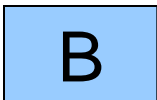


**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
June 18, 2020**



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

**ROLL CALL**

Members Present: DiGiovanni(*Via TX*), Flack(*Via TX*), Hastie(*via TX*), Horning(*Via TX, 9:56 a.m. depart*), Lynch(*Via TX*), Monroe(*Via TX*), Nerdrum(*Via TX*), Peariso(*Via TX*), Schreier(*Via TX*)

Members Absent: None

Staff Present: Buffone(*via TX*), Gustafson(*via TX*), Hollabaugh(*Via TX*), Orcutt(*via TX*)

Others: Michael VanOverbeke, Legal Counsel(*via TX*)  
Jim Anderson, (GRS) (*via TX*) (10:30 a.m. depart)  
Rich Koch, (GRS) (*via TX*) (10:30 a.m. depart)  
Francois Pieterse, (GRS) (*via TX*) (10:30 a.m. depart)  
Danielle Correa, (Financial Investment News)

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**Approved**

**B. APPROVAL OF MINUTES**

**B-1 May 21, 2020 Regular Board Meeting**

It was **moved** by DiGiovanni and **seconded** by Monroe to approve the May 21, 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
Danielle Thompson	General	2 Years, 9 Months	Livingston County
Mike Kennedy	Fire	7 Years, 6 Months	University of Michigan
Anthony Bedogne	General	15 Years, 10 Months	Washtenaw County

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 Nerdrum and **seconded** by Monroe to approve the consent agenda as submitted.

**Approved**

**E. DISCUSSION ITEMS *(moved forward on agenda)***

**E-1 Actuary Presentation**

Mr. Anderson, Mr. Koch and Mr. Pieterse attended the meeting to review a proposed update to Option Factors and to present projections using GRS' Foresight modeling tool. The discussion began with a comparison between the current and proposed factors used for determining optional forms of benefit payment. When a retiring member elects an optional form of benefit, the assumed benefit is multiplied by the appropriate option factor to produce the benefit actually payable. GRS is recommending an update to these factors. After the discussion, Ms. Nerdrum stated she would like to further discuss this matter at a future Audit Committee meeting before deciding on making a change, the Board agreed.

Mr. Anderson then presented the results from Foresight of the different scenarios that the Board had requested which consisted of stress-testing projections using a dynamic model. These results would provide insight on the impact on City Contributions and Plan Funded Status assuming different investment returns, a change to the assumed investment return (discount rate) as well as a combination of both. After a brief discussion following the presentation, it was decided to also discuss the results further at upcoming Audit Committee and Board meetings.

**E-2 Executive Director Goals & Objectives**

Ms. Orcutt reviewed the listing of her Goals and Objectives for FYE 2021 as discussed at the June APC meeting. There were no additions or changes made to the listing at this time. Mr. Monroe requested that the Trustees complete their evaluation forms by July 2, 2020.

### **E-3 DC Plans Update**

Ms. Orcutt provided a brief update regarding the DC Plans, informing the Board that ICMA-RC's contract expires January 1, 2022 and the timing of the RFP process.

### **D. ACTION ITEMS**

#### **D-1 FYE 2020 Administrative Allowance**

Ms. Orcutt informed the Board of the Administrative Allowance that is being used for staff time dedicated to 457 activities and direct costs (i.e. legal fees). For FYE 2020 the recommended allocation amount is \$17,400, based on "Full Cost" per employee and includes tax, fringes etc.

It was **moved** by Hastie and **seconded** by Peariso to approve the FYE 2020 Administrative Allowance.

**Approved**

### **E. DISCUSSION ITEMS**

#### **E-4 Disability Re-Exam Update**

Ms. Orcutt informed the Board that Disability Retiree Anthony Fischer has reached his Normal Retirement Age and has confirmed with Legal that he no longer is required to attend re-examinations.

#### **E-5 Board/Committee Meetings Status**

The Board discussed the status of COVID-19 and meetings going forward. It was decided to continue with virtual meetings at this time.

