

City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
October 20, 2016

The meeting was called to order by Jeremy Flack, Chairperson, at 8:35 a.m.

ROLL CALL

Members Present: Clark, Crawford, DiGiovanni, Flack, Hastie (8:40 a.m.), Heusel, Lynch, Monroe, Nerdrum
Members Absent: None
Staff Present: Gustafson, Kluczynski
Others: Michael VanOverbeke, Legal Counsel
David Diephuis, City Resident

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

It was **moved** by Heusel and **seconded** by Crawford to approve the agenda as presented.
Approved

B. APPROVAL OF MINUTES

B-1 September 15, 2016 Regular Board Meeting

It was **moved** by Heusel and **seconded** by Clark to approve the September 15, 2016 Regular Board Meeting minutes as submitted.
Approved

B-2 October 7, 2016 Accountant Interview Notes

It was **moved** by Heusel and **seconded** by Clark to approve the October 7, 2016 Accountant Interview Notes as submitted.
Approved

C. CONSENT AGENDA

C-1 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 |
|----------------|----------------|---------------------------------|-----------------------------|--|
| William Gamble | Fire | 3 months | Payroll Deductions | \$ 952.01 |

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.

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

Approved

D. ACTION ITEMS

D-1 Letter of Recommendation to Reappoint Julie Lynch as Citizen Trustee

It was **moved** by Heusel and **seconded** by Clark to approve the letter of recommendation to reappoint Julie Lynch as Citizen Trustee for the term January 1, 2017 – December 31, 2019, and that the letter be forwarded to the Mayor’s Office for consideration.

Approved

D-2 Letter of Recommendation to Reappoint Brock Hastie as Citizen Trustee

It was **moved** by Heusel and **seconded** by DiGiovanni to approve the letter of recommendation to reappoint Brock Hastie as Citizen Trustee for the term January 1, 2017 – December 31, 2019, and that the letter be forwarded to the Mayor’s Office for consideration.

Approved

D-3 Current Accountant’s Additional Job Duties

Mr. Monroe stated that the Administrative Policy Committee has submitted a listing of Ms. Jarskey’s additional job duties and responsibilities since Ms. Walker’s retirement for the Board to consider in regards to providing some sort of stipend or bonus until the Executive Director position is filled. Mr. Gustafson confirmed that Ms. Jarskey has taken on more duties as well as helping to get him up to speed on accountant-related responsibilities. It was noted that Ms. Jarskey will also be training the new Accountant very soon. After further discussion, the Board agreed that Ms. Jarskey should be compensated for the additional duties, and it was decided to request that HR make a recommendation for a proposed stipend amount. Mr. Monroe volunteered to follow up with HR and report back to the Committee.

It was **moved** by Heusel and **seconded** by Clark to authorize the APC to make the final decision on Ms. Jarskey’s increase consistent with the recommendations of the HR Department as well as consistent with what was offered to Mr. Gustafson, but not to exceed the amount on a percentage basis on what was offered to Mr. Gustafson, retroactive to the same date (September 19, 2016).

Approved

E. DISCUSSION ITEMS

E-1 Update on Executive Director Search

Mr. Monroe confirmed that the upcoming Executive Director interviews have been scheduled and will be conducted on Tuesday, November 8th at City Hall. The Board discussed the schedule for the interviews, being that one candidate is out of state and may require a Skype interview later in the afternoon. The Board ultimately decided that the final deliberations for the first four interviews will be conducted as two open meetings to be held from 3:00-4:00 p.m., and from 5:00-5:30 p.m. that day if that candidate is available for the Skype session at 4:00 p.m.

F. REPORTS

F-1 Executive/Staff Report – October 20, 2016

DRA RETURN OF CAPITAL

DRA made a return of capital on September 22, 2016 for \$38,882 for the Retirement System and \$11,436 for the VEBA. The return of capital is recallable and upon the distribution the remaining commitment to the Fund will be \$1,364,023 for the Retirement System and \$401,185 for the VEBA.

