

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
February 15, 2024**

B

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

ROLL CALL

Members Present: DiGiovanni, Flack(*Via TX*), Foster, Grimes, Lynch, Monroe(*11:09 AM Depart*), Nerdrum, Praschan, Schreier
Members Absent: None
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Len Goff, Voya(*10:00 AM depart*)
Jared Martin, Innovest(*Via TX 9:00-10:00 AM arrival*)
Kyli Soto, Innovest(*Via TX 9:00-10:00 AM arrival*)
Paul Nacario, Innovest(*Via TX 9:00-10:00 AM arrival*)
Henry Jaung, Meketa(*9:00 AM arrival*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 January 18, 2024 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Foster to approve the January 18, 2024 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	Plan	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Justin Merkel	Safety Services	Traditional	3 Years, 10 Months	City of Monroe

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 Monroe and **seconded** by Foster to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Election of Board Officers (Chairperson, Vice-Chairperson, Secretary)

It was **moved** by DiGiovanni and **seconded** by Schreier have the following Board Officers for the 2024 term:

Board Chairperson: Dave Monroe
 Vice-Chairperson: Alexa Nerdrum
 Secretary: Jeremy Flack

Approved

D-2 Appointment of Board Committee Members – APC, IPC & AC

It was **moved** by Foster and **seconded** by DiGiovanni to appoint the Committees as follows:

- Investment Policy Committee: DiGiovanni/Chair, Flack, Foster, Monroe, Praschan
- Administrative Policy Committee: Monroe/Chair, Grimes, Lynch, Schreier, Praschan
- Audit Committee: Nerdrum/Chair, Praschan, Monroe

Approved

D-3 Legal Counsel RFP Draft

The Board reviewed the RFP draft and agreed to approve and issue Friday February 16, 2024.

It was **moved** by Grimes and **seconded** by Schreier to approve the legal counsel RFP draft.

Approved

D-4 Electronic Meeting Policy Draft

The Board reviewed the Electronic Meeting Policy draft clarifying some of the provisions with legal. Staff will work with legal to revise the draft and submit for the March Board meeting.

D-5 Disability Policy Update

Staff is working on updating this policy. Once the draft is finalized, APC will review and submit for approval.

D-6 FY 2025 Expenditure Budget – 457 Plan

Ms. Buffone presented and reviewed the FY 2025 Expenditure Budget for the 457 Plan.

It was **moved** by Nerdrum and **seconded** by Schreier to approve the Fiscal Year 2025 Expenditure Budget – 457 Plan.

Approved

D-7 FY 2025 Expenditure Budget – 401a dual Plan

Ms. Buffone presented and reviewed the FY 2025 Expenditure Budget for the 401a Dual Plan.

It was **moved** by Nerdrum and **seconded** by Schreier to approve the Fiscal Year 2025 Expenditure Budget – 401a Dual Plan.

Approved

D-8 FY 2025 Expenditure Budget – 401 Executive Plan

Ms. Buffone presented and reviewed the FY 2025 Expenditure Budget for the 401 Executive Plan.

It was **moved** by Nerdrum and **seconded** by Schreier to approve the Fiscal Year 2025 Expenditure Budget – 401 Executive Plan.

Approved

E. DISCUSSION ITEMS

E-1 DC Plan Quarterly Review

Jared Martin, Kyli Soto and Paul Nacario from Innovest presented the Q4 2023 portfolio review and noted the key takeaways.

Len Goff from Voya presented the quarterly performance reports and noted the key takeaways.

E-2 2023 Year End Review

Henry Jaung from Meketa presented the quarterly performance reports and noted the key takeaways.

E-3 Board Retreat Topics

The Board discussed possible topics for the Board Retreat.

Investment Items – 2024 Asset Allocation Study/David Lebovitz from JPM.

Legal – TBD

GRS – TBD

Innovest – 457 Administrative Costs/Upcoming Secure 2.0 Provisions

Staff will present a final agenda in March for approval.

E-4 Discussion on Personnel Matter

Ms. Orcutt has requested to relocate and work fully remote, periodically reporting on-site and in-person throughout the year. A discussion ensued regarding the possibility of the Executive Director position being fully remote and relocating out of state.

A workgroup will meet to review and discuss further. Members of the work group will be Schreier, Nerdrum, Grimes, Lynch and Monroe. The workgroup will meet in March prior to the APC meeting on March 19th.

F. REPORTS

F-1 Executive Report – February 15, 2024

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund IX on 1/19/24 in the amount of **\$59,470** for the Retirement System and **\$17,491** for the VEBA consisting of return of capital.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$150,000** for the Retirement Plan and **\$50,000** for VEBA on 2/1/24 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 15.9% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

PIMCO CAPITAL CALLS

PIMCO requested a capital call of our commitment to the PIMCO Private Income Fund (“PIF”) in the amount of **\$ 2,147,000** for the Retirement Plan and **\$ 920,145** for VEBA on 2/1/24 to fund investments and pay management fees. With these installments, **CAAERS**

will have funded 30.7% of our total commitments of \$14,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

ANGELO GORDON CAPITAL CALLS AND DISTRIBUTION

Angelo Gordon Direct Lending Fund IV Annex, L.P. issued a distribution in the amount of **\$ 535,568** for the Retirement System and **\$ 223,153** for VEBA on 1/24/24.

