The meeting was called to order by Board Chair Person, Jeremy Flack, at 9:47 a.m.

ROLL CALL

Members Present: Crawford, DiGiovanni, Flack, Hastie, Lynch, Monroe, Peariso
Members Absent: Nerdrum, Schreier
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 October 17, 2019 Regular Board Meeting

It was moved by Monroe and seconded by Crawford to approve the October 17, 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:
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 Authorization for Conference/Training – Public Funds Summit – Wendy Orcutt

WHEREAS, the Board of Trustees (Board) of the City of Ann Arbor Employees’ Retirement System (Retirement System) is vested with the authority and fiduciary responsibility for the 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 acknowledges that the Retirement System has evolved in complexity such that the circumstances 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 requires continuing education, training, and oversight of its advisors, and

WHEREAS, it is necessary, appropriate and incumbent upon Board trustees and/or Retirement System staff, from time to time, to participate in continuing education, training, and/or conduct due diligence trips in relation to their oversight of Retirement System advisors to ensure that Retirement System participants receive the best possible service, benefit and representation from these responsible persons, and

WHEREAS, Wendy Orcutt, Executive Director, has requested the Board of Trustees’ authorization for travel to Scottsdale, Arizona, at Retirement System expense, estimated at $ 1196.00, to attend the 2020 Public Funds Summit to participate in continuing education in her responsibility as Retirement System Staff person, therefore be it

RESOLVED, the Board of Trustees authorizes the travel and training request of Wendy Orcutt to travel to Scottsdale, Arizona, at Retirement System expense, estimated at $ 1196.00, to attend the 2020 Public Funds Summit to participate in continuing education in her responsibility as Retirement System Staff person, and
FURTHER RESOLVED, that Wendy Orcutt comply with all travel and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

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

Approved

D. ACTIONS ITEMS

D-1 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>Lynn Hart</td>
<td>October 15, 2015</td>
<td>November 28, 2018</td>
<td>Yes</td>
</tr>
</tbody>
</table>

It was moved by Hastie and seconded by Monroe to direct the disability re-examination of Lynn Hart consistent with the Board’s Disability Retirement Procedures.

Approved

D-2 Resolution to Invest in DRA Fund X

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, Meketa as the Retirement System’s investment consultant, the Investment Policy Committee (IPC), and the Board of Trustees have discussed an additional allocation to value added real estate in accordance with the Pacing Study reviewed at the October 2, 2018 IPC, and

WHEREAS, a current real estate manager, DRA, offers the Growth and Income Fund X, LLC, with a final close at the end of 2019, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with DRA Growth and Income Fund X, LLC so be it

RESOLVED, that the Board of Trustees approve the investment in DRA Growth and Income Fund X, LLC with a commitment in the amount of $6 million, pending review of investment management documents by the Board’s legal counsel and any recommended additional due diligence.

It was moved by Monroe and seconded by Crawford to approve the investment in DRA Growth and Income Fund X, LLC with a commitment in the amount of $6 million, pending review of the investment management documents by the Board’s legal counsel and any recommended additional due diligence.

Approved

D-3  2020 Board Meeting Schedule

January 16, 2020    July 16, 2020
February 20, 2020   August 20, 2020
March 19, 2020      September 17, 2020
April 16, 2020      October 15, 2020
May 21, 2020        November 19, 2020
June 18, 2020       December 17, 2020

It was moved by Peariso and seconded by Crawford to approve the 2020 Board Meeting Schedule as presented.

Approved

D-4  Audited Financial Statements for the Fiscal Year Ended June 30, 2019

The Board reviewed the financial statements and Ms. Orcutt informed the Board that no issues were found in the audit.

It was moved by DiGiovanni and seconded by Hastie to approve the Financial Statements for Fiscal year Ended June 30, 2019 as submitted.

