

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
December 19, 2019**

B

The meeting was called to order by Board Chair Person, Jeremy Flack, at 8:44 a.m.

ROLL CALL

Members Present: Crawford, DiGiovanni, Flack, Hastie, Lynch, Monroe, Peariso, Schreier
Members Absent: Nerdrum
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B-1 November 19, 2019 Regular Board Meeting

It was **moved** by Schreier and **seconded** by Peariso to approve the November 19, 2019 Regular Board Meeting minutes.

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
Carol Washington	General	8 Years	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.

C-2 Ex Parte Order – Neigebauer

WHEREAS, the Board of Trustees (the “Board”) of the City of Ann Arbor Employees’ Retirement System (the “Retirement System”) is in receipt of an Ex Parte Order (the “Order”) in the above referenced matter, dated December 11, 2019, and

WHEREAS, pursuant to the Order, the Washtenaw County Circuit Court has ordered that the Retirement System place a freeze over Kent W. Neigebauer’s pension payments and prevent the disposal of any portion of the asset, and

WHEREAS, the payments from the plan to Mr. Neigebauer shall therefore cease for the duration of the court proceeding against Mr. Neigebauer, and

WHEREAS, said matter had been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law including Public Act 46 of 1991 (MCLA 38.1701) as amended, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order, will cease payment of pension benefits consistent with said order, and further

RESOLVED, that a copy of this resolution be immediately attached as the top sheet of the pension file and other appropriate records be kept for the Retirement System relative to this matter, and that a copy be sent to Mr. Kent W. Neigebauer.

It was **moved** by Crawford and **seconded** by Hastie to approve the consent agenda as submitted.

Approved

D. ACTIONS ITEMS

D-1 Summary Annual Report for Fiscal Year End 6/30/2019

Ms. Orcutt presented the Summary Annual Report for the fiscal year ended June 30, 2019. The Board reviewed and approved as submitted.

It was **moved** by Schreier and **seconded** by Crawford to approve the Summary Annual Report for Fiscal Year End 6/30/2019.

Approved

D-2 Member Interest Credits for Calendar Year 2020

GRS submitted a letter regarding the member interest credits, indicating that the computed rate of return for the fiscal year ending June 30, 2019 is 8.1%. Therefore, 1.97% regular interest should be credited to member accounts for the quarter ending March 31, 2020 and each of the remaining three quarters in calendar year 2020.

It was **moved** by Hastie and **seconded** by Monroe to approve Member Interest Credits for Calendar Year 2020.

Approved

D-3 June 30, 2019 Actuarial Valuation [Revised]

Ms. Orcutt presented the 6/30/19 Actuarial Valuation noting that some corrections were made since the previous meeting. The Board reviewed and briefly discussed the corrections.

It was **moved** by Crawford and **seconded** by Hastie to approve June 30, 2019 Actuarial Valuation as amended.

Approved

E. DISCUSSION ITEMS

E-1 Michigan PA 202 Calculations Related to MI Form 5572

GRS submitted a letter providing the Board with the information necessary to complete the reporting requirements for form 5572. Next year this information will be reflected in the GASB reports. The System already uses assumptions the 202 reporting requires with the exception of the amortization period.

E-2 Discussion on Board Retreat Topics

Ms. Orcutt questioned the Board as to what topics they would like to discuss at the Board Retreat. The Board discussed possible topics and decided to consider the discount rate, target returns vs. assumed rate of return and perhaps an ICMA process/plan review. It was also mentioned to consider an investment panel comprised of equity or fixed income managers for example.

Mr. Crawford mentioned that the Board may receive an invite to participate in a Council Work Session to discuss de-risking the System March 23, 2019, close to the date of the Board Retreat.

F. REPORTS

F-1 Executive Report – December 19, 2019

DRA DISTRIBUTIONS

DRA issued a distribution of recallable capital from the Growth and Income Fund VIII on 12/13/19 in the amount of **\$168,196** for the Retirement System and **\$49,470** for VEBA consisting of return of capital, gains and dividends.

