

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
June 18, 2025**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:33 a.m.

ROLL CALL

Members Present: DiGiovanni, Flack (*Via TX*), Grimes, Lynch, Schreier (*Via TX*)
Members Absent: Foster, Nerdrum, Praschan, Toth
Staff Present: Buffone, Gustafson, Lieder, Orcutt (*Via TX*)
Others: Frank Judd, Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 May 15, 2025 Regular Board Meeting

It was **moved** by Lynch and **seconded** by DiGiovanni to approve the May 15, 2025 Regular Board Meeting minutes as submitted.
Approved

C. CONSENT AGENDA - None

D. ACTION ITEMS

D-1 Annual Disability Re-Examinations Memo

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 would qualify for a medical re-examination per the Board's policy:

DISABILITY RETIREE	DATE BOARD GRANTED DISABILITY	DATE OF LAST EXAMINATION	EXECUTIVE DIRECTOR'S RECOMMENDATION FOR RE-EXAMINATION
Jason Gold	2/17/2017	6/14/2022	Yes
Pablo Ramirez	7/15/2021	6/7/2023	No- Permanent

It was **moved** by Grimes and **seconded** by Lynch to direct the disability re-examination of Jason Gold and no re-examination of Pablo Ramirez consistent with the Board's Disability Retirement Procedures.

Approved

D-2 Resolution to Invest in Vanguard Short Term TIPS Fund

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, the Board of Trustees has an approved Investment Policy Statement and asset allocation in order to effectively monitor its portfolio, and

WHEREAS, the System's investment consultant, Meketa Investment Group, has evaluated the current asset class allocations relative to their respective targets and recommend a rebalance to reduce equity and gain exposure to TIPS, and

WHEREAS, potential Short Term TIPS managers were discussed by Meketa and the IPC at the June 3rd IPC meeting, and have recommended an investment in the Vanguard Short Term TIPS fund in the amount of \$20 million to be funded by liquidating approximately 3% of the portfolio from the Rhumblin HEDI fund, so be it,

RESOLVED, that the Board of Trustees approve the investment in the Vanguard Short Term TIPS Fund with a total commitment in the amount of \$ 20 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Lynch and **seconded** by Grimes to approve the investment in the Vanguard Short Term TIPS Fund with a total commitment in the amount of \$ 20 million.

Approved

D-3 Budget Reallocation

Ms. Orcutt presented the FY 2025 Budget Allocations highlighting budget amendments for educational reimbursements, building maintenance, due diligence, and investment services. YTD expenditures at expected numbers by 6/30/2025 were also presented.

It was **moved** by Grimes and **seconded** by Lynch to approve the Fiscal Year 2025 Budget Allocations.

Approved

D-4 2025 Fall MAPERS Conference – September 13-16

Ms. Orcutt informed the Board of the upcoming Fall MAPERS Conference. Ms. Orcutt requested that any Board members interested in attending should notify the Retirement Office. Mr. Flack and Ms. Orcutt plan on attending.

It was **moved** by DiGiovanni and **seconded** by Grimes to approve any interested Staff or Board Member to attend the Fall MAPERS Conference.

Approved

D-5 401 Executive Plan Expenses to be paid from Forfeitures for Quarter End 6/30/25

Ms. Orcutt presented the 401 Executive Plan Expenses to be paid from Forfeitures for FYE 6/30/2025. The proposed amount to be paid would be \$ 273.75.

It was **moved** by Grimes and **seconded** by DiGiovanni to approve the 401 Executive Plan Expenses to be paid from Forfeitures for FYE 6/30/2025.

Approved

D-6 401 Plan Expenses to be paid from Forfeitures for Quarter End 6/30/25

Ms. Orcutt presented the 401 Plan Expenses to be paid from Forfeitures for FYE 6/30/2025. The proposed allowance request would be \$ 3,513.54.

It was **moved** by DiGiovanni and **seconded** by Lynch to approve the 401 Plan Expenses to be paid from Admin Allowance for FYE 6/30/2025.

Approved

D-7 457 Plan Expenses to be paid from Administrative Allowance for Quarter End 6/30/25

Ms. Orcutt presented the 457 Plan Expenses to be paid from Admin Allowance for FYE 6/30/2025. The proposed allowance request would be \$ 2,625.73.

It was **moved** by Grimes and **seconded** by DiGiovanni to approve the 457 Plan Expenses to be paid from Admin Allowance for FYE 6/30/2025.