Approved

E.  DISCUSSION ITEMS

E-1  Proposed Board Retreat Dates

After checking their schedules, the Board decided on either March 6, 2019 or March 27, 2019 for the next Board Retreat. Staff will check with absent Trustees to confirm which date works best.
E-2 Payroll System Upgrade – ROTH 457 Deduction Codes

Ms. Orcutt informed the Board that the City’s payroll system Ultipro currently ONLY has one Roth code set up – flat dollar contributions. To modify the system and add the 5 additional Roth deduction code (Flat and % for Pre-Retirement Catch up and Over 50 Catch Up and Roth %) there is a charge of $1900. The City’s HR department requested that the Retirement System pay for the upgrade fee. The Board discussed and decided that the City should be responsible for this cost as it is a City system and the City is the Plan Sponsor.

F. REPORTS

F-1 Executive Report – November 21, 2019

SVB CAPITAL CALLS

SVB Fund VIII requested a capital call of our commitment to the Funds in the amount of $480,000 for the Retirement Plan and $120,000 for the VEBA on October 2, 2019 for the purpose of funding current commitments.

SUMMIT PARTNERS CAPITAL CALLS

Summit Partners Credit Fund III, L.P. requested a capital call of 1.5% of our commitment to the Funds in the amount of $138,348 for the Retirement Plan and $38,430 for the VEBA on 11/21/19. With these installments, CAAERS will have funded 44.4% of our total commitments of $9,000,000 for the Retirement Plan and $2,500,000 for the VEBA.

DRA DISTRIBUTIONS

DRA issued a distribution of recallable capital from the Growth and Income Fund VIII on 10/29/19 in the amount of $103,264 for the Retirement System and $30,371 for VEBA consisting of return of capital, gains and dividends.

DRA issued a distribution from the Growth and Income Fund VIII on 11/14/19 in the amount of $223,808 for the Retirement System consisting of $255,496 in gains, dividends and return of capital netted against $31,688 in management fees. The VEBA distribution of $65,826 consisted of $75,146 in gains, dividends and return of capital netted against $9,320 in management fees.

DRA issued a distribution from the Growth and Income Fund IX on 11/15/19 in the amount of $114,297 for the Retirement System consisting of $158,643 in dividends netted against $44,346 in management fees. The VEBA distribution of $33,617 consisted of $46,660 in dividends netted against $13,043 in management fees.

RAISE CASH FOR BENEFITS AND EXPENSES

As discussed at the IPC meeting, the Northern Trust Russell 1000 Index was utilized to raise cash in the amount of $5,000,000 for ERS effective November 22, 2019 per direction from Meketa.
ANNUAL BOARD ELECTIONS / APPOINTMENTS

Citizen Trustees Brock Hastie and Julie Lynch have submitted their applications to Council. They should be confirmed and reappointed at the first Council meeting on December 2nd. The current term expires on December 31, 2019.

ACTUARY UPDATE

The OPEB valuation was reviewed at the November 7th Audit Committee meeting. Revisions were requested and the final draft will be on the November Board Meeting agenda for approval.

AUDIT UPDATE

Dan Beard from Yeo & Yeo joined the November 7th Audit Committee meeting via conference call to review the June 30, 2019 Financial Statements for both ERS and VEBA. These will be added to the November Board Meeting agenda for approval.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 1 Final Calculation, 2 deceased calculations and 5 non vested payout calculations. An audit of the terminated vested roster was conducted and subsequently he processed 25 calculations to update the estimated monthly benefit payable at age 60.

F-2 Executive Report – ICMA-RC Update

Feedback on Onsite Education – October 28-30:

Laura Hollabaugh created a survey for webinar attendees and those that went to individual consultations. The feedback for both were positive. The webinar survey asked about future topics of interest as well and those suggestions were shared with Jason Ashline.

Individual Consultations: 11 employees replied and the feedback was largely positive with 9 of those stating they were either “very satisfied” or “extremely satisfied” with the consultation.

