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

ROLL CALL

Members Present: DiGiovanni, Flack, Foster (8:43 am arrival), Grimes, Monroe, Nerdrum, Praschan, Schreier
Members Absent: Lynch
Staff Present: Buffone, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Paul Nacario, Innovest (9:19 a.m. – 10:38 am, Via TX)
Troy Jensen, Innovest (9:19 a.m. – 10:30 a.m., Via TX)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 April 20, 2023 Regular Board Meeting

It was moved by Monroe and seconded by Grimes to approve the April 20, 2023 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  
--- | --- | --- | --- | ---  
Jeanette Bokhari | 15th District Court | Dual Plan | 9 Years, 10 Months | City of Dearborn  

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 Income Withholding Order – Kevin Ernst**

WHEREAS, the Board of Trustees is vested with the general administration, management and operation of the Retirement System and for making effective the provisions thereof, and

WHEREAS, the Board is in receipt of an Income Withholding Order ("IWO") directed to the Retirement System and applicable to the retirement benefits of Kevin Kenneth Ernst, and

WHEREAS, the Board acknowledges that its receipt of the IWO serves as notice of its terms and conditions, and

WHEREAS, an individual's source of income is required by law to comply with the terms of an order of income withholding, and

WHEREAS, the Board acknowledges that the Retirement System is Mr. Ernst’s current source of income, and

WHEREAS, said matter having been reviewed and discussed with the Board’s legal counsel, therefore be it

RESOLVED, that a copy of the IWO be forwarded to the Retirement System’s custodial bank with instruction to adjust Mr. Ernst’s monthly retirement benefit in accordance with the terms of the IWO, and be it further

RESOLVED, that the Retirement System’s custodial bank be further instructed to make the required payments to the Washtenaw County Friend of the Court, referencing the proper remittance identifier with each payment thereto, and be it further

RESOLVED, that Mr. Ernst’s monthly retirement benefits continue to be adjusted in accordance with the IWO until further notice to the Board, and be it further
RESOLVED, that copies of this Resolution be sent to Kevin Kenneth Ernst, the Participant.

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

Approved

D. ACTION ITEMS

D-1 Resolution to Raise Cash from Domestic and Int’l Developed Equities

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 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 slightly overweight to policy targets in Domestic and International Developed Equities, and

WHEREAS, Meketa as the System’s investment consultant, has recommended at the May 4 IPC meeting selling $5 million from both the Northern Trust Russell 1000 Index and the Northern Trust MSCI EAFE Index in order to raise $10 million in cash and move closer to its policy target, so be it,

RESOLVED, that the Board of Trustees approves the redemption of $5 million from both the Northern Trust Russell 1000 Index and the Northern Trust MSCI EAFE Index and the proceeds will be held in cash to fund benefit payments and capital calls.

It was moved by Monroe and seconded by Schreier to approve the redemption of $5 million from both the Northern Trust Russell 1000 Index and the Northern Trust MSCI EAFE Index and the proceeds will be held in cash to fund benefit payments and capital calls.

Approved

D-2 Resolution to Rebalance Domestic Equity to Investment Grade Bonds and Cash Account

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 System’s investment consultant, Meketa Investment Group, has evaluated the current asset class allocations relative to their respective targets and proposed alternative allocation scenarios to slightly reduce equity exposure, and

WHEREAS, Meketa as the System’s investment consultant and the IPC discussed these options at the May 4 IPC meeting and have recommended a rebalance to reduce domestic equity by 2% of the portfolio assets (approximately $12 million) and increase Investment Grade Bonds and Cash by 1% each (approximately $6 million), so be it,

RESOLVED, that the Board of Trustees approve the recommended rebalance and authorizes the Executive Director to reallocate funds per the Investment Policy Committees Rebalancing Recommendation.

It was moved by Monroe and seconded by Schreier to approve the recommended rebalance and authorizes the Executive Director to reallocate funds per the Investment Policy Committees Rebalancing Recommendation.

Approved

D-3 Annual Disability Re-Examinations

Per the Board’s Policies and Procedures, disability retirees who have not met voluntary retirement age may be recalled for a medical re-examination at least once each year during the first five years after their approved disability retirement, then at least once in every three-year period thereafter.