#### **E-6 Investment Consultant RFP**

The Board decided to delay the RFP process at this time until in person interviews could safely be conducted. The Board will review at the July meeting.

### **F. REPORTS**

#### **F-1 Executive Report – June 18, 2020**

##### **SUMMIT PARTNERS CAPITAL CALLS**

*Summit Partners Credit Fund III, L.P. requested a capital call of 1.34 % of our commitment to the Funds in the amount of **\$119,893** for the Retirement Plan and **\$33,304** for the VEBA on 5/29/20. With these installments, **CAAERS** will have funded 68.2% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.*

*Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$45,478** for the Retirement Plan and **\$11,370** for the VEBA on 5/15/20. With these installments, **CAAERS** will have funded 135.38% of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.*

## **CONSTITUTION CAPITAL PARTNERS**

*Ironsides Direct Investment Fund V issued a distribution in the amount of **\$160,708** for the Retirement System and **\$53,569** for the VEBA on 5/26/20.*

## **ARBORETUM CAPITAL CALLS**

*Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$80,000** for the Retirement Plan and **\$20,000** for VEBA on 06/23/20 to cover management fees for the second and third quarter of 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 .*

## **WELLINGTON TALF CAPITAL CALL (ERS)**

*Wellington requested a capital call of \$5,084,090 to the TALF Fund on 5/26/20. \$2,042,045 was liquidated from both the Barclays Agg and the 1-5 Credit bond funds. With this installment, **CAAERS** will have funded 25% of our total commitment of \$20,000,000 for the Retirement Plan.*

## **PAYDEN TALF CAPITAL CALL (VEBA)**

*Payden requested a capital call of \$800,000 to the 2020 Onshore TALF Fund on 6/15/20. \$400,000 was liquidated from both the Barclays Agg and the 1-5 Credit bond funds. With this installment, **CAAERS** will have funded 20% of our total commitment of \$4,000,000 for the VEBA.*

## **ACTUARY UPDATE - FYE**

*GRS, ED and Staff have a valuation meeting planned on June 24 to discuss this year's timeline and expectations. ED is compiling a list of improvements to incorporate in this year's reports. The GASB data requests were sent in late April and Staff is making updates to the benefit provisions and entering contribution data to date.*

## **TRAINING PROGRAM UPDATE**

*The initial training session on May 27<sup>th</sup> was a success! There were over 100 registered with nearly that many joining the session. A survey was sent following session on 5/27. We received very positive feedback and incorporated suggestions into the second session is scheduled for June 11. Zoom allows a download for attendance tracking and those are being saved as part of the program. Most registrants signed up in response to the email sent to all Traditional Plan employees. The others signed up in response to the notification in A2 News and Notes.*

## STAFF OPERATIONS/UPDATE

The Pension Analyst processed 21 Estimates, 1 Final Calculation, 5 deceased calculations, and conducted 3 pre sessions.

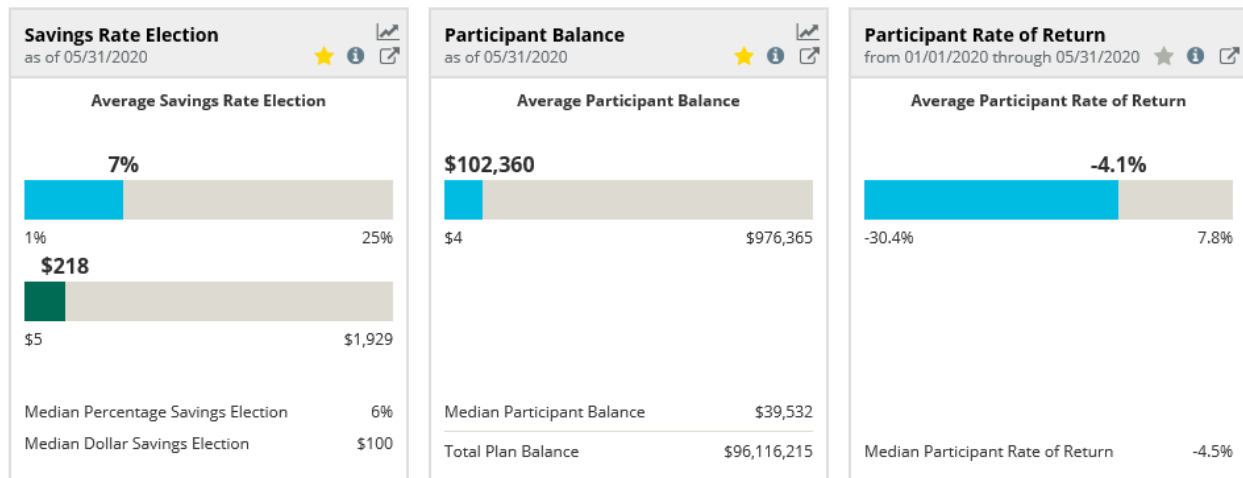
On April 20, letters were sent to the 62 retirees that still receive a check in the mail encouraging them to switch to direct deposit. To date, 13 have converted to direct deposit.

