

**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
June 21, 2018**

**B**

The meeting was called to order by Dave Monroe, Board Secretary, at 8:41 a.m.

**ROLL CALL**

Members Present: Clark, Crawford, DiGiovanni, Hastie (10:47 a.m. depart), Monroe, Schreier  
Members Absent: Flack, Lynch, Nerdrum  
Staff Present: Gustafson, Hammond, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Henry Jaung (Via TX), Meketa Investment Group  
Keith Boudoin (Via TX), Meketa Investment Group  
David Diephuis, City Resident  
Doug Smith, City Resident

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**B. APPROVAL OF MINUTES**

**B May 17, 2018 Regular Board Meeting**

It was **moved** by DiGiovanni and **seconded** by Crawford to approve the May 17, 2018 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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Matthew Naud	Public Services	3 years	University of Michigan
Douglas Forsyth	Police	8 years, 8 months	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 Hastie and **seconded** by Crawford to approve the Consent Agenda as presented.

**Approved**

**D. EXECUTIVE SESSION – Disability Re-Examination Review & Executive Director Annual Evaluation**

It was **moved** by Crawford and **seconded** by Schreier to convene an Executive Session for the purpose of discussing the disability re-examination medical report for Anthony Fischer as well as the Executive Director Annual Evaluation.

**Approved**

*Roll call vote:*

Clark – Yes	Flack – Absent	Monroe - Yes
Crawford – Yes	Hastie – Yes	Nerdrum – Absent
DiGiovanni – Yes	Lynch – Absent	Schreier – Yes

*Executive session time: 8:45 a.m. – 9:42 a.m.*

**E. ACTION ITEMS**

**E-1 Motion Regarding Disability Re-Exam Review**

It was **moved** by Hastie and **seconded** by DiGiovanni that the Board acknowledges receipt of the medical report dated May 23, 2018 from Robert Daniel Travis, M.D., with regards to the independent medical re-evaluation of Anthony Fischer, noting that the doctor has concluded that he remains totally and permanently incapacitated for duty in the service of the City, and that such incapacity will probably be permanent; the Board therefore grants the continuation of his disability retirement consistent with the Board's Disability Retirement Procedures.

**Approved**

**E-2 Motion Regarding Executive Director Annual Evaluation**

Mr. Monroe stated that the Board has discussed Ms. Orcutt's performance and the Board members are very happy with her and recognize her performance over the last year.

It was **moved** by Hastie and **seconded** by Schreier to approve Mr. Monroe to implement the agreed upon compensations changes effective July 1, 2018 and to meet with Ms. Orcutt to confirm changes have been implemented.

### **E-3 Approval of Interest Calculation Policy**

Ms. Orcutt informed the Board there was a change to the policy stating the effective date as January 1, 2018.

It was **moved** by Hastie and **seconded** by Crawford to approve the Interest Calculation Policy as presented.

### **F. DISCUSSION ITEMS**

#### **F-1 Asset Allocation & Return Assumptions**

Mr. Jaung and Mr. Hastie discussed the asset allocation and return assumptions with the Board. Mr. Hastie stated that lower expected returns make fully funded status more difficult to achieve. Mr. Crawford highlighted the volatility and that one year of high/low returns can have an effect on the projected fully funded date. The Board further discussed options to consider in the near future. The Board decided to contact Findley to inquire on possible scenario analysis and to continue the discussion at the July Board Meeting.

#### **F-2 Upcoming Meeting Schedules**

Ms. Orcutt and the Board discussed availability through August for the upcoming Board Meetings. There will be no July IPC Meeting. The Board decided to have Henry Jaung from Meketa present for the August Board Meeting to review the fiscal year end returns.

#### **F-3 MAPERS Conference Re-Cap from Attendees**

Ms. Orcutt briefly reviewed the recent Spring MAPERS Conference, highlighting topics from various sessions.

#### **F-4 2018 Fall MAPERS Conference – September 22-25, Grand Traverse Resort**

Ms. Orcutt informed the Board of the upcoming Fall MAPERS Conference. Ms. Orcutt requested that any Board Members interested in attending should notify the Retirement Office.

It was **moved** by DiGiovanni and **seconded** by Clark to approved any interested Staff or Board Member to attend the Fall MAPERS Conference.

### **G. REPORTS**

#### **G-1 Executive Report – June 21, 2018**

##### **SVB CAPITAL CALLS**

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 380,000** for the Retirement Plan and **\$ 95,000** for the VEBA on May 30, 2018 for the purpose of funding current commitments.