Approved

E. DISCUSSION ITEMS

E-1 2025 Gustafson Certificate Course Program Request

Ms. Orcutt discussed Mr. Gustafson's certificate course program request to the Board. Mr. Gustafson provided a breakdown of the course's intent. Three conferences would be attended within a three-year span requesting travel assistance and conference fee coverage. The Board discussed that it was reviewed during the Administrative Policy

Committee held on June 10, 2025. The Board expressed that Mr. Gustafson attaining this certificate would be a benefit to the System. Reimbursement payback was discussed in the event Mr. Gustafson's employment voluntarily terminates within an elapsed amount of months after date of reimbursement. It was requested that Mr. Gustafson supply a post-class debrief/summary after each module.

It was **moved** by Grimes and **seconded** by Schreier to approve Mr. Gustafson's Certificate Course Program request with the stipulation that the City's Tuition Reimbursement repayment policy would apply in the event of a voluntary resignation.

Approved

E-2 ED Annual Eval. Evaluation Form

Ms. Grimes discussed the Executive Director Evaluation form. The form is being switched from Adobe Acrobat .pdf to an online survey. Mr. Schreier will review the form and get back with Ms. Grimes shortly on any edits if needed. Once that is reviewed Ms. Grimes will work with Mr. Lieder of the System to disseminate the online form to the Trustees.

E-3 Spring MAPERS Conference Recap from Attendees

The attendees from the Spring MAPERS Conference were Mr. Flack, Mr. Gustafson, and Ms. Orcutt. All three commented on the Artificial Intelligence seminar and the effect it could have on the job market. Mr. Gustafson also discussed that the actuarial hour was very interesting and Ms. Orcutt commented on the value of ideas exchanged at the Plan Administrator's breakfast.

E-4 NCPERS Annual Conference Recap from Attendee

The attendee from the NCPERS Annual Conference was Ms. Grimes. Ms. Grimes supports any new System Trustee to attend the Trustee Educational Seminars held on the weekends prior to the conference.

F. REPORTS

F-1 Executive Report – June 18, 2025

TORCHLIGHT DISTRIBUTIONS

Torchlight Investors issued a distribution from the Debt Fund VII in the amount of **\$83,388** for the Retirement Plan and **\$37,061** for the VEBA on 5/13/2025. These funds consist of net income and are not subject to recall.

Torchlight Investors issued a distribution from the Debt Fund VII in the amount of **\$376,448** for the Retirement Plan and **\$167,310** for the VEBA on 6/4/2025. These funds consist of net income and are not subject to recall.

Torchlight Investors issued a distribution from the Debt Fund VII in the amount of **\$264,165** for the Retirement Plan and **\$117,389** for the VEBA on 6/12/2025. These funds consist of net income and are not subject to recall.

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund X on 5/15/25 in the amount of **\$ 86,841** for the Retirement System and **\$ 57,894** for the VEBA consisting of cash from operations and return of capital netted against management fees.

DRA issued a distribution from the Growth and Income Fund IX on 5/21/25 in the amount of **\$ 65,540** for the Retirement System and **\$ 19,276** for the VEBA consisting of gains and return of capital netted against carried interest.

MESIROW CAPITAL CALL

Mesirow Financial Private Equity Fund VIII-A, L.P. requested a capital call in the amount of **\$650,000** for the Retirement Plan and **\$195,000** for the VEBA on 6/5/2024. With these installments, **CAAERS** will have funded 69.5% of our total commitments of \$10,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

CONSTITUTION CAPITAL CALLS AND DISTRIBUTIONS

Ironsides Direct Investment Fund V, L.P. issued a distribution in the amount of **\$ 275,271** for the Retirement System and **\$ 95,757** for VEBA consisting of distribution of proceeds netted against expenses and management fees on 6/11/2025.

GRAIN COMMUNICATIONS CAPITAL CALLS AND DISTRIBUTIONS

Grain Communications Opportunity Fund IV requested a capital call in the amount of **\$23,437** for the Retirement System and **\$14,062** for the VEBA on 6/26/25 to pay management expenses and fees.

MEETINGS AND COMMUNICATIONS WITH CITY STAFF

ED met with HR, City Legal and finance on May 27th to debrief on the TPOAM negotiation and implementation process to share feedback and ideas for process improvement.

