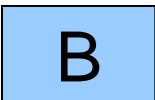


**City of Ann Arbor Employees' Retirement System  
Minutes for the Regular Meeting  
September 21, 2023**



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

**ROLL CALL**

Members Present: DiGiovanni, Flack, Foster, Grimes, Lynch, Monroe, Nerdrum, Praschan, Schreier  
Members Absent: None  
Staff Present: Buffone, Gustafson, Hollabaugh, Orcutt  
Others: Michael VanOverbeke, Legal Counsel  
Henry Jaung, Meketa(Via TX, 9:33 am – 10:00am)

**AUDIENCE COMMENTS**

**A. APPROVAL OF AGENDA**

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

**Approved**

**B. APPROVAL OF MINUTES**

**B-1 August 24, 2023 Regular Board Meeting**

It was **moved** by Monroe and **seconded** by Grimes to approve the August 24, 2023 Regular Board Meeting minutes as submitted.

**Approved**

**C. CONSENT AGENDA**

**C-1 GASB Disclosure 67/68**

The disclosure has been received and filed.

It was **moved** by Foster and **seconded** by Nerdrum to approve the consent agenda as presented.

**Approved**

**D. EXECUTIVE SESSION – Executive Director Annual Evaluation**

It was **moved** by Nerdrum and **seconded** by Monroe to convene an Executive Session at the request of Ms. Orcutt for the purpose of discussing the Executive Director Annual Evaluation.

**Approved**

*Roll call vote:*

DiGiovanni – Yes	Foster – Absent	Nerdrum - Yes
Flack – Yes	Lynch – Yes	Praschan – Yes
Grimes – Yes	Monroe – Yes	Schreier – Yes

*Executive session time: 8:43 a.m. – 9:15 a.m.*

## **E. ACTION ITEMS**

### **E-1 Motion Regarding the Executive Director Annual Evaluation**

It was **moved** by Nerdrum and **seconded** by Lynch that the Board has received and accepts the Executive Director Annual Evaluations from each Trustee and to implement the agreed upon compensation changes retroactive to July 1.

**Approved**

### **E-2 Duty Causation Disability Form**

A duty causation form was presented by Ms. Orcutt as this form is necessary for disability retirement applicants filing for a duty disability benefit. The Board reviewed and agreed to approve.

It was **moved** by Nerdrum and **seconded** by Lynch to approve the duty causation disability form.

**Approved**

### **E-3 Resolution to Invest in Pimco Income Fund (“PIF”)**

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 allocation to Private Debt which has a policy target of 7%, and

WHEREAS, potential Private Debt Income managers were discussed by Meketa and the IPC on August 8 and September 7, 2023, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with PIMCO Private Income Fund (“PIF”) so be it,

RESOLVED, that the Board of Trustees approve the investment In the PIMCO Private Income Fund (“PIF”) with a total commitment in the amount of \$7 million, to be funded in 2 tranches of \$3.5 million each in January 2024 and March 2024, 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 Nerdrum to approve the investment In the PIMCO Private Income Fund (“PIF”) with a total commitment in the amount of \$7 million, to be funded in 2 tranches of \$3.5 million each in January 2024 and March 2024, pending review of investment management documents by the Board’s legal counsel and any recommended additional due diligence.

**Approved**

#### **E-4 Motion to Retain Northern Trust as Custodial Bank**

Meketa reviewed 5 custodians with the IPC. Meketa believes that all candidates could provide the custodial services that the ERS and VEBA require. Given that the existing custodian, Northern Trust, provides a complete price, has the technical expertise, and service levels have improved, IPC agreed with Meketa and recommend that Ann Arbor retain Northern Trust. Ms. Orcutt added that she and staff are very happy with Northern Trust.

It was **moved** by Nerdrum and **seconded** by DiGiovanni to approve to retain Northern Trust as Custodial Bank.

**Approved**

#### **F. DISCUSSION ITEMS**

##### **F-1 Meketa FYE Results and Updates**

Henry Jaung from Meketa presented the FYE 2023 results and provided market updates.

##### **F-2 Status Update on Record Keeper Conversion**

Ms. Orcutt provided an update of the status of the record keeper conversion noting that the transition is on track and the announcement to participants is scheduled to be sent in early October.

##### **F-3 401(a) Executive Plan Management Transfer**

Ms. Orcutt notified the Board that the management of the 401(a) Executive Plan will be transferred to the Retirement System Office once City Council approves in October.

##### **F-4 MAPERS Recap from Attendees**

Mr. Flack, Mr. Gustafson, Mr. Monroe & Ms. Orcutt briefly reviewed the MAPERS Conference highlighting topics from various sessions.

#### **G. REPORTS**

##### **G-1 Executive Report – September 21, 2023**

##### **ARBORETUM CAPITAL CALLS**

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$125,703** for the Retirement Plan and **\$41,901** for VEBA on 9/1/23 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 5.55% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

##### **DRA CAPITAL CALLS AND DISTRIBUTIONS**

DRA issued a distribution from the Growth and Income Fund X on 8/30/23 in the amount of **\$127,961** for the Retirement System and **\$85,307** for the VEBA consisting of gain on sale and return of capital.