MAPERS CONFERENCE

Interim Executive Director/Pension Analyst attended the MAPERS Conference in September and found the sessions very educational and insightful. From Michael VanOverbeke's presentation, raising several policy concerns that Trustees and Administrators should be aware of, to the session addressing Negative Cash Flow and calming the anxiety if those conditions are present. As well as the presentation on Micro-Cap Investments which target smaller cap investments that some small cap managers leave out of their portfolio.

ACCOUNTANT POSITION UPDATE

The City HR staff (Sharie Sell is the HR liaison) provided feedback on the initial candidate pool and presented a selection of candidates to move forward with phone interviews. Phone interviews were conducted the last week in September and HR provided feedback on those. There were three candidates that were selected to move forward with in-person interviews.

Staff, two Trustees, and HR conducted interviews with the three candidates on October 7th. After the interviews, HR conducted a point system review and surveyed the interview panel for pros and cons of each candidate. After further discussion, the panel decided to extend a contingent offer to one of the candidates.

RHRA UPDATE

The Retiree Health Reimbursement Account (RHRA) has been set up with the City, the procedures were explained to staff. While there is currently only one participant in this plan it was more efficient to send the full benefit instead of setting up the joint access debit account. The City has sent staff the calculation and the benefit amount. Funds have been sent to Flores & Associates.

STAFF

Staff met with IT to discuss the Pension Transmittal file that the Retirement System receives from Payroll. Recently Ultimate (Ultipro), the vendor used for HR and Payroll, upgraded their system which presented the issue that our current custom file was out of date. Due to staff work load and transition process, it was decided to continue utilizing the City IT custom Pension Transmittal file with upgrades done in-house for the time being.

Staff was included in a conference call on October 11th with the City HR, City Legal, and ICMA to go over some of the questions on the Hybrid 401(a) plan. Some of the questions from staff were addressed during the conference call and the remainder were to be addressed by email afterward.

Requests for estimates have remained slow for this last month with 15 different individuals requesting estimates. Staff has continued to make progress on the Poverty Level Adjustment project.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended September 30, 2016

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended September 30, 2016 to the Board of Trustees:

| | |
|---|----------------------|
| 9/30/2016 Asset Value (Preliminary) | \$472,994,318 |
| 8/31/2016 Asset Value (Audited by Northern) | \$473,682,583 |
| Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i> | \$30,216,556 |
| Percent Gain <Loss> | 6.6% |
| October 19, 2016 Asset Value | \$468,244,237 |

F-3 Investment Policy Committee Minutes – October 4, 2016

Following are the Investment Policy Committee minutes from the meeting convened at 3:09 p.m. on October 4, 2016:

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

INTERIM PERFORMANCE REVIEW THROUGH AUGUST 31, 2016

Mr. Jaung reviewed the interim investment performance through August 31, 2016, stating that the System is up 7.3%, and 3% fiscal year-to-date. As of August 31st, the balance was \$475,182,272, 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.

BONDS AS HEDGE FOR SEVERE EQUITY DECLINE

Mr. Jaung provided a discussion regarding stocks versus bonds. The report indicates that inflationary scenarios are generally difficult for equities and other risk assets, with the exception of commodities. However, deflationary scenarios (such as the GFC) are expected to produce much greater negative returns for Global Equities, but positive returns for Long-Term Government Bonds. Mr. Jaung suggested that for the time being the System stay with its current structure and not remove long term bonds.

ADJOURNMENT

It was **moved** by Clark and **seconded** by Hastie to adjourn the meeting at 5:01 p.m.
Meeting adjourned at 5:01 p.m.

F-4a Administrative Policy Committee Minutes – September 15, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 10:45 a.m. on September 15, 2016:

Committee Members Present: Crawford, Heusel, Lynch, Monroe
Members Absent: None
Other Trustees Present: Clark, DiGiovanni, Flack, Nerdrum
Staff Present: Gustafson, Kluczynski
Others Present: David Diephuis, City Resident

RESPONSIBILITIES OF INTERIM EXECUTIVE DIRECTOR

For clarification purposes, the Committee placed this item on the agenda to ensure continuity of both Systems, to keep current projects on track, and that Mr. Gustafson understands his roles and responsibilities as the Interim Executive Director until this position is filled. Responsibilities will include participating in the potential hybrid system project, Retirement System & VEBA Actuary Report preparation, Accountant position replacement, setting up healthcare accounts, preparation of the Audit Reports, and communications with staff.

