City of Ann Arbor Employees’ Retirement System
Minutes for the Regular Meeting
March 17, 2016

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

ROLL CALL

Members Present: DiGiovanni, Flack, Hastie, Lynch, Monroe
Members Absent: Clark, Crawford, Heusel, Nerdrum
Staff Present: Kluczynski, Walker
Others: Aaron Castle, Legal Counsel

AUDIENCE COMMENTS - None

A. APPROVAL OF REVISED AGENDA

Additional and revised items to the agenda included the following:

- Board Retreat Minutes of March 11, 2016
- Correspondence Regarding Hybrid Plan
- Executive Report
- Record of Paid Invoices

It was moved by Hastie and seconded by DiGiovanni to approve the agenda as revised.
Approved

B. APPROVAL OF MINUTES

B-1 February 18, 2016 Regular Board Meeting

It was moved by DiGiovanni and seconded by Monroe to approve the February 18, 2016
Regular Board Meeting minutes as submitted.
Approved

B-2 March 11, 2016 Board Retreat Minutes

It was moved by DiGiovanni and seconded by Monroe to approve the March 11, 2016 Board
Retreat 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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Classification</th>
<th>Reciprocal Service Credit</th>
<th>Prior Reciprocal Retirement Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Powell</td>
<td>General</td>
<td>4 years, 8 months</td>
<td>Michigan Technological University</td>
</tr>
</tbody>
</table>

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 Hastie and seconded by DiGiovanni to approve the Consent Agenda as presented.

Approved

D. ACTION ITEMS

D-1 Employee Vesting Inquiry

Ms. Walker reviewed an inquiry submitted by the Benefits Office regarding the timing of an employee’s vesting and their eligibility for five-year vs. ten-year vesting, as well as which health care plan they would fall under. After discussion, the Board determined that the difference in the hire date would be an added cost to the System, and that calculations would have to be performed by the System’s actuary, with additional costs that the Board feels should be paid by the City due to their request. Ms. Walker was directed to work with legal counsel in drafting a letter to the Benefits Office in response to their inquiry.

It was moved by Hastie and seconded by DiGiovanni to return correspondence to the City in response to their vesting date inquiry.

Approved

D-2 2016 “Letter to Members” Newsletter

It was moved by DiGiovanni and seconded by Monroe to approve the drafted newsletter as presented.

Approved

D-3 Revised Beneficiary Election Forms

The Board reviewed a packet of revised beneficiary election forms as forwarded by the Administrative Policy Committee. A discussion ensued regarding whether there should be a
witness or notary line added to the forms, and it was determined that the witness line would be left on the forms, but a witness is not necessarily required for acceptance by the Retirement Office. It was suggested that certain forms include additional contingent beneficiary sections, as well as other minor language changes. The Board decided to refer the forms back to the APC for the revisions as discussed, and that they be brought back to the April Board meeting for final approval.

It was moved by Monroe and seconded by Hastie to refer the drafted election forms back to the APC for revisions as discussed, and that the revised forms be brought back for approval at the April Board meeting.

Approved

E. DISCUSSION ITEMS

E-1 Correspondence form H.R. Regarding Hybrid Plan

Ms. Walker submitted an email she received from Human Resources regarding an upcoming meeting with the AAPOA regarding the potential hybrid plan being discussed by City Council, and requested the Board’s opinion of whether there should be additional Board representation. The Board agreed that Ms. Walker should attend the meeting if invited, and it is likely that Mr. Monroe would be in attendance as well.

F. REPORTS

F-1 Executive Report – March 17, 2016

SUMMIT PARTNERS CAPITAL CALLS

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Retirement System</th>
<th>VEBA</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 26, 2016</td>
<td>$985,136</td>
<td>$246,284</td>
</tr>
<tr>
<td>March 7, 2016</td>
<td>$80,386</td>
<td>$20,097</td>
</tr>
<tr>
<td>March 10, 2016</td>
<td>$805,479</td>
<td>$201,370</td>
</tr>
<tr>
<td>March 15, 2016</td>
<td>$38,603</td>
<td>$9,651</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,909,604</strong></td>
<td><strong>$477,402</strong></td>
</tr>
</tbody>
</table>

With these installments,CAAERS will have funded 56.7% of our total commitments of $9,200,000 for the Retirement Plan and of $2,300,000 for the VEBA. After discussion with Meketa, these calls were funded from cash and the NTQI Barclays Aggregate Bond Index fund.

DRA FUND VIII DRAWDOWN OF REMAINING COMMITMENTS

DRA has notified the System of their intention to draw our remaining capital commitment to DRA March 24, 2016, in the amount of approximately $5,054,254 for the R.S. and $1,486,545 for the VEBA, in order to fund the purchase of Inland Real Estate Corp ("IRC"), a public REIT, and other acquisitions closed and in process. The capital call represents 60% of our original commitment. Funding sources are under discussion. Update: Funding sources will be the Northern Trust short term treasury/corporate credit funds.