Group Presentations: 15 employees replied and the feedback was positive with 11 of the 15 stating they were either “very” or “extremely satisfied” with the presentation. The topics were “Get To Know Your 457 Plan” and “Control What You Can, Investing Do’s and Don’ts”

Other:

ED met with Jason Ashline, David Sharer (VP – Central Region) and April Rose from ICMA-RC on November 7. April Rose and Dan Shepard will join Nancy Lange as part of the 3 person Ann Arbor service team beginning 1/1/20.

Follow Up Items:
1. Question regarding the “active but not contributing” in the 457 plan - ED requested a roster of these employees from ICMA-RC. Staff researched employment status on each to find only 16 of the 65 listed are active employees. The remainder are retired or terminated. HR is in the process of updating the records.

2. Jason Ashline completed the research of the average participant contribution amount/deferral percentage for both the 401 and 457. Once item 1 above is completed, an updated Plan Health Monitor will be shared with the Board.

3. HR notified ED that an employee was inquiring about using the 457 Age 50 catch up Roth option. The City has not offered this Roth option in the past and upon research discovered that currently UltiPro ONLY has one Roth code set up – flat dollar contributions. To modify the system and add the 5 additional Roth codes (Flat and % for Pre-Retirement Catch up and Over 50 Catch Up and Roth %) there is a charge of $1900. Jessica Hull is researching to see if the Payroll Budget allows for the expense this FY. This item has been added to the Board Agenda for discussion.

4. Education sessions on the 401(a) plan – ED requested several standard ICMA 401(a) PowerPoint presentations from Jason Ashline. Their graphics team can customize these with information specific to our plan. Once completed the thought is to email these to the Dual Plan participants in conjunction with a Dual Plan Fact Sheet and a survey gauging interest in educational sessions, time preference/availability, etc. (Targeting Early 2020)

**Balances @ 11/14/19:**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>457</td>
<td>$98,939,000</td>
</tr>
<tr>
<td>401</td>
<td>$1,125,000</td>
</tr>
</tbody>
</table>

**F-3**  
*City of Ann Arbor Employees’ Retirement System Preliminary Report for the Month Ended October 31, 2019*

Maria Buffone, Accountant, submitted the Financial Report for the month ended October 31, 2019 to the Board of Trustees:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/31/2019 Asset Value (Preliminary)</td>
<td>$521,984,859</td>
</tr>
<tr>
<td>9/30/2019 Asset Value (Audited by Northern)</td>
<td>$518,503,110</td>
</tr>
<tr>
<td>Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)</td>
<td>$62,125,912</td>
</tr>
<tr>
<td>Percent Gain &lt;Loss&gt;</td>
<td>13.0%</td>
</tr>
<tr>
<td><strong>November 21, 2019 Asset Value</strong></td>
<td><strong>$523,646,087</strong></td>
</tr>
</tbody>
</table>

**F-4**  
*Investment Policy Committee Minutes – November 5, 2019*

Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on November 5, 2019:

*Member(s) Present:* Crawford, Hastie, Monroe (Dept. @ 4:33 p.m.; via TX 4:33-4:43 p.m.)

*Member(s) Absent:* DiGiovanni, Flack

*Other Trustees Present:* None
Mr. Diephuis stated that he was presently interested in the current RFP process for the Investment Consultant. He would like to see formality in the expectations that the Board is looking for in an Investment Consultant. Mr. Hastie informed Mr. Diephuis that the RFP draft is extensive and that a copy could be provided to him once approved.

Mr. Triveline introduced himself as a City resident and also as a representative from Palisade Capital Management. Mr. Triveline stated he was simply interested in sitting in on the meeting and also interested in speaking with Mr. Jaung.

**DRA GROWTH AND INCOME FUND X OVERVIEW**

Meketa provided the Committee with an overview of the DRA Growth and Income Fund X recommending that the Retirement System invest in this fund. The Committee further discussed the fund with Mr. Jaung and decided to make the following motion:

It was **moved** by Monroe and **seconded** by Crawford to recommend to the Board to invest $6 million in the DRA Growth and Income Fund X, LLC.

