

City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
November 17, 2016

The meeting was called to order by Jeremy Flack, Chairperson, at 8:41 a.m.

ROLL CALL

Members Present: Clark, Crawford, DiGiovanni, Flack, Hastie, Heusel, Lynch, Monroe, Nerdrum
Members Absent: None
Staff Present: Gustafson, Hammond, Jarskey, Kluczynski
Others: Michael VanOverbeke, Legal Counsel
Sharie Sell, Human Resources
David Diephuis, City Resident

AUDIENCE COMMENTS – Ms. Jarskey introduced Corbin Hammond as the new staff accountant.

A. APPROVAL OF REVISED AGENDA

Additions to the revised agenda include:

- C-2 EDRO Resolution – Gagnon v. Gagnon
- C-3 Purchase of Military Service Credit
- C-4 Authorization for Online Training – GFOA/GAAP Update - Hammond
- D-3 Funding Needs Discussion

It was **moved** by Nerdrum and **seconded** by Hastie to approve the agenda as revised.

Approved

B. APPROVAL OF MINUTES

B-1 October 20, 2016 Regular Board Meeting

It was **moved** by Nerdrum and **seconded** by Monroe to approve the October 20, 2016 Regular Board Meeting minutes as submitted.

Approved

B-2 November 8, 2016 Special-Call Board Meeting

It was **moved** by Nerdrum and **seconded** by Monroe to approve the November 8, 2016 Special-Call Board Meeting minutes as submitted.

Approved

C. CONSENT AGENDA

C-1 EDRO Approval Resolution – Angela Bourgeois v. Douglas Sandall

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated October 13, 2016, wherein Angela Marie Bourgeois, the Alternate Payee, is awarded certain rights to the benefits of Douglas Gordon Sandall, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's accumulated contributions from the Retirement System payable by way of the Retirement System's annuity withdrawal option which is subject to the Alternate Payee making an application for the same, and

WHEREAS, the payments from the plan to the Alternate Payee shall begin when the Participant commences benefits from the Retirement System, unless the Alternate Payee elects to receive benefits at any time after the Participant reaches his earliest retirement date, and

WHEREAS, the Board's policy is to require that the cost for the actuary's calculations are to be borne by the parties to the domestic relations proceedings, and the order provides that the Participant and the Alternate Payee shall be responsible for any and all additional costs for actuarial services and that the Alternate Payee's share of said costs shall be in proportion to her share of the Participant's total retirement allowance awarded to her under the EDRO, and

WHEREAS, said matter having 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, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order and will administer benefits consistent with said order upon application of either the Participant or the Alternate Payee, and further

RESOLVED, that the parties are hereby placed on notice that the EDRO provides the specific dollar amount to the Alternate Payee of \$44,201.00 payable upon her request at the Participant's earliest retirement date, and if the Alternate Payee elects to receive her share of the Participant's accumulated contributions after the Participant's earliest retirement date but before the Participant actually retires, then at the time the Participant actually retires the actuarial reduction to his benefit will be based upon the value of the withdrawn contributions had they remained in the Participant's account until his actual retirement, and further

RESOLVED, that a copy of this Resolution be immediately attached as the top sheet of the Participant's pension file and other appropriate records be retained by the Retirement System relative to this matter, and further

RESOLVED, that copies of this resolution be sent to Douglas Gordon Sandall, the Participant; Angela Marie Bourgeois, the Alternate Payee; and the Board's Actuary.

C-2 EDRO Approval Resolution – Wayne Gagnon v. Loriann Gagnon

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated November 3, 2016, wherein Loriann Marie Gagnon, the Alternate Payee, is awarded certain rights to the benefits of Wayne Larry Gagnon, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's monthly retirement benefit from the Retirement System which is subject to the Alternate Payee making an application for the same, and

WHEREAS, the payments from the plan to the Alternate Payee shall begin when the Participant commences benefits from the Retirement System, unless the Alternate Payee elects to receive benefits at any time after the Participant reaches his earliest retirement date, and