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Partnership Fund III, L.P. issued a distribution in the amount of **\$ 611,860** for the Retirement System on 1/26/24.

PENSION ADMINISTRATION SOFTWARE CONVERSION

The employee self-service website now has 229 registered! A reminder was sent out when the 12/31/23 Accrued Benefit Statements were posted to the site. Several employees have commented that they find the website very helpful.

The revised Employee Handbook reflecting an updated pension contribution table by labor group was uploaded to the website as well.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with HR on February 1 and 2nd to discuss 457 deferral issues that occurred.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 27 estimates, 5 final calculations, 4 deceased calcs, 5 non-vested, 3 payouts and conducted 9 pre-sessions. Letters were sent out to all Non – vested employees reminding them they have a contribution balance.

ED will be out of town working remotely February 20 – 22.

F-2 Executive Report – Voya Update

457 PLAN - Balance at 2/8/24 - \$ 109,272,000

Admin Allowance \$ 7,937

401A PLAN – Balance at 2/8/24 - \$ 6,946,000

Forfeiture Balance \$ 291,392

401A Executive PLAN – Balance at 2/8/24 - \$ 536,307

Forfeiture Balance \$ 15,589

Current Items/Education:

Mike Landolt was onsite for meetings on January 18th and met with 9 employees. During the month Mike also had 7 zoom meetings and 10 phone calls with

employees/retirees. 19 people attended the webinar on January 30th.

Of the 347 active participants in the 401a, 241 are not enrolled in the 457. Staff will work with Voya on a communications plan to increase participation.

There were several errors made on the 457 deferral changes on the 2/2/24 paycheck. HR is working with payroll to correct and the affected employees were contacted by HR.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended January 31, 2024

Maria Buffone, Accountant, submitted the Financial Report for the month ended January 31, 2024 to the Board of Trustees:

1/31/2024 Asset Value (Preliminary)	\$614,334,363
12/31/2023 Asset Value (Audited by Northern)	\$616,466,413
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$1,635,421
Percent Gain <Loss>	0.3%
February 14, 2024 Asset Value	\$616,773,917

F-4 Investment Policy Committee Minutes – January 30, 2024

Following are the Investment Policy Committee minutes from the meeting convened at 3:11 p.m. on January 30, 2024:

Member(s) Present: DiGiovanni, Flack(Via TX), Foster, Monroe, Praschan
Member(s) Absent: None
Other Trustees Present: None
Staff Present: Buffone(Via TX), Gustafson(Via TX), Hollabaugh, Orcutt
Others Present: Henry Jaung, Meketa Investment Group(Via TX)
Keith Beaudoin, Meketa Investment Group(Via TX, 4:28 PM
depart)
Sydney McConathy, BlackRock(Via TX, 4:00-4:42 PM)
Andrew Citron, BlackRock(Via TX, 4:00-4:42 PM)

ECONOMIC AND MARKET UPDATE DATA AS OF DECEMBER 31, 2023

Mr. Jaung provided an economic update noting that most markets rallied in the fourth quarter in anticipation that policy rate cuts were ahead in 2024. Looking to 2024, the paths of inflation and monetary policy, China's economic disorder and slowing economic growth, and the wars in Ukraine and Israel, will be key.

EXECUTIVE SUMMARY

Over the past 3, 5, 7, and 10 years, the ERS has returned 6.5%, 10.1%, 8.4% and 7.3%. These returns have outperformed the 60% equity /40% Bonds benchmarks as well as the primary benchmark in most periods. As of December 31st, the System has ranked in the top decile in the 3, 5, 7, and 10 trailing years amongst its peer group.

Over the past 3, 5, 7, and 10 years, the₆ VEBA has returned 5.1%, 9.3%, 7.9% and

6.7%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods. As of December 31st, the System has ranked in the top decile in the 3, 5, 7, and 10 trailing years amongst its peer group.

The PIMCO PIF will make its first capital call on Feb. 1st for 30% of commitments. They expect to call the remaining capital in the following three months.

RETIREMENT SYSTEM

Act 314 Compliance Review: All investments are currently in compliance.

December 31, 2023 Performance Update: As of December 31, 2023, the balance of the Funds was \$681,726,440 for ERS. Fiscal Year to Date performance was 4.4% for ERS net of fees.

VEBA

Act 314 Compliance Review: All investments are currently in compliance.

December 31, 2023 Performance Update: As of December 31, 2023, the balance of the Funds was \$262,985,899 for VEBA. Fiscal Year to Date performance was 4.7% for VEBA net of fees.

CURRENT ISSUES

Investment Manager Fee Review: Meketa provided a review of the ERS public manager fees.

BlackRock Presentation: Sydney McConathy and Andrew Citron were present to provide a fund review.