**Approved**

**RAISE CASH FOR BENEFIT PAYMENTS AND EXPENSES**

Meketa recommended a total cash raise of $8 million; $5 million from Domestic Equity via the Russell 1000 Index, $2 million from Sky Harbor and $1 million from Beach Point Leveraged Loan.

It was **moved** by Crawford and **seconded** by Monroe to liquidate $8 million dollars: $5 million from the Russell 1000, $2 million from Sky Harbor and $1 million from Beach Point Leveraged Loan.

**Approved**

**PERFORMANCE UPDATE AS OF SEPTEMBER 30, 2019 INCLUDING ACT 314 COMPLIANCE REVIEW**

As of September 30, 2019, the balance of the Funds were $518,360,657 for ERS. Fiscal Year to Date performance was 0.6% for ERS net of fees. Mr. Jaung also reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

**ALTERNATIVE BETA OVERVIEW**

Mr. Jaung discussed Alternative Beta strategies with the Committee. Alternative Beta strategies aim to achieve better risk-adjusted performance relative to cap-weighted indices and are constructed with specific objectives such as targeting value, momentum, or quality exposures; lowering volatility; or reducing stock specific risks. Meketa suggested bringing in a representative from Northern Trust to provide an educational overview. Mr. Hastie suggested that this topic be discussed further and also requested that Meketa provide scenarios to review.
COMMITTEE RECESS

The Committee was called to recess at 4:03 p.m. for the purpose of holding the VEBA IPC meeting to continue the Performance Review for VEBA.

Meeting recessed at 4:03 p.m.

The meeting was reconvened at 4:14 p.m.

DFA STRATEGY CHANGE

Mr. Jaung informed the Committee of recent portfolio construction changes with DFA. The implication going forward is that the DFA EM All Cap Value portfolio is likely to carry more single country absolute risk than has been the case historically. However, single country benchmark-relative risk (i.e., tracking error) is likely to decline significantly. The portfolio's underweight to China has grown to become between 70-80% of the portfolio's total tracking error.

MID CAP ACTIVE STRATEGY

The Mid Cap indices held in the ERS have consistently underperformed their benchmarks, with performance ranking in the bottom half percentile among peers in all trailing time periods. Meketa recommends exploring the option of adding active Mid Cap manager to the ERS portfolio. The Committee agreed to discuss this further at the next IPC meeting.

ENTRUST SPECIAL OPPORTUNITIES OVERVIEW

This item was postponed due to time constraints.

REVIEW DRAFT OF INVESTMENT CONSULTANT RFP

This item was postponed due to time constraints.

ADJOURNMENT

It was moved by Crawford and seconded by Hastie to adjourn the meeting at 5:00 p.m.

Meeting adjourned at 5:00 p.m.

F-5 Administrative Policy Committee Minutes – None

F-6 Audit Committee Minutes – November 7, 2019

Following are the Audit Committee minutes from the meeting convened at 3:04 p.m. on November 7, 2019:

Committee Members Present: Crawford, Nerdrum
Members Absent: Monroe
Other Trustees Present:
Staff Present: Buffone, Hollabaugh, Orcutt
Others Present: Daniel Beard, Yeo & Yeo (Via TX 3:04 p.m. – 3:27 p.m.)
Francois Pieterse, GRS (via TX 3:04 p.m. – 3:45 p.m.)
Rich Koch, GRS (via TX 3:04 p.m. – 3:45 p.m.)
REVIEW FINANCIAL STATEMENTS

The Committee reviewed the Financial Statements with Daniel Beard from Yeo & Yeo. Mr. Beard pointed out that both plans were in good health and that no issues were found in the audit.

It was moved by Crawford and seconded by Nerdrum to accept the Financial Statements for June 30, 2019 as discussed and recommend approval at the November 21, 2019 regular Board Meeting.

Approved

REVIEW DRAFT OF VEBA ACTUARIAL VALUATION FOR FYE JUNE 30, 2019

The Committee reviewed the Actuarial Valuation for the VEBA with Rich Koch and Francois Pieterse from GRS. The Committee noted some edits and changes to be made. GRS will update and have the final drafts prepared early next week.

