The meeting was called to order by Jeremy Flack, Board Chairperson, at 8:37 a.m.

ROLL CALL

Members Present: Clark (Via TX), Crawford, DiGiovanni, Flack, Hastie, Lynch, Nerdrum
Members Absent: Heusel, Monroe
Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt
Others: Frank Judd, Legal Counsel
David Diephuis, City Resident
Tim Bowen, Conduent Human Resource Services
Robert Besenhofer, Conduent Human Resource Services
Jason Ashline (Via TX), ICMA-RC

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

It was moved by DiGiovanni and seconded by Hastie to approve the agenda as submitted with an amendment to move the Presentation: Actuarial Valuation for FY June 2017 as the first Agenda item.

Approved

E. ACTION ITEMS (moved forward on agenda)

E-2 Presentation: Actuarial Valuation for FYE June 30, 2017

Mr. Bowen from Conduent was present to review the drafted Actuarial Valuation for fiscal year ending June 30, 2017. In summary, the following language was included in the presentation:

Key Assumptions:
- Investment Rate of Return of 7.00%
- Retirement, Disability and Turnover Rates for General Police & Fire
- Salary increases of 3.5% plus age based merit increases for General, Police & Fire
- Mortality rates based on RP-2000 with generation mortality improvements using scale AA
- Assumption added to reflect payment of accumulated time banks upon retirement
  - Assumed time banks: $4,000 for General / $1,000 for Police indexed at a rate of 3.5% from the valuation date to retirement.
  - Increases unfunded liability by $1.5 million

- Plan experience for the year ending June 30, 2017
  - Return on market value of assets of 11.96% versus 7.00% assumed
  - Return on actuarial value of assets of 8.42% versus, 7.00% assumed
    o Decreased the unfunded liability of $6.5 million
  - Liability losses of $10.2 million
    o Salary Experience - $7.0 million
    o Mortality experience - $1.4 million
    o Other - $1.8 million
- Funded percentage increased slightly from prior year
  - 85.74% to 85.79%
Ms. Nerdrum stated she would like language added to the Summary of Results that the salary increase was driven in part by inclusion of a 27th paycheck and additional overtime earnings in Fiscal Year 2017. Ms. Nerdrum also requested to show base and other wages separately into the Average Plan Year Pay data in future reports. The Board agreed with Ms. Nerdrum.

It was moved by Nerdrum and seconded by Crawford to accept the drafted Actuarial Report as revised consistent with the decided upon language.

Approved

BOARD RECESS

The Board was called to recess at 9:50 a.m. for the purpose of holding the VEBA Board Meeting to continue the Actuarial Valuation Presentation for VEBA.

Meeting recessed at 9:50 a.m.

The meeting was reconvened at 10:28 a.m.

B. APPROVAL OF MINUTES

B-1 September 21, 2017 Regular Board Meeting

It was moved by Nerdrum and seconded by Crawford to approve the September 21, 2017 Regular Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA – None

D. EXECUTIVE SESSION – Notice of Disability Application

It was moved by DiGiovanni and seconded by Hastie to convene an Executive Session for the purpose of a review of discussing a disability retirement application and medical report.

Approved

Roll call vote:

Clark - Yes    Flack - Yes    Lynch - Yes
Crawford - Yes  Hastie - Yes  Monroe - Absent
DiGiovanni - Yes  Heusel - Absent  Nerdrum - Yes

Disability session time: 10:29 a.m. – 10:38 a.m.

It was moved by Hastie and seconded by Lynch that in light of the discussion held in closed session, to acknowledge receipt of the medical report from Antione Geffrard, M.D. dated October 11, 2017, with regards to the independent medical evaluation of disability applicant Ann Howard, and upon Dr. Geffrard’s medical recommendation, deny the request for disability retirement.

Approved

E. ACTION ITEMS

E-1 Letter of recommendation to Reappoint Anthony DiGiovanni as Citizen Trustee

It was moved by Crawford and seconded by Clark to approve the letter of recommendation to reappoint Anthony DiGiovanni as Citizen Trustee for the term January 1, 2018 – December 31, 2020, and that the letter be forwarded to the Mayor’s Office for consideration.

