

Enrollment Drive: Later this month ICMA will be sending an educational mailer to Dual Plan employees who are not enrolled in the 457. Currently 30% of employees in the 401 participate in the 457 compared to approximately 20% last year.

Upcoming Webinars: Staff will be sending out an invite for ICMA National educational Webinars for those who are interested.

CARES Act: ICMA has provided the CRD withdrawal form which will require the Executive Directors signature upon completion. No employees have applied for a CRD to date. The committee discussed sending out a notice informing employees the CRD is now available if needed. Mr. Schreier noted that the CRD withdrawal form does not reflect the current IRS financial condition option which now includes hardship for spouse and household. Ms. Orcutt will follow up with ICMA to see if there is an updated form.

### **CREDIT CARD UPDATE**

Ms. Orcutt informed the Committee of the credit card status. Staff is in the process of applying and setting up the account.

### **RECIPROCAL RETIREMENT ACT – DUAL RETIREMENT PLAN**

Upon receipt of the resolution approving his reciprocal time for vesting towards the DB Plan, an employee requested that ICMA update his vesting status for the DC Plan as well. Staff confirmed with legal that reciprocal time does apply to the 401 as well. VMT drafted a memo regarding the matter which will be taken to the Board for approval.

### **ADJOURNMENT**

It was ***moved*** by Peariso and ***seconded*** by Schreier to adjourn the meeting at 8:56 a.m.  
**Meeting adjourned at 8:56 a.m.**

### **G-6 Audit Committee Minutes – July 9, 2020**

Following are the Audit Committee minutes from the meeting convened at 3:37 p.m. on July 9, 2020:

Committee Members Present: Horning(Via TX), Nerdrum(Via TX), Monroe(Via TX) (4:05 arrival)  
Members Absent: None



Other Trustees Present: None  
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh(Via TX),  
Orcutt(Via TX)  
Others Present: Jim Anderson, GRS (Via TX)  
Francois Pieterse, GRS (via TX)  
Rich Koch, GRS (via TX)  
Tom Crawford, Interim City Administrator(Via TX) (3:40  
arrival-5:00p.m. departure)

### **GRS UPDATED PROJECTIONS PRESENTATION**

*Mr. Anderson, Mr. Koch and Mr. Pieterse attended the meeting to present projections using GRS' Foresight modeling tool. Mr. Anderson presented results from Foresight of difference scenarios that the Board has requested. The Foresight modeling tool was also demonstrated for the Committee to see in real-time. After the presentation, a brief discussion ensued. In summation, Ms. Nerdrum stated the following for the Board's consideration:*

*What is the end objective? For example, is it to be 100% funded as soon as possible with the least amount of volatility? If so, what's a sustainable amount of volatility since we cannot reduce all of it?*

*Parameters need to be set around what we are attempting to achieve with the funding policy and methods being used. Using the market shots/models, if we are not meeting 5/10 scenarios, then a change should be made.*

*What's the overall objective and what's the data that supports whether or not there is any hope of meeting that objective?*

*The Committee requested to review the probabilities of achieving certain rates of return from Meketa and requested GRS to provide a one-page summary highlighting what was discussed as well as their recommendations. It was decided to discuss further at the July Board meeting.*

### **AUDIT ENGAGEMENT LETTERS**

*Ms. Nerdrum informed Staff and the Committee she has received the Engagement Letters and will sign and return to staff.*

### **VALUATION PLANNING UPDATE**

*Staff had a valuation planning meeting with GRS. Ms. Orcutt is revising the report formats and working on getting those completed and returned to GRS. The deadline for the census data submission is July 15.*

### **BUCK SOFTWARE UPDATE**

*Ms. Orcutt informed the Committee of the software update being performed by Buck. Limited access to the system is expected and employees have been notified. The Benefit modeling tool on the self-service website is temporarily unavailable. Staff will continue to update employees regarding the software update until the expected completion date of July 30, 2020.*

### **ADJOURNMENT**

It was ***moved*** by Monroe and ***seconded*** by Nerdrum to adjourn the meeting at 5:07 p.m.

**Meeting adjourned at 5:07 p.m.**

**G-7 Legal Report**

**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.

	<u>PAYEE</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
1	DTE	\$103.53	Electric 5/15/2020-6/15/2020
2	MAPERS	\$600.00	Orcutt & Gustafson Fall 2020 Registration
3	VanOverbeke, Michaud & Timmony	\$10,216.80	Legal Services Jan-March 2020
4	RNA Cleaning	\$285.00	Office Clean and Disinfect 6/10/2020
5	Applied Imaging	\$11.49	Printing Services 7/2020
6	ATT	\$556.64	Phone Service 5/26/2020-6/25/2020
7	Buck	\$1,825.28	May 2020 hosting Fee
8	Culligan	\$11.00	Water Service 7/2020
9	Laura Hollabaugh	\$20.07	DTE Reimbursement: Gas 5/15/2020-6/15/2020
10	GRS	\$4,800.00	Annual GASB 67/68 Valuation - Q1 & Q2 2020
11	GRS	\$13,200.00	Annual Pension Valuation - Q1 & Q2 2020
12	Hexavest	\$20,050.51	Investment Management Fee 4/1/2020-6/30/2020
13	Meketa	\$10,000.00	Investment Consultant Fee 6/2020
14	Robertson Morrison	\$8,140.00	Air Conditioning Unit Replacement
	<b>Total</b>	<b>\$69,820.32</b>	

**H-4 Retirement Report**

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

<u>Name</u>	<u>Retirement Type</u>	<u>Effective Retirement Date</u>	<u>Group</u>	<u>Years of Service</u>	<u>Department/Service Area</u>
Anissa Bowden	Age & Service	August 7, 2020	General	27 Years, 7 Months	City Administration
Christopher Foerg	Age & Service	July 25, 2020	Police	23 Years, 5 Months	Safety Services
Craig Ferris	Age & Service	August 3, 2020	Fire	29 Years, 2 Months	Safety Services
Eric Ronewicz	Age & Service	August 1, 2020	Police	22 Years, 10 Months	Safety Services
William Stanford	Age & Service	August 1, 2020	Police	24 Years, 9 Months	Safety Services

**H-5 Analysis of Page Views on Retirement System Website**

**I. TRUSTEE COMMENTS / SUGGESTIONS**

Mr. Monroe mentioned the status of the Investment Consultant RFP. The Board briefly discussed the possibility of performing the interviews in person. Due to the pandemic, it is still unknown when meeting in person will be safe. The Board agreed to continue the discussion at the next Board meeting and to plan to have a decision on how to move forward at the September Board meeting.

**J. ADJOURNMENT**

It was **moved** by Schreier and **seconded** by DiGiovanni to adjourn the meeting at 10:33 a.m.  
**Meeting adjourned at 10:33 a.m.**

*Wendy Orcutt*

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