STAFF

Staff met with Kyle Spade and Joshua Baron of the City I.T. Department March 2, 2016 to
discuss the various Access databases and other obsolete systems which contain historical pension contribution and earnings. Kyle and Josh will review all the sources we are presently using and recommend a consolidation - probably to one Excel workbook. Discussions about security and data integrity will continue. Staff will then contact Buck to determine the practicality and cost of an upload to Buck.

Inquiries and pre-session retirement meetings continue at a higher pace. From February to date we have processed 22 persons wanting mostly multiple estimates including 4 that required in-depth research due to service or other data issues, and conducted 6 pre-sessions (in person visits to discuss retirement) in addition to the three retirements shown.

**VONTOBEL**

*Update: 3-16-2016*

Vontobel has been notified of the System’s decision to terminate, and the liquidation of the Emerging Market Funds. All paperwork has been supplied, and the staff has received a confirmation email request from Vontobel in which Gail confirmed our information.

**F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended February 29, 2016**

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended February 29, 2016 to the Board of Trustees:

<table>
<thead>
<tr>
<th>Date</th>
<th>Asset Value (Preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/29/2016</td>
<td>$436,986,816</td>
</tr>
<tr>
<td>1/31/2016</td>
<td>$439,341,875</td>
</tr>
<tr>
<td>Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)</td>
<td>($13,336,958)</td>
</tr>
<tr>
<td>Percent Gain &lt;Loss&gt;</td>
<td>-2.9%</td>
</tr>
<tr>
<td>March 16, 2016 Asset Value</td>
<td>$444,336,955</td>
</tr>
</tbody>
</table>

**F-3 Investment Policy Committee Minutes – March 1, 2016**

Following are the Investment Policy Committee minutes from the meeting convened at 3:09 p.m. on March 1, 2016:

- **Member(s) Present:** DiGiovanni, Flack (via tx), Hastie (via tx), Monroe
- **Member(s) Absent:** Clark
- **Other Trustees Present:** None
- **Staff Present:** Kluczynski, Walker (via tx)
- **Others Present:** Henry Jaung, Meketa Investment Group (via tx)

**JANUARY 31, 2016 INTERIM INVESTMENT REVIEW**

Mr. Jaung presented the Interim Investment Review for January 31, 2016. As of January 31, 2016, the Fund was at $438.4 million, down from $453.6 million in December. Mr. Jaung gave a brief investment performance review, which lead to a discussion regarding commodities versus natural resources. This topic is also scheduled for further discussion at the upcoming Board Retreat on March 11th.

**SUMMIT CAPITAL CALLS**

Ms. Walker asked that this item be placed on the agenda for discussion in order for her to receive direction regarding cash sourcing for these capital calls. Summit is calling capital almost bi-weekly now, with the commitment to the funds at about 50% filled previous to the current call. For the first time in a very long time we are down to almost no cash reserve in the VEBA. The
Retirement System and VEBA are not receiving enough in contributions from the City at this time to cover these capital calls and the monthly benefit payments.

Mr. Jaung explained the current process that he and Ms. Walker use to cover the capital calls, and the Committee ultimately agreed that Ms. Walker continue to work with Meketa using their current process.

MSCI INVESTORFORCE FOR PERFORMANCE REPORTING

Mr. Jaung presented information on a new software system that Meketa would like to begin using for more accurate investment reporting. Because it would involve extensive investment information from Northern Trust going forward, it was decided that the information should be reviewed by legal counsel before being approved by the Board, either at the upcoming Retreat or at the March 17th regular meeting.

INTERNATIONAL INDEXING

The Committee briefly discussed recent international investment performance, which is also scheduled for discussion at the upcoming Board Retreat.

GREENWICH ASSOCIATES BENCHMARKING INFORMATION

Information received and filed.

ADJOURNMENT

Meeting adjourned at 4:43 p.m.

F-4 Administrative Policy Committee Minutes – March 8, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 3:09 p.m. on March 8, 2016:

Committee Members Present: Lynch, Monroe
Members Absent: Crawford, Heusel
Other Trustees Present: None
Staff Present: Kluczynski, Walker
Others Present: None

DRAFTED REVISION TO CURRENT CHANGE OF BENEFICIARY FORM

The Committee further reviewed a rough draft of the Beneficiary Election Forms that were revised by legal counsel. The beneficiary forms were revised due to the need for a more thorough document in regards to how each form differently affects newly-hired employees, vested employees, and those going in to retirement.

The Committee approved the format and language in the forms, and agreed to inquire with legal counsel as to the whether the forms should be notarized when completed by an employee. It was agreed that the forms be forwarded to the Board for approval at the March regular Board meeting after consulting with legal counsel.