STAFF OPERATIONS/MISCELLANEOUS

The Pension Analyst processed 23 estimates, 1 final calc, 2 deceased calcs, 4 non-vested calcs, 4 payouts, 2 deferred and conducted 7 pre-sessions. Other projects include a second mailer for the deferred member audit and updating the training program presentations.

F-2 Executive Report – Voya Update

Voya Update – June 18, 2025

457 PLAN - Balance at 6/11/2025 - \$ 117,234,000

Admin Allowance \$ 9,867

401A PLAN – Balance at 6/11/2025 - \$ 10,375,000

Forfeiture Balance \$ 110,572

401A Executive PLAN – Balance at 6/11/2025 - \$ 948,000

Forfeiture Balance \$ 1,496

Current Items/Education:

During the month of May, Mike had 3 in person meetings and 4 phone calls. Mike Landolt will be onsite again June 24th and June 25th.

Future Items/Education:

401 Plan Doc/Ordinance Revisions regarding Force Outs and other updates.

401 and 457 Force Outs – 4th Quarter 2025

NAGDCA Conference – September 28 – October 1

Mandatory Roth Catch Up Audit – January 2026

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended May 31, 2025

Ms. Orcutt submitted the Financial Report for the month ended May 31, 2025 to the Board of Trustees:

5/31/2025 Asset Value (Preliminary)	\$651,328,566
4/30/2025 Asset Value (Audited by Northern)	\$639,586,377
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$24,498,566
Percent Gain <Loss>	3.8%
June 17, 2025 Asset Value	\$656,313,772

F-4 Investment Policy Committee Minutes – June 3, 2025

Following are the Investment Policy Committee minutes from the meeting convened at 2:35 p.m. on June 3, 2025:

Member(s) Present: DiGiovanni, Flack (Via TX 2:54p.m.), Foster, Praschan, Toth (2:51p.m.)
Member(s) Absent: None
Other Trustees Present: None
Staff Present: Buffone, Gustafson (Via TX), Orcutt (Via TX)
Others Present: Henry Jaung, Meketa Investment Group (Via TX)
John Harris, Meketa Investment Group (Via TX)

ECONOMIC AND MARKET UPDATE DATA AS OF APRIL 30, 2025

Mr. Jaung provided an economic update noting that April was highly volatile in capital markets in the wake of the April 2nd tariff announcement in the US and subsequent 90-day pause for many tariffs. Domestic equities declined in April; international markets stocks outperformed US markets due to the decline of the US dollar. Emerging

market equities returned +1.3% for the month, with a decline in Chinese stocks. In May, the Federal Reserve held rates steady, with inflation remaining above target and unemployment rate near historic lows. Fixed income markets were mixed in April with high yield bonds flat. Looking ahead, continued uncertainty related to the US Administrations' tariff policies and their impact on the economy, inflation, and Fed policy will be key. The path of China's economy and relations with the US, as well as concerns over elevated valuations and technology-driven concentration in the US equity market will be an important focus of 2025.

EXECUTIVE SUMMARY

Recap: The market value of the ERS was \$639 million at the end of April 2025. The performance for April, YTD, and FYTD were 0.2%, 1.0% and 3.7% respectively.

Over the past 3, 5, 7, and 10 years, the ERS has returned 6.8%, 9.9%, 7.9% and 7.3%. As of March 31st, the system has ranked in the top 15% in the 5, 7, and 10 trailing years amongst its peer group.

The market value of the VEBA was \$288 million at the end of April 2025. The performance for April, YTD, and FYTD were 0.0%, 0.5% and 3.5% respectively.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 6.4%, 9.1%, 7.3% and 6.8%. As of March 31st, the VEBA has ranked in the top 5% in the 5, 7, and 10 trailing years amongst its peer group.

RETIREMENT SYSTEM

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

April 30, 2025 Performance Update: As of April 30, 2025, the balance of the Funds was \$638,770,094 for ERS. Fiscal Year to Date performance was 1.0% for ERS net of fees.

Mr. Jaung noted that with the S&P market increasing over the past few weeks ERS and VEBA overall are close to the pre-tariff market values. He also noted that bonds and TIPS are a better risk than equity in the current market environment. Private equity outperformed public equity, with an estimated 3-4% return in May for ERS, which may put our YTD close to a 6% return. Blackrock III had a negative performance due to the write off this year.

VEBA

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

April 30, 2025, Performance Update: As of April 30, 2025, the balance of the Funds was \$288,155,685 for VEBA. Fiscal Year to Date performance was 0.5% for VEBA net of fees.