The Committee discussed implementing a pay increase for Mr. Gustafson for the time period until an Executive Director is hired, and a biweekly monthly stipend was agreed upon.

*It was **moved** by Crawford and **seconded** by Monroe to implement a pay increase as discussed beginning on September 18, 2016 for Mr. Gustafson's duration as Interim Executive Director.*

Approved

Ms. Kluczynski inquired as to whether the Committee will consider adding a monthly stipend for Ms. Jarskey as well, considering the additional workload she has taken on since Ms. Walker retired such as the actuary and audit report training to Mr. Gustafson, setting up accounts with Northern Trust, as well as other additional tasks. Mr. Heusel and Mr. Clark agreed that this should be considered due to the additional workload since Ms. Walker's retirement. Mr. Crawford asked Mr. Gustafson to provide the Committee with a listing of Ms. Jarksey's additional duties and he will discuss this with the HR Department for their recommendation as far as a stipend amount. Mr. Gustafson agreed.

REVIEW OF EXECUTIVE DIRECTOR APPLICANTS & HIRING PROCESS

The Committee reviewed 33 applicants received as of this date, and three were initially selected of whom Ms. Lynch will conduct phone interviews. Ms. Lynch stated that she will be reviewing an additional batch of applicants as well and will forward those to the Committee for discussion at the next APC meeting later this month.

STATUS OF HIRING PROCESS FOR ACCOUNTANT II POSITION

Mr. Gustafson stated that HR has provided an update on the Accountant hiring process, and have indicated that they received 62 applications which was narrowed down to four potential candidates; they are looking for guidance as to how to proceed. Mr. Gustafson briefly reviewed the four resumes with the Committee, and it was decided that HR should be requested to proceed with the four telephone interviews at this time in order to gain a sense of the extent of each candidates' accounting experience and report back to the Committee at its next meeting.

NEXT APC MEETING

The Committee decided to hold the next meeting on either September 23rd of 27th to discuss any additional applications, and hear results of the accountant phone interviews.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Monroe to adjourn the meeting at 12:38 p.m.
Meeting adjourned at 12:38 p.m.

F-4b Administrative Policy Committee Minutes – September 27, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 3:11 p.m. on September 27, 2016:

| | |
|----------------------------|-------------------------|
| Committee Members Present: | Crawford, Lynch, Monroe |
| Members Absent: | Heusel |
| Other Trustees Present: | None |
| Staff Present: | Gustafson |
| Others Present: | None |

REVIEW OF EXECUTIVE DIRECTOR APPLICANTS & HIRING PROCESS

Ms. Lynch informed the Committee that 12 additional resumes have been received which now brings the total to 45. Ms. Lynch stated that she has conducted two phone screens and still has one more to conduct. The Committee reviewed the additional resumes received since the last meeting, and decided to conduct five additional phone screens before the next APC meeting.

STATUS OF HIRING PROCESS FOR ACCOUNTANT II POSITION

Mr. Gustafson stated that Mr. Steinmetz from H.R. has conducted the phone interviews for this position, and has suggested bringing in two qualified applicants for interviews. After further discussing an additional applicant, it was decided that three would be brought in for an interview, hopefully within the next two weeks. Mr. Crawford and Ms. Lynch volunteered to participate in the interviews on behalf of the Board of Trustees, although the full Board will be invited to attend. Mr. Gustafson stated he would send out an email and work on setting up an interview date.

NEXT APC MEETING

The Committee decided to hold a meeting in early October for the Accountant interviews and to hear results of the Executive Director phone interviews. At this time, the October 11th meeting will still convene as scheduled.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Lynch to adjourn the meeting at 4:50 p.m.
Meeting adjourned at 4:50 p.m.