WHEREAS, the Board's policy is to require that the cost for the actuary's calculations are to be borne by the parties to the domestic relations proceedings, and the order provides that the Participant and the Alternate Payee shall be responsible for any and all additional costs for actuarial services, and that the Alternate Payee's share of said costs shall be in proportion to her share of the Participant's total retirement allowance awarded to her under the EDRO, and

WHEREAS, said matter having 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, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order and will administer benefits consistent with said order upon application of either the Participant or the Alternate Payee, and further

RESOLVED, that a copy of this Resolution be immediately attached as the top sheet of the Participant's pension file and other appropriate records be retained by the Retirement System relative to this matter, and further

RESOLVED, that copies of this resolution be sent to Wayne Larry Gagnon, the Participant; Mark R. Bailey, Esq., attorney for the Participant; Loriann Marie Gagnon, the Alternate Payee; John W. Fraser, Esq., attorney for the Alternate Payee; and the Board's Actuary.

C-3 Purchase of Military Service Time

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, Section 1:561(e) of the Retirement Ordinance, Chapter 18 of the Code of the City of Ann Arbor allows for prior Military Service Credit, and

WHEREAS, the Board is in receipt of an Application for Purchase of Military Service Time, 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 purchase of Military Service Time:

Name	Employee Group	Requested Military Service Time	Requested Method of Payment	Cost for Purchase of Military Service Time
Bernard Key	General	4 years	Single Lump Sum Payment	\$ 11,806.08

FURTHER RESOLVED, that the applicant(s) purchasing Military Service Time be notified of the amount of money necessary to buy the Military Service Time, and upon full payment, the member(s) shall be credited the service time.

C-4 Authorization for Online Conference/Training – 21st Annual GFOA Government GAAP Update – Corbin Hammond

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, Corbin Hammond has requested the Board of Trustees' authorization for online training at Retirement System expense, estimated at \$180.00 to access the 21st Annual GFOA Government GAAP Update online session, to participate in continuing education in his responsibility as Retirement System Accountant, therefore it be

RESOLVED, the Board of Trustees authorizes the training request of Corbin Hammond to access the 21st Annual GFOA Government GAAP Update online session, to participate in continuing education in his responsibility as Retirement System Accountant, and

FURTHER RESOLVED, that Corbin Hammond comply with all training and reporting requirements as contained in the Board of Trustees previously adopted Travel and Training Policy and Procedures.

It was **moved** by Nerdrum and **seconded** by Crawford to approve the Consent Agenda as submitted.

Approved

D. ACTION ITEMS

D-1 Annual Disability Re-Examinations

Mr. Gustafson submitted a memo to the Board indicating that:

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 time frame, and **each November for disability retirements that commenced or had a re-examination in the prior year July through December timeframe.***

The following person(s) would qualify for a medical re-examination per the Board's policy:

DISABILITY RETIREE	DATE BOARD GRANTED DISABILITY	DATE OF LAST RE-EXAMINATION	INTERIM DIRECTOR'S RECOMMENDATION FOR RE-EXAMINATION
Lynn Hart	October 15, 2015	August 24, 2015	Yes

It was **moved** by Crawford and **seconded** by Clark to request that Ms. Hart be sent for an annual disability re-examination per the Board's policy.

Approved

D-2 Executive Director Position – Further Discussion

It was **moved** by Clark and **seconded** by Nerdrum to convene an Executive Session for the purpose of discussing the Executive Director Candidates' behavioral assessments.

Approved

Roll call vote:

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

Executive session time: 8:44 a.m. – 9:07 a.m.

It was **moved** by Nerdrum and **seconded** by Lynch to resume the discussion in open session.

Approved

The Board further discussed the finalists in open session, ultimately deciding on the following motion:

It was **moved** by Monroe and **seconded** by Clark to direct and authorize the Administrative Policy Committee to make an offer of employment to Wendy Orcutt contingent with the employment terms and conditions as discussed by the Board of Trustees.

Approved

D-3 Funding Needs

Mr. Hastie stated that staff has requested that the IPC and Investment Consultant make a recommendation as to which funds should be used for benefit payments for the next two months, and after consulting with Meketa, it was recommended that \$4.2 million come from the Northern Trust Index (stocks), and \$2 million come from the Barclay's Aggregate (bonds). The Board agreed.