Per the policy amendment approved on July 21, 2011, the Re-Exam policy states:

The Retirement Board shall review the files of all disability retirees twice a year to determine which retirees must undergo a medical re-examination by the Board’s Medical Director. The files shall be reviewed each May for disability retirements that commenced or had a re-examination in the prior year January through June timeframe, and each November for disability retirements that commenced or had a re-examination in the prior year July through December timeframe.

The following person would qualify for a medical re-examination per the Board’s policy:

<table>
<thead>
<tr>
<th>DISABILITY RETIREE</th>
<th>DATE BOARD GRANTED DISABILITY</th>
<th>DATE OF LAST RE-EXAMINATION</th>
<th>EXECUTIVE DIRECTOR’S RECOMMENDATION FOR RE-EXAMINATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pablo Ramirez</td>
<td>July 15, 2021</td>
<td>June 8, 2022</td>
<td>Yes</td>
</tr>
</tbody>
</table>

It was moved by Grimes and seconded by DiGiovanni to direct the disability re-examination of Pablo Ramirez consistent with the Board’s Disability Retirement Procedures.
E. DISCUSSION ITEMS

E-1 Pension Office Telecommuting Policy Update

The Board revisited the Telecommuting Policy agreeing with the policy and to continue with services delivery as is.

E-2 Assumed Rate of Return

The Board discussed the final experience study report noting the impact of reducing the discount rate from 6.70% to 6.60% for the June 30, 2023 valuations. The last three valuations have recognized a 0.1% reduction in the assumed rate of return. The Board discussed leaving the rate as is given recent return projections from Meketa. This item and the other proposed assumption changes will be reviewed at the upcoming Audit Committee meeting.

E-3 June/July Audit Committee Meeting Date

The Board reviewed schedules and agreed to have an Audit Committee meeting June 13th at 12:15pm.

E-4 Recordkeeper RFP Results

Paul Nacario and Troy Jensen presented the RFP results. The Board discussed the results and decided to interview three finalists: Corebridge, Nationwide and Voya.

It was moved by Schreier and seconded by DiGiovanni to interview Corebridge, Nationwide and Voya at the June Board meeting. Approved

E-5 Innovest Quarterly Performance Review

Innovest submitted their quarterly performance report and noted the key takeaways. Innovest will provide a full presentation of the next quarterly review to the Board.

F. REPORTS

F-1 Executive Report – May 18, 2023

SUMMIT PARTNERS CAPITAL CALLS AND DISTRIBUTIONS

Summit Partners Credit Fund III, L.P. issued a distribution in the amount of $96,606 for the Retirement System and $26,836 for the VEBA on 4/25/23.

ANGELO GORDON CAPITAL CALLS AND DISTRIBUTION

Angelo Gordon Direct Lending Fund IV Annex, L.P. issued a distribution in the amount of $289,669 for the Retirement System and $120,696 for VEBA consisting of investment income on 4/28/23.
DRA issued a distribution from the Growth and Income Fund IX on 4/20/23 in the amount of $269,671 for the Retirement System and $79,315 for the VEBA consisting of a gain on sale, cash from operations (dividends) and return of capital.

DRA issued a distribution from the Growth and Income Fund IX on 5/12/23 in the amount of $337,587 for the Retirement System and $99,291 for the VEBA consisting of a gain on sale, cash from operations (dividends) and return of capital netted against management fees.

DRA issued a distribution from the Growth and Income Fund X on 5/15/23 in the amount of $45,016 for the Retirement System and $30,011 for the VEBA consisting of cash from operations (dividends) netted against management fees.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of $216,000 for the Retirement Plan and $54,000 for VEBA on 5/18/23 to fund investments and pay management fees. With these installments, CAAERS will have funded 70.5% of our total commitments of $8,000,000 for the Retirement Plan and $2,000,000 for the VEBA.

PENSION ADMINISTRATION SOFTWARE CONVERSION

Staff now meets bi-weekly with Milliman to discuss needed updates and next steps. Kyle Spade and ED will be training with Milliman soon as System Administrators. Staff is currently reviewing the employee website pages and once edited will share with VMT to review any legal language included on the website forms and pages.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 34 estimates, 9 final calculations, 1 non-vested calculation, 2 payouts, and conducted 5 pre-sessions.