F-4c Administrative Policy Committee Minutes – October 4, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 1:06 p.m. on October 4, 2016:

| | |
|----------------------------|-------------------------|
| Committee Members Present: | Crawford, Lynch, Monroe |
| Members Absent: | Heusel |
| Other Trustees Present: | None |

Staff Present: Gustafson, Jarskey, Kluczynski
Others Present: None

REVIEW OF EXECUTIVE DIRECTOR APPLICANTS / PHONE SCREENS

Ms. Lynch informed the Committee that out of the eight total phone screens, four have been completed, two applicants have not yet returned her calls, and two more screens will be conducted on October 6th and 7th. Ms. Lynch provided a brief review of the four that were completed. The Committee decided to hold the next meeting as scheduled on October 11th in order to narrow the candidates down to possibly four or five, and then a recommendation to hold interviews will be presented to the Board of Trustees for approval on October 20th.

STATUS OF HIRING PROCESS FOR ACCOUNTANT II POSITION

Mr. Gustafson reviewed four of the potential candidates for the Accountant II position, and informed the Committee that interviews have been scheduled by H.R., and will be conducted on Friday, October 7th at 12:30 p.m. in the Retirement Office. Mr. Monroe requested that a brief closed session be held to discuss a personnel matter. The Committee agreed.

Closed session held from 2:03 – 2:07 p.m.

CURRENT ACCOUNTANT’S ADDITIONAL JOB DUTIES

Due to time constraints, and the importance of a full discussion for this item, Mr. Monroe requested that this issue be postponed until the October 11th meeting, and noted that any decision on a rate adjustment be retroactive. The Committee agreed.

PENSION TRANSMITTAL FILE

Mr. Gustafson discussed a recent meeting that he and Ms. Jarskey attended with members of the City’s ITSU Department regarding possible changes to the City’s payroll transmittal program. After discussion, it was decided that the Retirement System will hold off on making any changes until the Executive Director position has been filled due to the size of the project, lack of staffing, and time commitment it will take at this point in time.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Crawford to adjourn the meeting at 2:18 p.m.
Meeting adjourned at 2:18 p.m.

F-4d Administrative Policy Committee Minutes – October 11, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 3:09 p.m. on October 11, 2016:

Committee Members Present: Crawford, Heusel (via tx), Lynch (dep. at 3:50 pm), Monroe
Members Absent: None
Other Trustees Present: None
Staff Present: Gustafson, Kluczynski
Others Present: None

STATUS OF ACCOUNTANT POSITION

Mr. Gustafson informed the Committee that three interviews were conducted last Friday, October

7th, and after discussion the team decided to make an offer to one of the candidates. Ms. Sell from H.R. had stated that she would be working with Trevor to contact the applicant as well as conduct an assessment test, and will be reporting back to the team as soon as possible.

REVIEW OF EXECUTIVE DIRECTOR APPLICANTS / PHONE SCREENS

Mr. Gustafson elected to excuse himself from the meeting at this point in order for the Committee to discuss the Executive Director applicants.

Ms. Lynch informed the Committee that since the last meeting, all of the phone screens have been conducted, and she provided a matrix showing the candidates and notes from her discussions, which was also reviewed. Additional applications and resumes were also received since the last meeting, which the Committee reviewed, and decided that a phone screen be conducted with one of those before the end of the week. The Committee chose four of the applicants from the phone screens to be interviewed, and decided to poll the full Board for a date to hold the interviews, preferably either October 21, October 28, or November 8.

The Committee decided to hold a brief meeting on Friday, October 14th at 9:00 a.m. to discuss the last phone screen in order to determine if that applicant should also be included in the upcoming interviews.

CURRENT ACCOUNTANT'S ADDITIONAL JOB DUTIES

Due to time constraints, this item was postponed until the November APC meeting.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Monroe to adjourn the meeting at 4:04 p.m.
Meeting adjourned at 4:04 p.m.