##### **DRA DISTRIBUTIONS**

DRA issued a distribution from the Growth and Income Fund VIII on 5/18/18 in the amount of **\$169,663** for the Retirement System consisting of \$ 167,562 in Dividends and Gains and \$ 2,101 in recallable capital. The VEBA distribution of **\$49,901** consisted of \$ 49,283 in Dividends and Gains and \$ 618 in recallable capital.

DRA issued a distribution from the Growth and Income Fund VIII on 6/6/18 in the amount of **\$81,676** for the Retirement System consisting of \$ 39,427 in Gains and \$ 42,249 in recallable capital. The VEBA distribution of **\$24,022** consisted of \$ 11,596 in Gains and \$ 12,426 in recallable capital.

DRA issued a distribution from the Growth and Income Fund IX on 5/14/18 in the net amount of **\$62,024** for the Retirement System consisting of \$ 81,020 in Dividends and Fees in the amount of \$ 18,996. The VEBA net distribution of **\$18,242** consisted of \$ 23,829 in Dividends and Fees in the amount of \$5,587.

### **DRA CAPITAL CALLS**

DRA requested a capital call of our commitment to the Growth and Income Fund IX in the amount of **\$ 249,413** for the Retirement Plan and **\$ 73,357** for the VEBA on 6/25/18 for the purpose of funding current commitments.

### **ICMA-RC**

ICMA-RC announced a series of monthly webinars from June through December on a variety of topics such as Estate Planning, Beneficiary Designations, and Roth education. This was distributed to all employees on June 7, 2018 as well as to Retirees with email access.

ED met with Jason Ashline and David Sharer on May 30. David is the new Managing VP of the Central Region.

HR is now implementing the ICMA-RC deduction changes on the first pay of the month per IRS regulations. This will be communicated to employees on the June 26 A2 News Notes email.

### **RETIREE EDUCATIONAL SEMINAR**

The Retiree Educational Seminar was held at the Sheraton on May 31, with a turnout of more than 125. ED gave introductions of the staff and Trustees in attendance and provided an update on the funded status and investment performance as of 6/30/17. Also announced were updates such as the System's oversight of the 401/457 and the addition of Jordan Schreier to the Board. David Greene from Lau & Lau Associates provided a presentation on Medicare. Thanks to Laura H. for coordinating another successful event!

### **ACTUARY TRANSITION**

Findley is in the process of replicating the Pension data from 6/30/17 but are still awaiting the remainder of the data for the VEBA. ED and Findley are in communications with Bob Besenhofer on this matter. After discussions with Amy Kennedy, it was tentatively planned to have the results of an Experience Study for the period 2014-2018 presented at the September Board Meeting. Any assumption changes as a result would be factored into the 06/30/18 valuations.

### **STAFF OPERATIONS/UPDATE**

The Pension Analyst conducted 3 pre-sessions and processed 13 estimates.

ED met with Sharie Sell on 5/24/17 to discuss communications with HR staff regarding temporary service purchases and also the recent updates involving catch-ups and deferral changes for the 457 Plan. Sharie also gave an update on the Comp and Class study for City employees.

ED and Corbin participated in a Webex with staff from Northern Trust on Private Equity reporting and preparation for FYE.

### **G-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended May 31, 2018**

Corbin Hammond, Accountant, submitted the Financial Report for the month ended May 31, 2018 to the Board of Trustees:

5/31/2018 Asset Value (Preliminary)	\$507,852,857
4/30/2018 Asset Value (Audited by Northern)	\$508,170,267

Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$3,711,351
Percent Gain <Loss>	0.7%
<b>June 20, 2018 Asset Value</b>	<b>\$508,507,719</b>

### **G-3 Investment Policy Committee Minutes – June 5, 2018**

Following are the Investment Policy Committee minutes from the meeting convened at 3:09 p.m. on June 5, 2018:

Member(s) Present: Clark, Crawford (4:30 p.m. depart), DiGiovanni (4:35 p.m. depart), Flack, Hastie, Monroe  
Member(s) Absent: None  
Other Trustees Present: None  
Staff Present: Gustafson, Hammond (3:30 p.m. arrival), Hollabaugh, Orcutt  
Others Present: Henry Jaung, Meketa Investment Group  
David Diephuis, City Resident

#### **RETIREMENT SYSTEM INTERIM UPDATE AS OF APRIL 30, 2018**

As of April 30, 2018, the balance of the Fund was \$507,778,083. Mr. Jaung also reviewed the PA 314 Compliance, stating that everything is currently in compliance.