It was moved by Crawford and seconded by Nerdrum to accept the VEBA Valuation for June 30, 2019 as revised and recommend approval at the November 21, 2019 regular Board Meeting.

Approved

DISCUSSION ON INACTIVE MEMBERS (TERMINATED VESTED)

Ms. Orcutt informed the committee that the actuary had noted that the inactive member count of 149 from the prior year data varied from the member count on the Fiscal Year End 6/30/19 pay and contribution report from Tahiti. The 149 was audited by Staff and updated to reflect the correct number of inactive members to 104. It will be noted if the liability change is noticeable in next year’s valuation.

ADJOURNMENT

It was moved by Crawford and seconded by Nerdrum to adjourn the meeting at 3:50 p.m.

Meeting adjourned at 3:50 p.m.

F-7 Legal Report

Staff questioned the need for Committee meetings to have separate meetings/agendas for the Retirement System and VEBA. Mr. VanOverbeke clarified that there is no need to have separate agendas/meetings for the Committees and to be sure to label the meetings as “joint” meetings for future agendas.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 December 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>1 DTE</td>
<td>$151.91</td>
<td>Electric Service 10/12/19-11/11/19</td>
</tr>
<tr>
<td>2 DTE</td>
<td>$65.55</td>
<td>Gas Service 10/12/19-11/11/19</td>
</tr>
<tr>
<td>3 ATT</td>
<td>$509.15</td>
<td>Phone Service 9/26/19-10/25/19</td>
</tr>
<tr>
<td>4 Yeo &amp; Yeo</td>
<td>$1,000.00</td>
<td>6/30/19 Audit Services through 10/31/19</td>
</tr>
<tr>
<td>5 GRS</td>
<td>$2,400.00</td>
<td>GASB 67/68 Valuation Fee for final quarter</td>
</tr>
<tr>
<td>6 GRS</td>
<td>$6,600.00</td>
<td>Pension Valuation Fee for final quarter</td>
</tr>
<tr>
<td>7 Laura Hollabaugh</td>
<td>$697.48</td>
<td>Uplift Office Desk Reimbursement</td>
</tr>
<tr>
<td>8 Buck</td>
<td>$1,583.33</td>
<td>October 2019 Hosting Fee</td>
</tr>
<tr>
<td>9 MAPERS</td>
<td>$200.00</td>
<td>Membership Renewal 2020</td>
</tr>
<tr>
<td>10 Culligan</td>
<td>$29.49</td>
<td>Water Service 11/2019</td>
</tr>
<tr>
<td>11 Meketa</td>
<td>$10,000.00</td>
<td>Investment Consulting Services 10/2019</td>
</tr>
<tr>
<td>12 Midwest Maintenance</td>
<td>$175.00</td>
<td>Office Cleaning Services 10/2019</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total $23,411.91</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>Years of Service</th>
<th>Department/Service Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Budd</td>
<td>Age &amp; Service</td>
<td>November 14, 2019</td>
<td>Fire</td>
<td>28 years, 9 months</td>
<td>Safety Services</td>
</tr>
<tr>
<td>Randy Menard</td>
<td>Age &amp; Service</td>
<td>November 29, 2019</td>
<td>Fire</td>
<td>28 years, 10 months</td>
<td>Safety Services</td>
</tr>
<tr>
<td>Michael Roberts</td>
<td>Age &amp; Service</td>
<td>December 14, 2019</td>
<td>Fire</td>
<td>26 years, 3 months</td>
<td>Safety Services</td>
</tr>
</tbody>
</table>

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

H. TRUSTEE COMMENTS / SUGGESTIONS

Mr. Crawford updated the Board regarding the draft of AON’s Pension De-Risking report stating that he will have a report to share at next month’s meeting.

I. ADJOURNMENT

It was moved by Crawford and seconded by Monroe to adjourn the meeting at 10:29 a.m.
Meeting adjourned at 10:29 a.m.

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