DRA issued a distribution from the Growth and Income Fund X on 9/7/23 in the amount of **\$34,275** for the Retirement System and **\$22,917** for the VEBA consisting of return of capital.

### **PENSION ADMINISTRATION SOFTWARE CONVERSION**

Following the latest series of updates to the system, Staff continues to test the employee site prior to rolling out to employees. Additional updates were incorporated to allow for ease with future changes, i.e. FAC caps and employee contribution rates. Please see attached for a list of updates.

### **FYE/AUDIT UPDATE**

The GASB reports were received on August 25 and sent to the City and the Auditors. Annual Valuation drafts are due October 6 and will be reviewed at Audit Committee on the 12<sup>th</sup> and GRS will present at the October Board meeting.

Rehmann is currently drafting the Financial Statements and we anticipate having drafts to review by early October. If complete, Rehmann will also be presenting at the October Board meeting.

### **TRUSTEE ELECTION UPDATE**

The terms of Citizen Trustees Tony Digiovanni and Jordan Schreier expire December 31, 2023. The term of Fire Representative Jeremy Flack expires December 31, 2023. Elections will be held on Wednesday, December 13<sup>th</sup> and Thursday, December 14<sup>th</sup>.

The new term for all would be from January 1, 2024-December 31, 2026.

### **MEETINGS AND COMMUNICATIONS WITH CITY STAFF**

ED met with HR and Legal on 8/18 and 9/11 to discuss personnel matters.

### **STAFF OPERATIONS/UPDATE**

The Pension Analyst processed 32 estimates, 6 final calculations, 4 non-vested calculations, 2 deceased, 1 deferred, and conducted 7 pre-sessions.

### **G-2 Executive Report – MissionSquare (ICMA) Update**

#### **457 PLAN**

Balance at 9/11/23 - \$ 106,590,000  
Admin Allowance Balance = \$ 26,642

#### **401A PLAN**

Balance at 9/11/23 – \$ 5,747,000  
Forfeiture Balance = \$ 89,617

Current Items/Education:

Bill Sims conducted 13 onsite and virtual appointments during August 23-24, 2023.

NOTE: Plan Statistics are not available this month as MSQ is revamping how the data is displayed in the illustrations.

**G-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2023**

Maria Buffone, Accountant, submitted the Financial Report for the month ended August 31, 2023 to the Board of Trustees:

8/31/2023 Asset Value (Preliminary)	\$609,181,493
7/31/2023 Asset Value (Audited by Northern)	\$614,725,038
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$50,849,792
Percent Gain <Loss>	8.8%
<b>September 20, 2023 Asset Value</b>	<b>\$600,609,766</b>

**G-4 Investment Policy Committee Minutes – September 7, 2023**

*Following are the Investment Policy Committee minutes from the meeting convened at 3:07 p.m. on September 7, 2023:*

Member(s) Present: DiGiovanni, Foster, Monroe, Praschan  
Member(s) Absent: Flack  
Other Trustees Present: None  
Staff Present: Hollabaugh, Orcutt, Buffone  
Others Present: Henry Jaung, Meketa Investment Group (Via TX)  
Keith Beaudoin, Meketa Investment Group (Via TX)  
Joe Beauparlant, Loomis Sayles (Via TX, 4:00 – 4:28 PM)  
Jeff Schwartz, Loomis Sayles (Via TX, 4:00 – 4:28 PM)  
Keith Weigel, Loomis Sayles (Via TX, 4:00 – 4:28 PM)

**ECONOMIC AND MARKET UPDATE DATA AS OF JULY 31, 2023**

*Mr. Jaung provided an economic update noting that assets continued to gain in July as economic data remained resilient while inflation receded. Except for commodities, most asset classes remained positive for the year, with US equities leading the way. This year, the path of inflation and monetary policy, slowing global growth, and the war in Ukraine, will all be key.*

**EXECUTIVE SUMMARY AND PIMCO PIF UPDATE**

*Over the past 3, 5, 7, and 10 years, the ERS has returned 9.4%, 8.3%, 8.4% and 7.7%. These returns have outperformed the 60% equity /40% Bonds benchmarks as well as the primary benchmark in most periods.*

*Over the past 3, 5, 7, and 10 years, the<sub>5</sub>VEBA has returned 7.6%, 7.2%, 7.7% and*

7.0%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

Meketa's original recommendation to the IPC was commitments of \$12 million in the ERS and \$ 5 millions in VEBA to be allocated to the PIMCO Private Income Fund ( PIF). The original proposed funding source for these commitments would be redemptions from the AEW Core Property Trust. However, given the slow pace of redemptions, Meketa sought a potential solution to move forward with the commitments to PIF without relying on AEW distributions.