After the lack of mail for an extended period, ED logged a case with the USPS. Unbeknownst to Staff, the USPS had put a stop on mail to the office and was holding it at the A2 branch. The situation has been resolved and now mail is being delivered daily. Staff continues to check on a weekly basis at minimum.

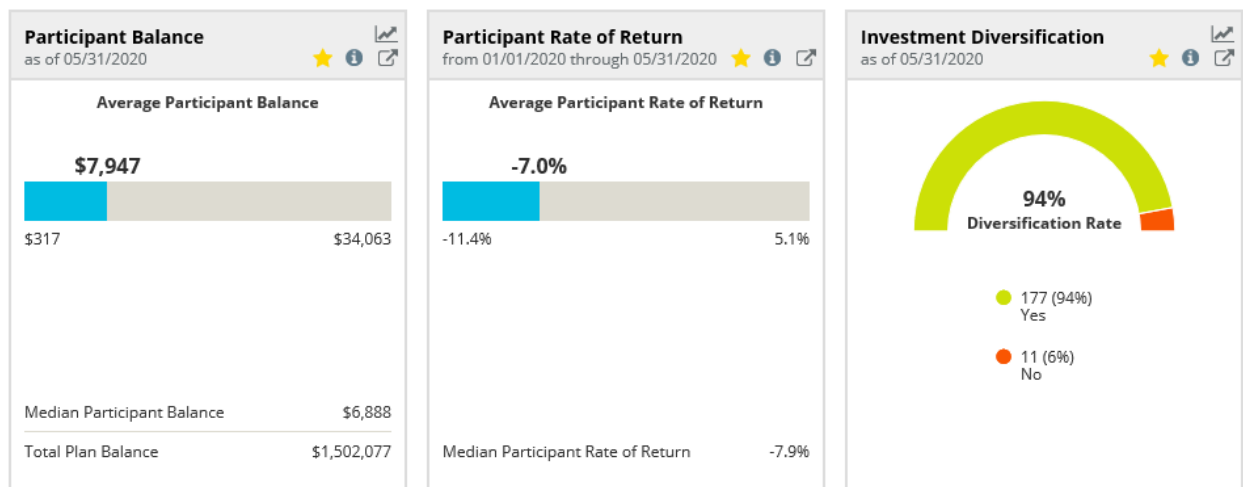
Operations are running smoothly, and Staff continues to work remotely per the Governor's Executive Order. (All employees who can work from home should continue to do so.)

### **F-2 Executive Report – ICMA-RC Update**

#### **457 Balance at 6/12/20 = \$ 95,650,135 – Statistics as of 5/31/20**



#### **401 Balance at 6/12/20 = \$ 1,525,954 – Statistics as of 5/31/20**



#### **Current Items/Education:**

- Dan Stewart will be conducted virtual appointments during June 22 and 23.

- Nancy Lange conducted a webinar in lieu of the annual retiree luncheon which had minimal attendance.