Meketa also suggested having David Lebovitz from J.P. Morgan present at the Board retreat along with revisiting the Asset Allocation policy.

ADJOURNMENT

It was **moved** by Foster and **seconded** by Praschan to adjourn the meeting at 4:51 p.m.
Meeting adjourned at 4:51 p.m.

F-5 Administrative Policy Committee Minutes – February 13, 2024

Following are the Administrative Policy Committee minutes from the meeting convened at 3:02 p.m. on February 13, 2024:

Committee Members Present:	Lynch, Monroe, Praschan, Schreier
Members Absent:	None
Other Trustees Present:	Grimes
Staff Present:	Buffone, Gustafson(Via TX), Hollabaugh, Orcutt
Others Present:	None

DISABILITY RETIREMENT PROCEDURE - REVISED

Ms. Orcutt informed the Committee that the policy had been revised to include an additional form as well as language that applies to applicants in receipt of workers compensation. The Committee requested some clarification from legal on several items. Staff will follow up with legal and will discuss further at the next APC meeting.

LEGAL COUNSEL RFP DRAFT

The Committee reviewed the legal RFP draft making a few revisions. Staff will revise and submit to the Board for approval.

It was **moved** by Grimes and **seconded** by Schreier to recommend the Legal Counsel RFP for Board approval at the February Board meeting.

Approved

NORTHERN TRUST RETIREE PORTAL ANNOUNCEMENT

Northern Trust has a retiree portal available for retirees to access. Retirees will have the ability to make address changes, tax updates and view statements. Staff is working with Northern Trust to activate website access with a targeted roll out date of March 1.

APC discussed different options for announcing the Northern Trust Retiree Portal to retirees. Northern Trust can add a note to monthly statements for a one time fee of \$1000. Alternatively, to send a separate mailer for the announcement along with a cover letter, there is an estimated cost of \$2000 including postage. APC agreed to send the separate mailer with online portal instructions to retirees. Staff will also include an update in the retiree newsletter.

ELECTRONIC MEETING POLICY – OMA CHANGES

The Committee discussed the OMA policy draft from legal counsel. The policy will be discussed further with legal at the February Board meeting.

NORTHERN TRUST FRAUD POLICY

Ms. Orcutt provided the Northern Trust Policy on fraud noting that a recent fraud attempt was made on a retiree's account. Staff has contacted legal regarding Northern Trust's policy to get clarification on who would be responsible for payment to the retiree should a fraud attempt succeed. Legal informed Staff that it will depend on the circumstances and that if a fraud attempt were successful, the System would work with the custodial bank to correct the payment and recoup the fraudulent payment. This is essentially what Northern Trust's policy indicates. A fraud investigation will be initiated, and Northern Trust will work with the other financial institution to resolve the matter.

Mr. Schreier informed the Committee that the Department of Labor provides cyber security recommendations that may be helpful to provide to retirees.

NEW CONDO MANAGEMENT COMPANY – MAGELLAN MANAGEMENT

Magellan Management has replaced Oxford Property Management.

OTHER

It was **moved** by Grimes and **seconded** by Lynch to convene an Executive Sessions at the request of Mr. Schreier for the purpose of discussing a personnel matter.

Roll call vote:

Lynch – Yes Praschan – Yes
 Monroe – Yes Schreier - Yes

Executive session time: 4:13 p.m. – 4:29 p.m.

ADJOURNMENT

It was **moved** by Grimes and **seconded** by Lynch to adjourn the meeting at 4:29 p.m.
Meeting adjourned at 4:29 p.m.

F-6 Audit Committee Minutes – None

F-7 Legal Report - None

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 March 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	American Express	\$221.18	Kroger & MAPERS Registration
2	Applied Imaging	\$36.60	Printing 1/2024
3	Laura Hollabaugh	\$107.97	DTE Electric Reimbursement 12/13/2023-1/11/2024
4	Laura Hollabaugh	\$189.05	DTE Gas Reimbursement 12/13/2023-1/11/2024
5	GRS	\$2,800.00	EDRO and separate recoupment calcs
6	Loomis Sayles	\$39,946.10	Investment Management Fee Q4 2023
7	Meketa	\$10,000.00	Investment Consulting Fee 1/2024
8	Milliman	\$2,531.47	Pension Admin Software 12/2023
9	Rhumblin	\$17,769.00	HEDI Investment Manager Fee Q4 2023
10	Shred It	\$352.19	Office File Shredding 1/4/2024
	Total	\$73,953.56	

G-4 Retirement Report

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

Name	Retirement Type	Effective Retirement Date	Group	Union	Years of Service	Dept./Service Area
Kristal Stewart	EDRO Recipient	February 1, 2024	Police	AAPOA	N/A	Safety Services
Jason Corrado	Age & Service	April 1, 2024	Fire	FIRE	26 Years, 1 Month	Safety Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Foster to adjourn the meeting at 11:10 a.m.
Meeting adjourned at 11:10 a.m.

Wendy Orcutt

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