ED joined NAGDCA (National Association of Government Defined Contribution Administrators), the annual membership fee is $300.

ED attended the Arboretum update held at U of M golf course on May 4th.

457 PLAN

Balance at 5/10/23 - $ 103,664,000 - Statistics as of 4/30/23
Admin Allowance Balance = $ 41,988
Current Items/Education:

Bill Sims met with 15 employees during May 2-4, 2023. Attendance was at about 60% of what it had been in April. Almost all of the appointments were in person and the amount of sign ups was fairly even at each location. For the next onsite, Bill will do 2 days, one in person and one virtual.

A representative from MSQ will be presenting at the retiree luncheon on May 25th.

401A PLAN

Balance at 5/10/23 – $ 5,061,000 – Statistics as of 4/30/23
Forfeiture Balance = $ 93,203
F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended March 31, 2023

Maria Buffone, Accountant, submitted the Financial Report for the month ended April 30, 2023 to the Board of Trustees:

<table>
<thead>
<tr>
<th>Date</th>
<th>Asset Value (Preliminary)</th>
<th>Asset Value (Audited by Northern)</th>
<th>Calendar YTD Increase/Decrease in Assets</th>
<th>Percent Gain &lt;Loss&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/30/2023</td>
<td>$600,158,047</td>
<td>$596,392,158</td>
<td>$36,280,862</td>
<td>6.3%</td>
</tr>
<tr>
<td>3/31/2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May 17, 2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

F-4 Investment Policy Committee Minutes – May 4, 2023

Following are the Investment Policy Committee minutes from the meeting convened at 3:14 p.m. on May 4, 2023:

Member(s) Present: DiGiovanni, Foster, Monroe (Via TX), Praschan
Member(s) Absent: Flack
Other Trustees Present: None
Staff Present: Buffone (Via TX), Gustafson (Via TX), Hollabaugh, Orcutt
Others Present: Henry Jaung, Meketa Investment Group

ECONOMIC AND MARKET UPDATE DATA AS OF MARCH 31, 2022

Mr. Jaung provided an economic update noting that it was a volatile quarter for most asset classes driven by evolving monetary policy expectations and high-profile bank failures. Ultimately, investors remained focused on slowing inflation and potentially peaking rate hikes leading to positive results across most asset classes for the quarter. This year, the path if inflation and monetary policy, slowing global growth, and the war in Ukraine, as well as recent pressures in small- and medium-sized regional banks in the US, will
EXECUTIVE SUMMARY & CASH NEEDS

Over the past 3, 5, 7, and 10 years, the ERS has returned 13.1%, 7.6%, 8.3% and 7.4%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 11.7%, 6.7%, 7.7% and 6.7%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

Cash needs for ERS: To fund future benefit payments and capital calls, Meketa recommended to raise $10 million in cash. Inclusive of public and private funds, equities are slightly overweight to policy target. Meketa recommended to sell $5 million of the Northern Trust Russell 1000 Index and $5 million of the Northern Trust MSCI EAFE Index.

It was moved by Foster and seconded Praschan to recommend to the Board to rebalance and sell $5 million of the Northern Trust Russell 1000 Index and $5 million of the Northern Trust MSCI EAFE Index.

Approved

RETIREMENT SYSTEM

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

March 31, 2023 Performance Update: As of March 31, 2023, the balance of the Funds was $595,888,177 for ERS. Fiscal Year to Date performance was 6.6% for ERS net of fees.

VEBA

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

March 31, 2023 Performance Update: As of March 31, 2023, the balance of the Funds was $2342,428,457 for VEBA. Fiscal Year to Date performance was 6.3% for VEBA net of fees.

CURRENT ISSUES

Board Retreat Follow Up: The Committee discussed the asset allocation policy options and the assumed rate of return. It was decided to continue the discussion of keeping the assumed rate of return at 6.7% or lowering to 6.6% at the Audit Committee and Board meetings. Mr. Jaung reviewed the current policy and offered two alternatives. It was decided rather than to change the IPS and adopt one of the proposed alternatives to move 2% out of domestic equity and put 1% each into investment grade bonds and cash. Ms. Orcutt will follow up with Northern Trust to see what the current interest rate is on the cash account.