FIDUCIARY AUDIT RECOMMENDATIONS & CONSIDERATIONS

The Committee further reviewed the Fiduciary Review Recommendations Discussion Guide, specifically the Member Education & Counseling Services section and the Confidentiality of Members’ Information section. Ms. Walker stated that currently, Employee Self-Service
Trainings are being performed to help train employees with the new retirement modeling and contribution software. Other areas that staff may explore are providing surveys to members to find out what other areas of retirement planning they are interested in, as well as how they feel the ESS trainings were beneficial, as well as possibly holding monthly group sessions at the Retirement Office to cover the various retirement options available, sample calculations, and retirement planning.

The Committee briefly discussed a potential confidentiality policy for Board and Staff members, and decided to speak with legal counsel to get input on how other systems handle their confidential practices.

**ADJOURNMENT**

*Meeting adjourned at 4:32 p.m.*

F-5  **Audit Committee Minutes** – No Report

F-6  **Legal Report** – “Normal Retirement Age / In-Service Distributions”

Mr. Castle presented a legal memorandum addressing the recent publication of proposed regulations by the Internal Revenue Service (“IRS”) regarding the “Normal Retirement Age” rules for governmental pension plans. Specifically, issues were previously raised regarding the ability of members to receive distributions from a retirement system while continuing employment (i.e., in-service distributions). The informational legal memorandum was received and filed.

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

G-1  **Communications Memorandum**

G-2  **April 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>DTE Energy</td>
<td>117.87</td>
<td>Monthly Gas Fee dated February 12, 2016</td>
</tr>
<tr>
<td>DTE Energy</td>
<td>148.28</td>
<td>Monthly Electric Fee dated February 12, 2016</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>399.88</td>
<td>Monthly telephone service</td>
</tr>
<tr>
<td>Hasselbring-Clark Co.</td>
<td>47.74</td>
<td>Monthly copier cost per copy</td>
</tr>
<tr>
<td>Meketa Investment Group</td>
<td>10,000.00</td>
<td>Investment Consultant Retainer - February 2016</td>
</tr>
<tr>
<td>Staples Advantage</td>
<td>85.36</td>
<td>Miscellaneous Office supplies</td>
</tr>
<tr>
<td>City of Ann Arbor Treasurer</td>
<td>533.20</td>
<td>ITSU Service Charge (K. Spade) for February 2016</td>
</tr>
<tr>
<td>Culligan of Ann Arbor/Detroit</td>
<td>7.00</td>
<td>Water service – March 2016</td>
</tr>
<tr>
<td>West Arbor Office Ctr Condo Assoc</td>
<td>990.98</td>
<td>Bi-Annual condo association dues – January</td>
</tr>
<tr>
<td>DiBella’s Subs</td>
<td>137.99</td>
<td>Annual Board Retreat – 3/11/2016</td>
</tr>
<tr>
<td>Afternoon Delight</td>
<td>129.20</td>
<td>Annual Board Retreat – 3/11/2016</td>
</tr>
<tr>
<td>Comcast</td>
<td>89.49</td>
<td>Monthly Cable Fee</td>
</tr>
<tr>
<td>Lora Kluczynski</td>
<td>266.27</td>
<td>Petty Cash</td>
</tr>
</tbody>
</table>

**TOTAL**  12,953.26
G-4 Retirement Report

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of Retirement</th>
<th>Effective Date</th>
<th>Group</th>
<th>Years of Service</th>
<th>Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patrick Hughes</td>
<td>Age &amp; Service</td>
<td>March 19, 2016</td>
<td>Police</td>
<td>20 years, 5 months</td>
<td>Safety Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Police Department</td>
</tr>
<tr>
<td>Michael Laraway</td>
<td>Age &amp; Service</td>
<td>April 2, 2016</td>
<td>General</td>
<td>14 years, 6 months</td>
<td>Public Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Fleet &amp; Facility</td>
</tr>
<tr>
<td>Michael Smyth</td>
<td>Age &amp; Service</td>
<td>April 16, 2016</td>
<td>General</td>
<td>25 years (which includes 4 years military service credit)</td>
<td>Public Services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Field Operations</td>
</tr>
</tbody>
</table>

G-5 Analysis of Page Views on City Intranet / Retirement System Page

G-6 NCPERS Certification of Delegates Form

G-7 2016 Spring MAPERS Conference Information

It was moved by Monroe and seconded by Hastie to approve attendance to the 2016 Spring MAPERS Conference for Trustees or Staff who are interested in attending the May Conference. Approved

H. TRUSTEE COMMENTS / SUGGESTIONS - None

I. ADJOURNMENT

It was moved by Monroe and seconded by Hastie to adjourn the meeting at 10:02 a.m.
Meeting adjourned at 10:02 a.m.

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