**Other Items:**

Roth Codes Update – The deduction codes are now set up in the UltiPro payroll system and the update to roll all codes into the annual max is complete. ED notified Jason Ashline who will have IT at ICMA update the website. Once complete Staff will notify employees.

COVID-19 - A resolution will be brought to Council for approval on June 15 to allow COVID Related Distributions (CRD's).

**F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended May 31, 2020**

Maria Buffone, Accountant, submitted the Financial Report for the month ended May 31, 2020 to the Board of Trustees:

5/31/2020 Asset Value (Preliminary)	\$505,425,589
4/30/2020 Asset Value (Audited by Northern)	\$491,358,520
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	(\$16,015,395)
Percent Gain <Loss>	-3.0%
<b>June 17, 2020 Asset Value</b>	<b>\$511,054,308</b>

**F-4 Investment Policy Committee Minutes – June 2, 2020**

**ECONOMIC AND MARKET UPDATE DATA AS OF MAY 8, 2020**

*Mr. Jaung provided an economic and market update as of May 8, 2020, including reviewing prior drawdowns and recoveries from 1926-2020. Mr. Jaung informed the Committee that markets are continuing to reprise amid the uncertain impact the virus has on the markets and global economy, which means the drawdown is still being defined in the context of history. The current decline is severe, and it is still too early to tell how long a full recovery might take.*

*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 re-balancing activity during Q1 continues to show positive results. Meketa continues to contact all the managers in the Retirement System and VEBA's roster for due diligence purposes, both operation and investment related.*

**RETIREMENT SYSTEM**

*April 30, 2020 Investment Act & 314 Compliance Review:*

*As of April 30, 2020, the balance of the Funds were \$497,628,993 for ERS. Fiscal Year to Date performance was -0.4% for ERS net of fees. Mr. Beaudoin also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.*

The Committee also discussed future agenda items to discuss such as the updated investment policy addendum which was adopted last year and rebalancing.

#### 1 Year Attribution Analysis:

Mr. Beaudoin reviewed the portfolios one year attribution analysis breaking down the selection and allocation effects noting how both contribute to the total effect.

### **VEBA**

#### April 30, 2020 Investment Act & 314 Compliance Review:

As of April 30, 2020, the balance of the Funds were \$182,659,499 for VEBA. Fiscal Year to Date performance was -1.7% for VEBA net of fees. Mr. Beaudoin also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

#### 1 Year Attribution Analysis:

Mr. Harris reviewed the portfolios one year attribution analysis breaking down the selection and allocation effects noting how both contribute to the total effect.

### **DYNAMIC ASSET ALLOCATION UPDATE**

Mr. Jaung discussed Dynamic Asset Allocation (DAA) with the Committee stating that it is a method of balancing a conservative investment posture, which ensures short term liabilities are covered, an a more aggressive posture, which enables the VEBA's longer-term assets to keep pace with funding goals. DAA results in three categories of reserves: short-term, intermediate-term and longer-term.

### **FUTURE BENEFIT PAYMENT SOURCES**

Ms. Orcutt and Mr. Jaung discussed the upcoming benefit payments, noting that an additional \$4 Million was needed in order to cover the next two months of benefits. The Committee discussed further and decided to fund the benefit payments using Investment Grade bonds, DFA and Loomis with \$1 million from each fund.

### **ADJOURNMENT**

It was **moved** by DiGiovanni and **seconded** by Horning to adjourn the meeting at 4:54 p.m.  
**Meeting adjourned at 4:54 p.m.**

## **F-5 Administrative Policy Committee Minutes – June 9, 2020**

### **ICMA UPDATE**

Ms. Orcutt provided the following ICMA updates:

Ms. Orcutt updated the Committee regarding the Roth IRA information. Mr. Schreier believes that the Retirement Systems materials should not include the Roth IRA since they are not part of the plan. The Committee decided to discuss further at the Board and to review ICMA's materials to ensure the Roth IRA is properly presented.

CARES Act and CRD's - The resolution to approve the CRD's is on the June 15<sup>th</sup> Council agenda. Ms. Orcutt has the required authorization forms from ICMA for use once approved, including a required signature from the Retirement System Staff.