SHORT DURATION TIPS INDEX MANAGER SEARCH

At the May Board meeting a new asset allocation was adopted in the ERS with a 3% target to short-term TIPS. Short duration TIPS offer a "cleaner" exposure to inflation protection due to the lower interest rate exposure and lower risk compared to long duration TIPS.

Meketa researched providers and reached out to Vanguard, State Street and IR&M. State Street and IR&M offered collective investment trusts and/or separately managed accounts at higher fees than Vanguard's mutual fund.

Meketa recommends adding the Vanguard Short-Term Inflation-Protected Securities Index mutual fund due to being the lowest cost provider at 3 bps, their long proven track record for the fund and the mutual fund structure simplifies implementation and avoids additional contracts and legal fees.

It was **moved** by Mark Foster and **seconded** by Jeremy Flack to recommend for Board approval an investment in the Vanguard Short-Term Inflation -Protected Securities Index mutual fund in the amount of \$20 million.

Approved

ERS POTENTIAL REBALANCING

To align with the new asset allocation policy which reduces equity and adds to fixed income and TIPS, Meketa recommended a proposed rebalance with the following transactions:

Reduce Rhumblin-HEDI by \$20,000,000
Reduce Northern Trust MSCI EAFE Index by \$10,000,000
Reduce Dimensional Emerging Markets Value (DFA) by \$4,000,000
Total reduction to equities = \$34,000,000.

Increase Investment in the Northern Trust 1-5 Year Credit Bond \$14,000,000
Invest in the Vanguard Short-Term TIPS fund \$20,000,000
Total addition to Fixed Income and TIPS = \$34,000,000

It was **moved** by Mark Foster and **seconded** by Marti Praschan to approve the recommended rebalance proposed by Meketa.

Approved

Ms. Orcutt noted that she will verify with VMT if the asset reallocations made at the May Board meeting will support the above action prior to the June Board meeting and will facilitate the investment trades as soon as possible. The \$20 million will remain in cash until the new Vanguard fund is approved and ready for funding.

FUTURE MEETING

The next meeting was scheduled for Tuesday, August 5, 2025, at 3:00 p.m.

ADJOURNMENT

It was **moved** by Marti Praschan and **seconded** by Jeremy Flack to adjourn the meeting at 3:35 p.m.

Meeting adjourned at 3:35 p.m.

F-5 Administrative Policy Committee Minutes – June 10, 2025

Following are the Administrative Policy Committee minutes from the meeting

convened at 3:05 p.m. on June 10, 2025:

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

DC PLANS UPDATE

Roth vs. Pretax Mailer: Ms. Orcutt discussed the Roth vs. Pretax mailer. No edits were recommended by the Committee.

Save More Mailer (email only): Ms. Orcutt discussed the Save More communication which will explain the significance of increasing your contributions by one percent, allowing your money to have more chance to grow. The examples assume a two percent annual pay raise each year with a hypothetical annual rate of return of six percent. The Committee discussed the six percent is a little bit high, but recommended no edits.

Self-Enroll Mailer: Ms. Orcutt discussed the Self-Enroll Mailer. The flyer discusses where to enroll for the 457(b) plan and the benefits of utilizing this plan.

Proxy Verbal Update Only: Ms. Orcutt discussed the investment proxy voting process. If we receive a proxy vote the System will review with Innovest to see if they have any thoughts or recommendations before we run it by the Board. Voya stated there has been only one sent in November of 2024. Ms. Grimes stated she heard at NCPERS that other Systems have their investment consultant handle those and asked if Meketa has any role. Ms. Orcutt suggested it should be Innovest since they help oversee those plans.

It was **moved** by Lynch and **seconded** by Praschan to approve all three communications and have Voya distribute to City of Ann Arbor employees over the next few months.

APPROVED

AFFIDAVIT FOR DEFERRED MEMBERS UPDATE

Ms. Orcutt discussed the status of the Affidavit for Deferred Members project. The initial mailer went out on March 27, 2025, to an estimated one hundred and twenty deferred members and approximately half of those recipients responded. Mr. Gustafson took the same form and placed Second Request on the mailer which was mailed out on May 28, 2025. Responses continue to come in and there are approximately 50 members still outstanding. The next step will be to try and call them directly.