Approved
F. DISCUSSION ITEMS

F-1 Update on 457/IRA Transition

Jason Ashline from ICMA called into the meeting to provide the Board with a brief update on the 457 transition. Mr. Ashline updated the Board in regards to the status of the administrative allowance balance. The City is currently in the process of organizing the administrative allowance for distribution and plan to have this complete before the 457 plan transitions to the Retirement System Board for oversight. Mr. Hastie stated he would like the administrative allowance to allow for transition costs the Board will incur. After further discussion, Ms. Orcutt stated she would follow up with the City on the process and inform the City that the Board would like $50,000 for administrative allowance and will review after one year to re-evaluate and redistribute excess funds at that time.

Mr. Ashline also updated the Board regarding the Payroll Roth IRA. Mr. Hastie is concerned that the Board would have no fiduciary role with the Payroll Roth. Mr. Ashline stated that participants do sign a disclosure with their enrollment form which informs the participants there is no fiduciary oversight. After further discussion, the Board noted that the Payroll Roth IRA is a convenience, not a City Sponsored Retirement benefit and would like to further discuss with the City and ICMA before absorbing the administration of the Payroll Roth IRA.

G. REPORTS

G-1 Executive Report – October 19, 2017

DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund VIII on 9/22/17 in the amount of $40,162 for the Retirement System consisting of $36,384 refund of capital and a gain of $3,778. The VEBA distribution of $11,812 consisted of $10,701 refund of capital and a gain of $1,111.

DRA issued a refund of capital in the amount of $23,104 for the Retirement System and $6,795 for the VEBA from the Growth and Income Fund IX on 9/29/17.

DUAL PLAN/457 TRANSITION UPDATE

ED spoke with Jason Ashline and HR to inquire on the Roth IRA status as it was not part of the City draft of the November 1 transition resolution. After discussion with HR, the resolution is on hold until both the 457 and IRA can be addressed in the same resolution. Jason will be phoning in to the October 19 meeting to provide a brief update to the Board on the transition and details of the Roth.

Brock Hastie is working on a draft IPS for review at the November IPC meeting.

Jason Ashline and Tonya Miller, Senior Client Service Coordinator with ICMA will be onsite on October 23 to train Staff on EZ-Link navigation, reports, frequently asked participant and employer related questions and scenarios, workflow and processes. Kim Barry from HR will also attend to share her expertise, answer questions and clarify responsibilities going forward.

ACTUARIAL VALUATION PROGRESS

Tim Bowen with Conduent will attend the October 19 meeting to present the valuations to the Board for review.
AUDIT AND FINANCIAL STATEMENTS

Draft financial statements for both the Retirement System and the VEBA were provided. Staff reviewed, answered questions and provided additional information at the request of the Auditor. Upon receipt of the valuations from Conduent, Staff will be updating the footnotes with the 6/30/17 information as well as the new RSI pertaining to GASB 74. Yeo & Yeo will be in attendance at the November 16 Board Meeting.

STAFF OPERATIONS/UPDATE

The Pension Analyst conducted 7 pre-sessions and completed 8 estimates.

The FAQ section on the ERS website has been updated to reflect the Dual Plan Language and other improvements. Laura H. will be revamping the site to make it more organized and user friendly.

ED will be out of the office October 30-November 3.

CONDUENT UPDATE

The update to the Self Service Calculator and Benefit Administration software has been updated to accommodate the change in multiplier associated with the Dual Plan. Pension Analyst tested the data and upon initial review appears to be working, accurately reflecting the new multiplier.

ANNUAL BOARD ELECTIONS / APPOINTMENTS

Mark Heusel is not seeking reappointment to the Board upon expiration of his term on 12/31/17. The City Clerk and Mayor’s office has been notified so that the vacancy can be filled as soon as possible.

ACTUARIAL RFP

The RFP was issued on October 4, 2017. The RFP was sent directly to 8 firms, posted on the MAPERS website as well as MITN.

G-2 City of Ann Arbor Employees’ Retirement System Preliminary Report for the Month Ended September 30, 2017

Corbin Hammond, Accountant, submitted the Financial Report for the month ended September 30, 2017 to the Board of Trustees:

<table>
<thead>
<tr>
<th>Date</th>
<th>Asset Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2017 (Preliminary)</td>
<td>$506,938,254</td>
</tr>
<tr>
<td>8/31/2017 (Audited by Northern)</td>
<td>$504,468,860</td>
</tr>
<tr>
<td>Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)</td>
<td>$46,777,326</td>
</tr>
<tr>
<td>Percent Gain &lt;Loss&gt;</td>
<td>9.9%</td>
</tr>
<tr>
<td>October 18, 2017</td>
<td>$507,900,111</td>
</tr>
</tbody>
</table>