F-4e Administrative Policy Committee Minutes – October 14, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 9:03 a.m. on October 14, 2016:

| | |
|----------------------------|--|
| Committee Members Present: | Crawford, Heusel, Lynch (via tx), Monroe |
| Members Absent: | None |
| Other Trustees Present: | None |
| Staff Present: | Gustafson, Kluczynski |
| Others Present: | None |

REVIEW OF EXECUTIVE DIRECTOR APPLICANT / PHONE SCREEN

Ms. Lynch informed the Committee that since the last meeting she has conducted the last phone screen, and gave a brief review. The Committee finalized the five candidates to be interviewed, and decided that given the other Board members' availabilities, the best date to conduct interviews should be Tuesday, November 8th with a location to be determined.

Ms. Lynch stated that she would forward her notes from the five phone screens for the Board to review before discussion at the next regular meeting on October 20th.

ADJOURNMENT

It was **moved** by Lynch and **seconded** by Monroe to adjourn the meeting at 10:00 a.m.

Meeting adjourned at 10:00 a.m.

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

F-6 **Legal Report – No Report**

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

G-1 **Communications Memorandum**

G-2 **November 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 | 13.89 | Monthly Gas Fee dated September 12, 2016 |
| 2 | DTE Energy | 267.00 | Monthly Electric Fee dated September 12, 2016 |
| 3 | United States Postal Service | 281.85 | Pre-stamped envelopes, box of 500 |
| 4 | Buck Consultants | 8,411.93 | Aug hosting fees, 4 th inst for act svcs /val, Stark EDRO |
| 5 | Midwest Maintenance Services, Inc. | 350.00 | Office cleaning svcs for August & September 2016 |
| 6 | City of Ann Arbor Treasurer | 799.89 | ITSU Service Charge (K. Spade) for August 2016 |
| 7 | Culligan of Ann Arbor/Detroit | 7.00 | Water service – September 2016 |
| 8 | Comcast | 89.57 | Monthly Cable Fee |
| 9 | Daniel Gustafson | 85.00 | Reimbursement for GFOA Financial Rpt Training |
| 10 | Meketa Investment Group | 10,000.00 | Investment Consultant Retainer - September 2016 |
| 11 | AT&T | 485.15 | Monthly telephone service |
| 12 | Hasselbring-Clark Co. | 58.17 | Monthly copier cost per copy |
| 13 | Comcast | 89.57 | Monthly Cable Fee |
| 14 | Culligan of Ann Arbor/Detroit | 7.00 | Water service – October 2016 |
| 15 | NCPERS | 250.00 | Membership renewal – 1/1/2017-12/31/2017 |
| 16 | Crain Communications Inc. | 2,329.00 | P&I classified ad for Exec Director position 9/5/2016 |
| 17 | Jeremy Flack | 1,103.26 | Travel reimbursement for 2016 Fall MAPERS Conf. |
| 18 | David Monroe | 1,409.04 | Travel reimbursement for 2016 Fall MAPERS Conf. |
| 19 | Terry Clark | 1,232.56 | Travel reimbursement for 2016 Fall MAPERS Conf. |
| 20 | Daniel Gustafson | 563.68 | Travel reimbursement for 2016 Fall MAPERS Conf. |
| | TOTAL | 27,833.56 | |

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 |
|------------------|---------------------|------------------|---------|--------------------|----------------------------------|
| Ronald Nicholson | Early Age & Service | October 15, 2016 | General | 24 years, 4 months | Public Services Field Operations |

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

H. **PRESENTATION: Audited Financial Statements for the Fiscal Year Ended June 30, 2016 – Rehmann Robson**

Mr. Kettner from Rehmann Robson was present to review the audited Financial Statements for the fiscal year ended June 30, 2016, stating that this year's process went very smoothly. After review, the Board had no changes or suggestions to the Financial Statements and decided to accept the report as presented, which will be available on the Retirement System's website upon staff's receipt of the final version.

It was **moved** by Crawford and **seconded** by Monroe to accept the Audited Financial Statements for the Fiscal Year Ended June 30, 2016 as presented by Mr. Kettner of Rehmann Robson.

Approved

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

J. **ADJOURNMENT**

It was **moved** by Crawford and **seconded** by Monroe to adjourn the meeting at 9:54 a.m.

Meeting adjourned at 9:54 a.m.

A handwritten signature in cursive script that reads "Daniel Gustafson".

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