DRA CAPITAL CALLS

DRA requested a capital call of our commitment to the Growth and Income Fund VIII in the amount of **\$ 157,407** for the Retirement Plan and **\$ 46,296** for the VEBA on 12/13/19 for the purpose of a drawdown request.

SUMMIT PARTNERS CAPITAL CALLS

Summit Partners Credit Fund III, L.P. requested a capital call of 2.37 % of our commitment to the Funds in the amount of **\$213,116** for the Retirement Plan and **\$59,199** for the VEBA on 12/23/19. With these installments, **CAAERS** will have funded 46.88 % of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$88,000** for the Retirement Plan and **\$22,000** for VEBA on 12/23/19 to cover management fees for the fourth quarter of 2019 and the first quarter of 2020.

CONSTITUTION CAPITAL PARTNERS

Ironsides Direct Investment Fund V, L.P. requested a capital call in the amount of **\$ 127,370** for the Retirement System and **\$ 42,456** for VEBA to fund current investments and cover management fees and expenses on 12/10/19.

SVB CAPITAL CALLS

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of **\$ 308,000** for the Retirement Plan and **\$ 77,000** for the VEBA on December 20, 2019 for the purpose of funding current commitments.

ANNUAL BOARD ELECTIONS / APPOINTMENTS

Citizen Trustees Brock Hastie and Julie Lynch were both unanimously approved at the Council meeting on December 2nd. The term expires on December 31, 2022.

ACTUARY UPDATE

GRS provided the PA 202 Uniform Assumptions Calculations on December 6. These were forwarded to the City who will complete the required form 5572 to the State. They are working on the remaining two items for FYE 2019 which are the Poverty Increase and the Member Interest Credit amount for 2020.

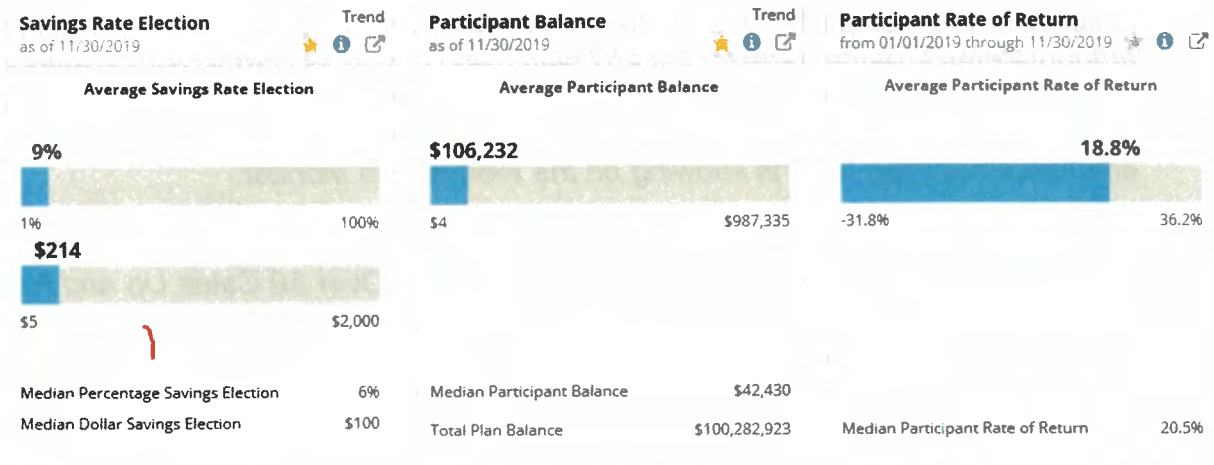
STAFF OPERATIONS/UPDATE

The Pension Analyst processed 12 Estimates, 1 Final Calculation, 6 deceased calculations, 1 non vested payout and conducted 2 pre sessions.