G-3 Investment Policy Committee Minutes – No Report

G-4 Administrative Policy Committee Minutes – September 26, 2017

Following are the Administrative Policy Committee minutes from the meeting convened at 3:09 p.m. on September 26, 2017:

Committee Members Present: Lynch, Monroe
Members Absent: Heusel
Other Trustees Present: None
DISCUSS OUTSTANDING 2014 VANOVERBEKE, MICHAUD, TIMMONY, P.C. INVOICES

Ms. Orcutt informed The Committee of the outstanding 2014 invoices received from VanOverbeke, Michaud & Timmony, P.C. Staff has reviewed previous invoices and payment history confirming the invoices were outstanding and are due to be paid. The Committee discussed the importance of keeping VanOverbeke, Michaud, and Timmony, P.C. on a timely billing cycle to prevent receiving outstanding bills and to make payment.

DISCUSS NEED FOR INTEREST CALCULATION POLICY

The Committee discussed the need for an interest calculation policy. There was a question regarding the interest accrued during the processing time between the Employee’s retirement date and the date the contribution check is issued. The Committee wishes to have a legal opinion on this matter prior to drafting a policy and decided to bring this issue to the October Board Meeting.

ADMINISTRATION UPDATES

Dual Plan Update: Ms. Orcutt gave a brief update regarding the dual plan. ICMA will be providing a training at the Retirement Office in late October.

Service Provider Disclosures: Ms. Orcutt updated The Committee regarding the Service Provider Disclosures. Staff has received all completed disclosures from the investment managers and everything looks good.

Compensation and Class Study: Ms. Orcutt gave a brief update regarding The City’s Compensation and Class Study. Staff questionnaires were complete and submitted.

Personnel Request: Ms. Orcutt wished to discuss a personnel matter with the Committee. Staff briefly stepped out.

RETIREMENT SYSTEM WEBSITE

Update FAQ page to include Dual Plan Language: Ms. Orcutt informed The Committee that the Retirement System’s website needed to be updated to reflect the Dual Plan language, specifically the FAQ page. The Committee read and reviewed the updates and agreed to have the updates posted.

Website Revamp: Ms. Hollabaugh presented revisions needed to make The Retirement System’s website more user friendly. After further review, The Committee agreed to move forward with the revisions.

DISCUSSION ON REVISION TO DEATH POLICY

Staff would like to have revisions made to the Death Policy. The Committee discussed the current policy in place. It was decided to have Staff revise the policy, review with VanOverbeke, Michaud, and Timmony, P.C. then put into place.

ADJOURNMENT

It was moved by Lynch and seconded by Monroe to adjourn the meeting at 4:33 p.m.

Meeting adjourned at 4:33 p.m.
APC Project Tracking Table

<table>
<thead>
<tr>
<th>Description</th>
<th>Originated</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance Policy</td>
<td>2014</td>
<td>Pending</td>
</tr>
<tr>
<td>Fiduciary Audit Recommendations &amp; Considerations (Ennis Knupp report)</td>
<td>October 2009</td>
<td>Placed back on pending list on 8-9-2016</td>
</tr>
<tr>
<td>- Continue to discuss priorities and next steps on implementation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revised Governance Policy - sections regarding Committees (from 2012</td>
<td>2012 Retreat</td>
<td>Pending</td>
</tr>
<tr>
<td>Retreat, pending meeting w/legal counsel)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

G-5  Audit Committee Minutes – October 10, 2017

Following are the Audit Committee minutes from the meeting convened at 4:09 p.m. on October 10, 2017:

Committee Members Present: Clark (Via TX), Crawford (dep. 4:36pm), Monroe, Nerdrum
Members Absent: None
Other Trustees Present: None
Staff Present: Hollabaugh, Orcutt
Others Present: None

APPROVAL OF AMORTIZATION LETTER TO COUNCIL

The Committee reviewed and made revisions to the drafted amortization letter to Council. After a brief discussion regarding the process of submitting the letter, the Committee approved Ms. Orcutt to have the letter sent to Council as revised.

RFP UPDATE

Ms. Orcutt gave an update to the Committee stating that the RFP for Actuarial Services was sent our last week. Questions from Vendor’s who have responded to the RFP were discussed. After further discussion, the Committee decided to seek legal counsel to provide suitable answers to the Vendor questions.