Due to being a Meketa client, PIMCO lowered the minimum investment from \$15 million to \$10 million, and have allowed for investments in two separate tranches. The first \$ 5 million would be committed in the October 1, 2023 queue and the second \$5 million committee in the January 1, 2024 queue. Meketa's recommendation would be to make commitments of \$3.5 million for the ERS and \$1.5 million for VEBA for both tranches. The funding source for these commitments will be cash held in the plans or if necessary, determined at a future IPC meeting.

It was **moved** by Foster and **seconded** by Monroe to invest \$10 million (\$7 for ERS and \$3 for VEBA) in the PIMCO PIF, with the first \$5 million to be committed in the October 1, 2023, queue and the second \$5 million in the January 1, 2024 queue.

**APPROVED**

### **RETIREMENT SYSTEM**

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

July 31, 2023 Performance Update: As of July 31, 2023, the balance of the Funds was \$617,223,156 for ERS. Fiscal Year to Date performance was 9.3% for ERS net of fees.

### **VEBA**

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

July 31, 2023 Performance Update: As of June 30, 2023, the balance of the Funds was \$254,829,583 for VEBA. Fiscal Year to Date performance was 9.5% for VEBA net of fees.

### **CURRENT ISSUES**

Loomis Sayles Small Cap Value Presentation: Joe Beauparlant, Jeff Schwartz and Keith Weigel were present to discuss the Small Cap Value fund.

Custodian RFI Review: Meketa reviewed 5 custodians with the IPC. Meketa believes that all candidates could provide the custodial services that the ERS and VEBA require. Given that the existing custodian, Northern Trust, provides a complete price, has the technical expertise, and service levels have improved, Meketa would recommend that Ann Arbor retain Northern Trust. Ms. Orcutt added that she and staff are very happy with Northern Trust and an official motion will be added to the September Board meeting agenda to retain NT.

### **ADJOURNMENT**

It was **moved** by Monroe and **seconded** by Foster to adjourn the meeting at 4:57 p.m.

**Meeting adjourned at 4:57 p.m.**

**G-5 Administrative Policy Committee Minutes – None**

**G-6 Audit Committee Minutes – None**

**G-7 Legal Report – None**

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

**H-1 Communications Memorandum**

**H-2 October Planning Calendar**

**H-3 Record of Paid Invoices**

The following invoices have been paid since the last Board meeting.

	<b><u>PAYEE</u></b>	<b><u>AMOUNT</u></b>	<b><u>DESCRIPTION</u></b>
1	Staples	\$173.48	Miscellaneous Office Supplies
2	Laura Hollabaugh	\$216.76	Reimbursement DTE Electric 7/14/2023-8/11/2023
3	American Express	\$819.49	Kroger, MAPERS, USPS, Culligan
4	Applied Innovation	\$71.77	Printing Services 8/2023
5	Laura Hollabaugh	\$18.44	Gas 7/14/2023-8/11/2023
6	GRS	\$2,750.00	GASB 67/68 Valuation Q3 2023
7	GRS	\$7,625.00	Pension Valuation Q3 2023
8	Meketa	\$10,000.00	Investment Consulting 8.2023
9	Milliman	\$5,777.67	MARC Implementation 8/2023
10	VanOverbeke, Michaud, Timmony	\$8,796.20	Legal Services 10/1-12/31/2022
11	VanOverbeke, Michaud, Timmony	\$9,031.20	Legal Services 1/1-3/31/2023
12	VanOverbeke, Michaud, Timmony	\$4,771.20	Legal Services 4/1-6/30/2023
13	Innovest	\$9,750.00	Q3 2023 Advisory Fee
	<b>Total</b>	<b>\$59,801.21</b>	

**H-4 Retirement Report**

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

<b>Name</b>	<b>Retirement Type</b>	<b>Effective Retirement Date</b>	<b>Group</b>	<b>Union</b>	<b>Years of Service</b>	<b>Dept./Service Area</b>
<b>Andrew Boonstra</b>	Age & Service	October 15, 2023	Fire	FIRE	27 Years, 8 Months	Safety Services

<b>Roberta Niedson</b>	Age & Service	September 16, 2023	General	Non Union	5 Years, 6.5 Months	City Administration
<b>Ernest Close</b>	Age & Service	October 1, 2023	Fire	FIRE	21 Years, 4.5 Months	Safety Services
<b>Hope Hughes</b>	Age & Service	October 7, 2023	General	AFSCME	5 Years, 5 Months	Community Services

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

**H-6 2023 Board Election Schedule**

**I. TRUSTEE COMMENTS / SUGGESTIONS**

Mr. Monroe questioned the mortality tables used to compute the optional factors citing recent litigation and the need for updating the tables. Mr. VanOverbeke informed Mr. Monroe and the Board that this issue would need to be addressed with the City attorney's office as it would require a change to the Ordinance. Ms. Praschan stated that the City is aware and plans to incorporate in the next round of changes to the Ordinance.

**J. ADJOURNMENT**

It was **moved** by Nerdrum and **seconded** by Monroe to adjourn the meeting at 10:30 a.m.  
**Meeting adjourned at 10:30 a.m.**

*Wendy Orcutt*

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