It was moved by Foster and seconded by Praschan to rebalance the Retirement System portfolio by moving 2% ($12million) from domestic equity with 1% going to investment grade bonds and 1% to cash.

Approved
It was moved by Foster and seconded by Praschan to rebalance the VEBA portfolio by moving 2% ($5 million) from domestic equity with 1% going to investment grade bonds and 1% to cash.

Approved

ADJOURNMENT

It was moved by Foster and seconded by Praschan to adjourn the meeting at 4:39 p.m. Meeting adjourned at 4:39 p.m.

F-5 Administrative Policy Committee Minutes – None

F-6 Audit Committee Minutes – None

F-7 Legal Report

Mr. VanOverbeke informed the Board of recent budget discussions. There has been discussion to raise the OPEB funding level to 40% and there is also discussion about possible grants for the Retirement System plans over 60%. Legal will continue to keep the Board informed.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 June Planning Calendar

G-3 Record of Paid Invoices

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

<table>
<thead>
<tr>
<th>PAYEE</th>
<th>AMOUNT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Express</td>
<td>$773.68</td>
<td>Retreat food, Kroger, Cleaning &amp; Water</td>
</tr>
<tr>
<td>Applied Imaging</td>
<td>$39.40</td>
<td>Printing service 4/2023</td>
</tr>
<tr>
<td>GRS</td>
<td>$450.00</td>
<td>EDRO: Dortch</td>
</tr>
<tr>
<td>Laura Hollabaugh</td>
<td>$162.22</td>
<td>DTE Electric 3/14/2023-4/13/2023</td>
</tr>
<tr>
<td>Laura Hollabaugh</td>
<td>$83.75</td>
<td>DTE Gas 3/14/2023</td>
</tr>
<tr>
<td>GRS</td>
<td>$1,500.00</td>
<td>EDRO: Fox</td>
</tr>
<tr>
<td>GRS</td>
<td>$2,750.00</td>
<td>GASB 67/68 Valuation Q2 2023</td>
</tr>
<tr>
<td>GRS</td>
<td>$7,625.00</td>
<td>Pension Valuation Q2 2023</td>
</tr>
<tr>
<td>Innovest</td>
<td>$9,750.00</td>
<td>Services 4/1/2023-6/30/2023</td>
</tr>
<tr>
<td>Loomis Sayles</td>
<td>$34,264.51</td>
<td>Investment Manager Fee Q1 2023</td>
</tr>
<tr>
<td>Meketa</td>
<td>$10,000.00</td>
<td>Investment Manager Fee</td>
</tr>
<tr>
<td>Milliman</td>
<td>$5,777.12</td>
<td>MARC Implementation Fee</td>
</tr>
<tr>
<td>Rhumbline</td>
<td>$15,685.00</td>
<td>Investment Manager Fee Q1 2023</td>
</tr>
<tr>
<td>Total</td>
<td>$88,880.68</td>
<td></td>
</tr>
</tbody>
</table>
G-4 Retirement Report

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Retirement Type</th>
<th>Effective Retirement Date</th>
<th>Group</th>
<th>Union</th>
<th>Years of Service</th>
<th>Dept./Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Waldsmith</td>
<td>Age &amp; Service</td>
<td>June 11, 2023</td>
<td>General</td>
<td>TEAMSTERS</td>
<td>24 Years, 8 Months</td>
<td>Public Services</td>
</tr>
<tr>
<td>Jeffrey Kahan</td>
<td>Age &amp; Service</td>
<td>July 10, 2023</td>
<td>General</td>
<td>AFSCME</td>
<td>30 Years, 2.5 Months</td>
<td>Community Services</td>
</tr>
</tbody>
</table>

G-5 Analysis of Page Views on Retirement System Website

G-6 2023 Board Retreat Notes

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was moved by Nerdrum and seconded by Monroe to adjourn the meeting at 10:46 a.m. Meeting adjourned at 10:46 a.m.

Wendy Orcutt

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