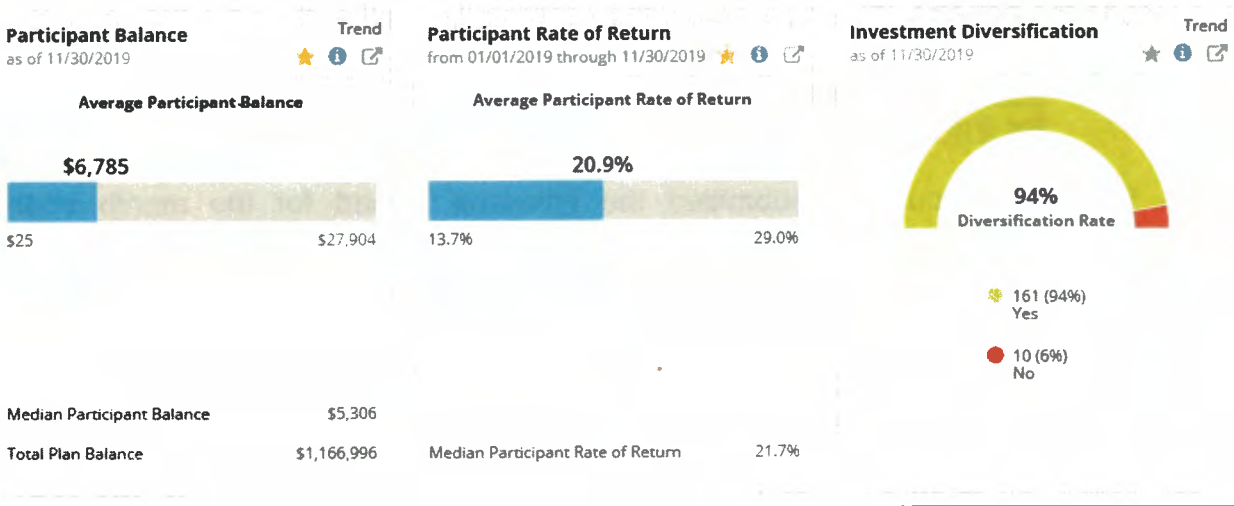
HAPPY HOLIDAYS!

F-2 Executive Report – ICMA-RC Update

457 Stats: Balance at 12/13/19 = \$ 100,624,418



401 Stats: Balance at 12/13/19 = \$ 1,204,804



Current Items/Education:

- ICMA-RC will be onsite January 21-23 to conduct individual consultations at City Hall, CTN, Fire, Wastewater, Housing Commission, Wheeler and Fleet Service Center.
- There will be two Lunch & Learns in Council Chambers. The topics will be “Your Saving & Investing Goals” and “Build Your Investment Portfolio”
- As discussed at the APC meeting, there was an employee participating in the Pre-Retirement Catch Up whose deferrals exceeded the annual maximum of \$38,000. ICMA-RC is processing a refund to the City Payroll department who will correct the employee’s W-2 and compensation. HR is currently working with IT to ensure no other employees are exceeding the cap prior to year-end. They are also investigating why UltiPro (payroll system) did not recognize the maximum.

Follow Up Items:

1. After HR updated the roster of “active but not contributing” in the 457 plan – there are currently 22 employees in this category. ED will request this roster on a quarterly basis to audit and have HR update employment status as needed.
2. Jason Ashline completed the research on the average participant contribution amount/deferral percentage for the 457 plan using the gross compensation amount provided by the payroll department. He found that the statistics displayed on the monthly deferral graphic are accurate with only approximately a half percent difference between what is showing on the Plan Health Monitor.
3. HR has agreed to pay the cost to update UltiPro and add the 5 additional Roth codes (Flat and % for Pre-Retirement Catch up and Over 50 Catch Up and Roth %). The system will be updated to roll these amounts into the annual maximum deferral limits. Once completed HR will update ED and ICMA-RC so their systems can accommodate the new contribution types as well.