ACTUARIAL VALUATION UPDATE

Ms. Orcutt requested to add a verbal update to the Agenda regarding the actuarial valuation. Icondent is currently working on the valuations and is planning to have the valuation ready to present at the October Board Meeting.

ADJOURNMENT

It was moved by Monroe and seconded by Clark to adjourn the meeting at 4:42 p.m.
Meeting adjourned at 4:42 p.m.

AC Project Tracking

<table>
<thead>
<tr>
<th>Description</th>
<th>Originated</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Funding Policy Draft (from July 17, 2014 Board Meeting)</td>
<td>7/17/2014</td>
<td>Tentative – Late 2015 to early 2018 (project for Buck Consultants)</td>
</tr>
</tbody>
</table>
G-6  Legal Report
It was moved by DiGiovanni and seconded by Nerdrum to convene an Executive Session in regards to the Dreamworks Animation SKG, Inc case.

Approved

Roll call vote:
- Clark - Yes
- Flack - Yes
- Lynch - Yes
- Crawford - Yes
- Hastie - Yes
- Monroe - Absent
- DiGiovanni - Yes
- Heusel – Absent
- Nerdrum - Yes

Disability session time: 11:20 a.m. – 11:25 a.m.

It was moved by DiGiovanni and seconded by Nerdrum to approve the settlement as recommended by legal counsel in the Dreamworks Animation SKG, Inc litigation.

Approved

H.  INFORMATION (Received & Filed)

H-1  Communications Memorandum

H-2  November Planning Calendar

H-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>Conduent HR Consulting</td>
<td>1,599.12</td>
<td>Monthly hosting fees for August 2017</td>
</tr>
<tr>
<td>The Northern Trust Company</td>
<td>3,613.20</td>
<td>Emerging Market Fund</td>
</tr>
<tr>
<td>Jeremy Flack</td>
<td>984.09</td>
<td>Fall MAPERS Travel Reimbursement</td>
</tr>
<tr>
<td>Wendy Orcutt</td>
<td>866.11</td>
<td>Fall MAPERS Travel Reimbursement</td>
</tr>
<tr>
<td>IFEBP Membership</td>
<td>1,385.00</td>
<td>IFEB Membership Dues for 2018</td>
</tr>
<tr>
<td>VanOverbeke, Michaud &amp; Timmony P.C.</td>
<td>11,532.50</td>
<td>Past Due Invoices 1/1/2014 – 5/31/2014</td>
</tr>
<tr>
<td>AT&amp;T</td>
<td>584.31</td>
<td>Monthly Service 9/13/17 – 10/12/17</td>
</tr>
<tr>
<td>DTE Energy</td>
<td>16.98</td>
<td>Monthly Gas Fee dated 8/13/17-9/12/17</td>
</tr>
<tr>
<td>DTE Energy</td>
<td>289.35</td>
<td>Monthly Electric Fee dated 8/12/17-9/11/17</td>
</tr>
<tr>
<td>Staples Advantage</td>
<td>136.03</td>
<td>Miscellaneous Office supplies</td>
</tr>
<tr>
<td>Hasselbring-Clark Co.</td>
<td>39.49</td>
<td>Monthly copier cost per copy</td>
</tr>
<tr>
<td>Yeo &amp; Yeo Business Consultants</td>
<td>1,500.00</td>
<td>6/30/2017 Audit</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>22,546.18</strong></td>
<td></td>
</tr>
</tbody>
</table>
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>Years of Service</th>
<th>Department/Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pamilla Brant</td>
<td>Deferred Age &amp; Service</td>
<td>October 1, 2017</td>
<td>General</td>
<td>9 years, 9 months</td>
<td>City Administration</td>
</tr>
<tr>
<td>Russell Hanshue</td>
<td>Early Age &amp; Service</td>
<td>October 26, 2017</td>
<td>General</td>
<td>20 years, 2 months</td>
<td>Financial &amp; Administrative</td>
</tr>
<tr>
<td>Susan Cowling</td>
<td>Age &amp; Service</td>
<td>November 13, 2017</td>
<td>General</td>
<td>20 years</td>
<td>Public Services Parks</td>
</tr>
</tbody>
</table>

Analysis of Page Views on City Intranet / Retirement System Page

I. TRUSTEE COMMENTS / SUGGESTIONS - None

J. ADJOURNMENT

It was moved by Nerdrum and seconded by Hastie to adjourn the meeting at 11:27 a.m. Meeting adjourned at 11:27 a.m.

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