Roth Codes and Annual Max – The City has completed the set up of the codes in the payroll system. ICMA will be in contact once the codes are set up on their end.

Ms. Orcutt let the Committee know that the Retiree Webinar went well. Nancy Lange presented information regarding the current market condition and Medicare. The attendance was minimal.

Ms. Orcutt also informed the Committee regarding the Disability Retirement Re-Exams, that some applicants have reached normal retirement age and will no longer be required to attend re-exams.

### **TRAINING PROGRAM UPDATE – TRADITIONAL PLAN/DUAL PLAN**

Ms. Orcutt updated the Committee regarding the Retirement System's first training webinar which was held in May. Over 100 employees registered, and 90 employees attended. The feedback was great, and a second session is scheduled for June 11. The sessions are recorded and will be posted to the City's website for those who are unable to attend.

### **2019-20 EXECUTIVE DIRECTOR EVALUATION FORM AND STATUS UPDATE ON 2019-20 GOALS AND OBJECTIVES**

Ms. Orcutt presented her 2019-20 goals noting that all have been accomplished or in process. The training program will continue going forward and be added to next year's goals and objectives along with other initiatives such as the Investment Consultant RFP, and the investment allocation/return assumption. Ms. Orcutt will present the FY21 Goals at the June 18 meeting for review. Mr. Shreier would like Administrative matters added to question 8 on the evaluation form. Once revised, Mr. Monroe will send out the evaluation form to the Board at the June 18, 2020 Board meeting.

### **BREIF DISCUSSION ON RE-OPENING PLAN**

Ms. Orcutt updated the Committee regarding the re-opening plans. The City Administrator has informed City Employees to continue working remotely if possible. Ms. Orcutt informed the Committee that staff will continue to work remotely and will be available by appointment only. A more formal re opening plan is in the works.

Ms. Orcutt also informed the Committee that the Retirement System's office mail was being held at the Post Office until recently. Mail is now being sent on schedule.

### **ADJOURNMENT**

It was ***moved*** by Peariso and ***seconded*** by Schreier to adjourn the meeting at 3:45 p.m.  
**Meeting adjourned at 3:45 p.m.**

F-6 **Audit Committee Minutes – None.**



**F-7 Legal Report**

Mr. VanOverbeke informed the Board that Yeo & Yeo had added new language to their engagement letters. Legal suggested new language however, Yeo & Yeo would not agree to change. Mr. VanOverbeke wanted the Board to be aware of the changes and disclaimer of liability being imposed by Yeo & Yeo.

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

**G-1 Communications Memorandum**

**G-2 July 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	IRM	\$4,108.08	Q1 2020 Investment Manager Fee	
2	DTE	\$88.43	Electric 4/14/2020 - 5/13/2020	
3	Laura Hollabaugh	\$556.64	ATT Bill Reimbursement Phone 4/26/2020 - 5/25/2020	
4	Meketa Investment Group	\$10,000.00	Investment Consultant Fee 5/2020	
5	Applied Imaging	\$4.50	Office Printing 6/2020	
6	Culligan	\$11.00	Office Water 6/2020	
7	DTE	\$60.50	Gas 4/14/2020 - 5/13/2020	
8	Robertson Morrison	\$230.00	Routine Maintenance 5/15/2020	
	<b>Total</b>	<b>\$15,059.15</b>		

**G-4 Retirement Report**

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Jeffrey Zabel	Age & Service	July 5, 2020	General	25 Years	Public Services
Jeffrey Ballou	Age & Service	May 30, 2020	General	25 Years	Public Services
Kathleen Summersgill	Age & Service	June 20, 2020	Fire	28 Years, 4 Months	Safety Services
Stephen Kreger	Age & Service	July 9, 2020	Fire	24 Years, 9 Months	Safety Services
Jefferson Robinson	Age & Service	July 5, 2020	Police	21 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 Schreier to adjourn the meeting at 11:00 a.m.  
**Meeting adjourned at 11:00 a.m.**

*Wendy Orcutt*

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