The Board further discussed the issue with the City’s payroll system requesting that Staff request HR to audit they system for all accounts that have caps to ensure no other employees exceed the annual maximum. It was also suggested to have ICMA-RC send City Employees reminders regarding contribution changes for January 1, 2020, suggesting the benefits of using a percentage contribution rather than the flat amount.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended November 30, 2019

Maria Buffone, Accountant, submitted the Financial Report for the month ended November 30, 2019 to the Board of Trustees:

10/30/2019 Asset Value (Preliminary)	\$527,406,618
11/30/2019 Asset Value (Audited by Northern)	\$522,778,200
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$70,441,122
Percent Gain <Loss>	14.8%
December 18, 2019 Asset Value	\$531,404,450

F-4 Investment Policy Committee Minutes – December 3, 2019

Following are the Investment Policy Committee minutes from the meeting convened at 2:40 p.m. on December 3, 2019:

Member(s) Present: Crawford, DiGiovanni, Flack
 Member(s) Absent: Hastie, Monroe
 Other Trustees Present: None

Staff Present: Gustafson, Hollabaugh, Orcutt
 Others Present: Henry Jaung, Meketa Investment Group (3:16 p.m. arrival)
 John Harris, Meketa Investment Group (3:16 p.m. arrival)

Mac Nickey, Northern Trust (3:26 – 4:10 p.m.)
 Jordan Dekhayser, Northern Trust (3:26 – 4:10 p.m.)
 Reed Lemar, Northern Trust (3:26 – 4:10 p.m.)

REVIEW DRAFT OF INVESTMENT CONSULTANT RFP

The Committee reviewed the RFP Draft for Investment Consultant Services. Some revisions were made to the draft and it was decided to issue the RFP in January 2020.

NORTHERN TRUST PRESENTATION OF ALTERNATIVE BETA MANAGEMENT

Mac Nickey, Jordan Dekhayser and Reed Lemar from Northern Trust Asset Management were present to discuss the Quality Low Volatility Strategy. The Northern Trust team stated that the benefits to choosing a Low Volatility Strategy were:

- Core Total Return Strategy: Strong upside and downside market capture profile
- Risk Management: Focus on the management of unintended risks
- Integration of Quality: Multi-factor framework to improve long term performance

The Committee briefly discussed the Low Volatility Strategy and ultimately decided to have Meketa prepare comparisons to review at the next IPC meeting.

ENTRUST SPECIAL OPPORTUNITIES FUND

Mr. Jaung informed the Committee of the EnTrust Global Special Opportunities Fund. EnTrust Global is a diversified alternative investment firm with \$19 billion in assets under management invested across a range of strategies (private debt, real assets, multi-asset, hedge fund, etc.) Meketa Investment Group has negotiated with EnTrust Global to structure a preferred vehicle, Evergreen Fund, for their clients' exposure to the Special Opportunities Fund series. Mr. Jaung stated that this strategy represents an interesting opportunity and merits further consideration. After further discussion, the Committee decided to have Meketa prepare comparisons to discuss this opportunity further before inviting an EnTrust representative to present to the IPC.

PERFORMANCE REVIEW OF THE ERS AND VEBA

As of October 31, 2019, the balance of the Funds were \$523,005,777 for ERS. Fiscal Year to Date performance was 2.0% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

As of October 31, 2019, the balance of the Funds were \$190,643,300 for VEBA. Fiscal Year to Date performance was 2.2% for VEBA net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

CONTINUATION OF THE ALTERNATIVE DEFENSIVE INDEX STRATEGY DISCUSSION

This item was postponed due to time constraints.