Ms. Orcutt pointed out that Stone Harbor's performance since inception was not looking well next to the benchmark. Mr. Jaung stated that he has looked into the issue and noted that the benchmark used was incorrect and will be making the correct adjustments.

#### **DISCUSSION ON ASSET ALLOCATION & RETURN ASSUMPTIONS**

The Committee discussed the asset allocation and the appropriate timing to make changes to increase the probability of meeting or exceeding the 7% assumed rate of return. Making adjustments to the Investment Policy Statement were also discussed. The Committee decided to discuss further at the at the next IPC meeting and will also provide a statement for the Board at the June Board Meeting. Mr. Jaung will be on call for the Board meeting to assist with answering questions.

#### **DISCUSSION ON RETIREMENT SYSTEM CONDO MORTGAGE**

The Committee briefly discussed paying off the mortgage balance. There are currently six years remaining. The committee decided to continue the discussion at the next IPC Meeting.

#### **UPCOMING MEETING SCHEDULE**

Ms. Orcutt reminded the Committee of the upcoming IPC Meeting dates to confirm attendance. It was decided to cancel the July IPC meeting and to either have an August IPC Meeting or have Meketa present at the August Board Meeting. This matter will further be discussed at the June Board meeting after determining trustee availability for August and September.

#### **ADJOURNMENT**

It was **moved** by Flack and **seconded** by Clark to adjourn the meeting at 4:56 p.m.  
**Meeting adjourned at 4:56 p.m.**

<b>IPC Project Tracking Table</b>		
<b>Description</b>	<b>Originated</b>	<b>Status</b>
Draft Investment Policy Statement 401A/457B		Pending
Board's Preliminary Financial Report: Add benchmark info on reports – stock market index		Pending
Custom Benchmarks		Pending
Condo Mortgage	6/5/18	Pending

**G-4 Administrative Policy Committee Minutes – None**

**G-5 Audit Committee Minutes – None**

**G-6 Legal Report**

Mr. VanOverbeke briefly updated the Board regarding Treasury and Public Act 202.

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

**H-1 Communications Memorandum**

**H-2 July 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 Energy	\$212.67	Electric Service 4/13/18-5/11/18
2	DTE Energy	\$41.72	Gas Service 4/13/18-5/11/18
3	Corbin Hammond	\$858.16	GFOA Conference Travel Expenses
4	Wendy Orcutt	\$478.27	Northern Trust Conference Travel Expenses
5	Conduent HR Consulting	\$13,743.36	3rd & 4th Quarter Actuarial Services & GASB 67/78, March Hosting Fee
6	Applied Imaging	\$51.15	5/1/18-5/31/18 Printing Services
7	Staples	\$56.54	Miscellaneous Office Supplies
8	Print-Tech	\$150.86	Daniel Gustafson's Business Cards & Name Plate
9	The Berwyn Group	\$1,000.00	Insurance Special Audit and Analysis April-March
10	Robertson Morrison	\$526.40	Replaced Damper Motor
11	Income Research Management	\$4,000.01	Investment Management fee period ended 3/31/18
12	The Northern Trust Company	\$3,613.20	Reissue 9/29/17 payment for Emerging Market Fund
13	AT&T	\$310.15	Phone Services 4/14/18-5/13/18
14	Med Source Services	\$950.00	Disbaility Rexamination: Anthony Fischer
15	Jeremy Flack	\$792.66	MAPERS 5.20.18-5.22.18 Travel Reimbursement
16	Wendy Orcutt	\$629.24	MAPERS 5.20.18-5.22.18 Travel Reimbursement
17	Conduent HR Consulting	\$1,583.33	April Hosting Fees
18	Sheraton Ann Arbor	\$4,932.90	2018 Annual Retiree Luncheon
19	Robertson Morrison	\$230.00	Quarterly Inscpections/Routine Maintenance
20	Culligan Water	\$38.99	Monthly Water Service 6/1/18-6/30/18
21	Midwest Maintenance Services	\$175.00	Monthly Cleanthing Services May 2018
22	Staples	\$64.83	Miscellaneous Office Supplies
23	Meketa Investment Group	\$10,000.00	Investment Management fee May 2018
	<b>Total</b>	<b>\$44,439.44</b>	

#### H-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Matthew Warba	Age & Service	June 30, 2018	General	29 years, 4 months	Public Services

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

I. TRUSTEE COMMENTS / SUGGESTIONS – None

J. ADJOURNMENT

It was **moved** by Schreier and **seconded** by Crawford to adjourn the meeting at 11:03 a.m.  
**Meeting adjourned at 11:03 a.m.**



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