It was **moved** by Flack and **seconded** by Crawford that \$4.2 million from the Northern Trust Index (stocks), and \$2 million from the Barclay's Aggregate (bonds) be transferred for the December and January benefit payments.

Approved

E. DISCUSSION ITEMS - None

F. REPORTS

F-1 Executive/Staff Report – November 17, 2016

DRA RETURN OF CAPITAL

DRA made a return of capital on October 21, 2016 for \$144,325 for the Retirement System and \$42,449 for the VEBA. The return of capital is recallable and upon the distribution the remaining commitment to the Fund will be \$1,508,348 for the Retirement System and \$443,634 for the VEBA.

ACCOUNTANT POSITION UPDATE

Corbin Hammond was hired as the Accountant and started on Monday, November 7th. Training and getting set up with the multiple programs that are used has been going smoothly.

STAFF

Requests for estimates have remained slow for this last month with 13 different individuals requesting estimates.

Staff has completed the Poverty Level Adjustment project.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended October 31, 2016

Corbin Hammond, Accountant, submitted the Financial Report for the month ended October 31, 2016 to the Board of Trustees:

10/31/2016 Asset Value (Preliminary)	\$466,650,178
9/30/2016 Asset Value (Audited by Northern)	\$473,055,582
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$26,199,624
Percent Gain <Loss>	5.8%
November 16, 2016 Asset Value	\$465,619,190

F-3 Investment Policy Committee Minutes – November 1, 2016

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

Member(s) Present: Clark, DiGiovanni, Flack (via tx @3:32), Hastie, Monroe
Member(s) Absent: None
Other Trustees Present: None
Staff Present: Gustafson, Kluczynski
Others Present: Henry Jaung, Meketa Investment Group

INTERIM PERFORMANCE REVIEW THROUGH AUGUST 31, 2016

As of September 30, 2016, the balance of the Fund \$472,917,014, and the System is doing well so far this fiscal year. Mr. Jaung also reviewed the Capital Markets Outlook and PA 314 Compliance, stating that all funds are in compliance and Meketa does not recommend any changes at this time.

PRIVATE MARKET UPDATE

During the third quarter, Ironsides Partnership Fund III called capital. DRA Growth Fund VIII and Summit Capital distributed capital during Q3. Mr. Jaung stated that he has been researching for private debt managers who will be raising capital in 2017 for possible investments.

FIXED INCOME AGGREGATE UPDATE

Mr. Jaung provided a lengthy update of the fixed income aggregate and reviewed the maturity structure for the Fund. The review included current and potential scenarios and a historical scenario analysis. The trustees agreed to stay the course with the more conservative maturity structure we currently have.

ADJOURNMENT

It was **moved** by Clark and **seconded** by Hastie to adjourn the meeting at 4:59 p.m.

Meeting adjourned at 4:59 p.m.

F-4 **Administrative Policy Committee Minutes – No Report**

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

F-6 **Legal Report – IRC Section 401(a)(9) Compliance (Received & Filed)**

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:

	PAYEE	AMOUNT	DESCRIPTION
1	DTE Energy	17.63	Monthly Gas Fee dated October 11, 2016
2	DTE Energy	180.22	Monthly Electric Fee dated October 11, 2016
3	Buck Consultants	2,583.33	Sept hosting fees & 4 th inst. for GASB 67/68 Disclosures
4	City of Ann Arbor Treasurer	553.77	ITSU Service Charge (K. Spade) for September 2016
5	AT&T	450.09	Monthly telephone service
6	Hasselbring-Clark Co.	55.45	Monthly copier cost per copy
7	Staples Advantage	78.75	Miscellaneous Office supplies
8	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – Nov 2016-Jan 2017
9	Staples Advantage	117.63	Miscellaneous Office supplies
10	Robertson Morrison, Inc.	220.00	Auto routine maintenance – 3/17/2016 - 3/17/2017
11	Michigan Municipal League	35.00	Website classified ads – Executive Director position
12	IFEBP	1,300.00	Membership renewal – 1/1/2017-12/31/2017
13	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for October 2016
14	Fisher Investments	60,368.15	Investment mgmt. fees for 7/1/2016 – 9/30/2016
15	Income Research & Management Inc.	3,993.29	Investment mgmt. fees for 7/1/2016 – 9/30/2016
16	Rehmann Robson	2,340.00	Audit billing #1, Invoice RR331173
17	Rehmann Robson	2,340.00	Audit billing #2, Invoice RR331175
18	Rehmann Robson	819.00	Audit billing #3, Invoice RR331178
19	Meketa Investment Group	10,000.00	Investment Consultant Retainer - October 2016
20	Hasselbring-Clark Co.	68.61	Monthly copier cost per copy
21	City of Ann Arbor Treasurer	461.48	ITSU Service Charge (K. Spade) for October 2016
22	Culligan of Ann Arbor/Detroit	7.00	Water service – November 2016

23	Comcast	89.57	Monthly Cable Fee
24	ProScreening, LLC	107.00	Background & drug testing for C. Hammond 10/17/16
25	Afternoon Delight	196.00	Director interviews 118/2016
26	Daniel Gustafson	2,047.32	Reimb. for registration/materials/fees – IFEBP CEBS
27	Income Research & Management	3,510.57	Investment mgmt. fees for 4/1/2016 – 6/30/2016
28	Lora Kluczynski	184.21	Petty cash reimbursement
TOTAL		92,389.07	

G-4 Retirement Report

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

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Kenneth Bogan	Age & Service	December 10, 2016	General	25 years, 2 months <i>(which includes 2 years, 9 months reciprocal credit)</i>	Financial and Administrative Services Finance/Accounting
Gregory Berry	Early Age & Service	December 10, 2016	Fire	24 years, 9 months	Safety Services Fire Department

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

(Mr. Monroe departed at this time)

H. PRESENTATION: Actuarial Report for the Fiscal Year Ended June 30, 2016 – Larry Langer, Buck Consultants

Mr. Langer from Buck Consultants was present to review the June 30, 2016 Actuarial Report. Key takeaways include the following:

- Actual employer contributions of \$13,352,412 during year ended June 30, 2016 were about \$1.1 million more than the amount developed in the June 30, 2014 actuarial valuation, increasing the funded ratio by about 0.2%.
- During the year ended June 30, 2016, smaller investment returns and unfavorable demographic experience resulted in a higher employer contribution and lower funded ratio when compared to the projections based on the June 30, 2015 census and valuation assumptions.
- 2017/2018 actuarial employer contribution under Minimum Required Policy is \$11,757,000
 - 2016/2017 actuarial employer contribution was \$ 11,349,000
 - Based on projection from June 30, 2015 valuation, we expected \$10,250,000
- Funded Ratio of 85.74%;
 - June 30, 2015 funded ratio was 86.17 %

– Based on projection from June 30, 2015 valuation, we expected a funded ratio of 87.53%

- The funded ratio is projected to be somewhat impacted by the recognition of the deferred asset losses in the next several years and then improve over the following years. In addition, the City of Ann Arbor General Pension Policy is currently projected to result in the Retirement system achieving 100% funding under a scenario of 2% revenue growth which would drive contribution increases of 2% in the future. Expect significant changes in the date 100% funding is achieved under the City of Ann Arbor general Pension Policy.

It was **moved** by Nerdrum and **seconded** by Hastie to receive and file the June 30, 2016 Actuarial Valuation Report and presentation, and direct that a copy of the Report be forwarded to the City as an indication of the required contributions for the fiscal year beginning July 1, 2017.

Approved

I. **TRUSTEE COMMENTS / SUGGESTIONS** – *No comments or suggestions presented.*

J. **ADJOURNMENT**

It was **moved** by Nerdrum and **seconded** by Hastie to adjourn the meeting at 11:17 a.m.

Meeting adjourned at 11:17 a.m.



**Daniel Gustafson, Interim Executive Director
City of Ann Arbor Employees' Retirement System**