REVIEW OF ACTIVE MID-CAP STRATEGY

This item was postponed due to time constraints.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by DiGiovanni to adjourn the meeting at 5:03 p.m.
Meeting adjourned at 5:03 p.m. 7

F-5 Administrative Policy Committee Minutes – December 10, 2019

Following are the Administrative Policy Committee minutes from the meeting convened at 3:04 p.m. on December 10, 2019:

Committee Members Present: Monroe, Peariso, Lynch, Schreier
Members Absent: None
Other Trustees Present: None
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others Present: None

DRAFTED JUNE 30, 2019 SUMMARY ANNUAL REPORTS

The Committee reviewed and made revisions to the drafted annual reports. Mr. Schreier questioned the asset class tables in both reports regarding if the report is a trailing 10 year period. Ms. Orcutt will look into this matter and clarify in the final draft. A final draft will be presented at the December Board meeting.

It was **moved** by Peariso and **seconded** by Schreier to submit both the Retirement System and VEBA Summary Annual Reports as revised to the Board for approval.

APPROVED

ICMA UPDATE

Ms. Orcutt updated the Committee regarding the 457 Roth codes. The City's Human Resources department will be paying the fee to have the system updated to enable the various 457 Roth deferral codes and have the Roth deferrals rolled into the annual maximums.

Ms. Orcutt also informed the Committee of a situation regarding an employee's pre-retirement catch up. The City's payroll system has not recognized the cap amount resulting in overpayment by the employee. Human Resources and Payroll are working on correcting this matter. Ms. Orcutt is also working with Payroll to ensure other employees do not have a similar issue going forward.

Ms. Orcutt provided an update regarding ICMA's next on-site visit. The next on-site visit is scheduled for January with two new representatives. Educational Seminars will also be scheduled. Staff will be tracking the locations ICMA visits for on-sites to ensure a rotating schedule.

OTHER

Ms. Orcutt informed the Committee that she and staff are working with Human Resources to ensure that contracts reflect the correct Retirement information going forward.

ADJOURNMENT

It was **moved** by Lynch and **seconded** by Schreier to adjourn the meeting at 3:54 p.m.
Meeting adjourned at 3:54 p.m.

F-6 Audit Committee Minutes – None

F-7 Legal Report

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

G-1 **Communications Memorandum**

G-2 **January 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	Buck	\$1,583.33	11/2019 Hosting Fee
2	ATT	\$509.13	Phone Service 10/26/19-11/25/19
3	Culligan	\$43.49	Water Service 12/2019
4	Midwest Maintenance	\$134.61	Office Cleaning Services 11/2019
5	Meketa Investment Group	\$10,000.00	Investment Consulting Services 11/2019
6	Applied Imaging	\$74.10	Printer Services 10/2019
7	Staples	\$87.06	Miscellaneous Office Supplies
8	VanOverbeke, Michaud & Timmony	\$3,436.80	Legal Services 7/1/2019-9/30/2019
	Total	\$15,868.52	

G-4 **Retirement Report**

Name	Retirement Type	Effective Retirement Date	Group	Years of Service	Department/Service Area
Scott Bowling	Age & Service	January 4, 2020	General	27 years, 6 months	Fleet & Facilities
Richard McGlinn	Age & Service	December 21, 2019	General	21 years, 10 months	Public Services
Anthony Walker	Age & Service	January 10, 2020	General	20 years, 2 months	Public Services

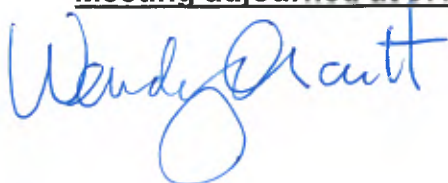
G-5 **Analysis of Page Views on Retirement System Website**

H. **TRUSTEE COMMENTS / SUGGESTIONS**

Ms. Orcutt informed the Board that the disability exam for Ms. Hart has been scheduled for February and will be reviewed at the February meeting.

I. **ADJOURNMENT**

It was **moved** by Monroe and **seconded** by DiGiovanni to adjourn the meeting at 9:17 a.m.
Meeting adjourned at 9:17 a.m.



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