SERVICE PROVIDER DISCLOSURES UPDATE

Ms. Orcutt discussed the status of the Service Provider Disclosures. This audit is conducted annually using the forms that the Board has approved. The System is nearly one hundred percent compliant, but there are two investment managers still outstanding those are WCM and Silicon Valley Bank.

HYBRID WORK – INFORMATIONAL CITY EMAIL

Ms. Orcutt discussed the Hybrid Work Update email that was sent out by the City. The City of Ann Arbor's updated work-from-home policy states an employee must work a minimum thirty percent (3 days) of a two week pay period in office. Ms. Orcutt stated that Staff already works at least 2 days per week in office so the System is already in compliance.

TPOAM UNION – MARC UPDATE AND OUTAGE

Ms. Orcutt discussed the new TPOAM Union – MARC update project and service outage period. Employees in the 15th District Court unionized effective 5/18/2025, and the System reached out to MARC to implement the required updates which will cost an estimated \$8,000 to the System. Until the changes have been implemented within MARC the System will hold off on sending any new pension transmittals. It came to light that several traditional plan members within the new union TPOAM were enrolled into the City of Ann Arbor's 401a plan accidentally. The Committee discussed that this issue is being fixed within the HR department.

FRAUD POLICY DISCUSSION/EFT CHANGES

Ms. Orcutt noted that at the Board retreat it was decided that APC should lead the discussion on developing a Fraud Policy in light of recent fraud attempts. This policy will guide the handling of the ongoing issue as well as direct the System on how to handle future fraud attempts. The Committee discussed the pros and cons of reimbursing the victim in the most recent scenario. Ultimately it was decided that this should be discussed with the full Board at the June and/or July meeting.

Ms. Orcutt reviewed the current security process in place when retirees change their banking information at Northern Trust (NT). The pension analyst pulls a report mid month from the NT site which captures all upcoming banking changes which will impact the next monthly payment. He then contacts all of the people on the list to ensure it is a legitimate change. This combined with the fact that NT no longer allows a retiree to change to Green Dot or an affiliate has been effective in preventing any additional losses. The Committee agreed to keep allowing the System to run change reports from the custodial bank and directly contact the recipient if they made EFT changes to confirm validity,

EXECUTIVE DIRECTOR ANNUAL EVALUATION

Evaluation Form: Ms. Grimes presented the evaluation form. Ms. Grimes updated the formatting of the form from a .pdf file to a fillable Microsoft form through Survey Monkey that is easier to utilize. The Committee agreed to have the evaluation form and completed goals included in the next Board meeting packet for review.

CLOSED SESSION - PERSONNEL MATTER

It was **moved** by Lynch and **seconded** by Praschan to convene a close session to discuss a personnel matter.

APPROVED

Roll call vote:

Grimes – Yes	Lynch – Yes
Praschan – Yes	Schreier – Absent

Close session time: 3:35 p.m. – 3:45 p.m.

It was ***moved*** by Lynch and ***seconded*** by Praschan to recommend to send the Gustafson education request to the Board for discussion/approval.

APPROVED

NEXT APC DATE

Ms. Orcutt and the Committee agreed to hold the next Administrative Policy Committee meeting on July 8, 2025, at 3:00 p.m. at the Pension office.

ADJOURNMENT

It was ***moved*** by Lynch and ***seconded*** by Praschan to adjourn the meeting at 3:50 p.m.
Meeting adjourned at 3:50 p.m.

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

F-7 **Legal Report – None**

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

G-1 **Communications Memorandum**

G-2 **July 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	West Ann Arbor Condo	\$367.00	Condo Association Dues 6/2025
2	Applied Innovations	\$50.80	Printing Services 4/2025
3	Culligan	\$14.00	Water Service 5/2025
4	DTE Electric	\$128.22	Electric 4/11/2025 to 5/13/2025
5	DTE Gas	\$46.36	Gas 4/11/2025 to 5/13/2025
6	Wendy Orcutt	\$843.61	AA Trip May 12-17,2025 - Board Meeting
7	Aventric Technologies	\$1,915.00	AED Unit w/4 year Battery, CPR Rescue Kit, & Trade in credit
8	Wendy Orcutt	\$1,179.82	AA Trip May 17-20, 2025 - MAPERS
9	Dan Gustafson	\$481.54	May 18-20, 2025 - MAPERS
10	Jenn Grimes	\$2,494.44	May 16-21, 2025 - NCPERS
11	Milliman	\$3,611.15	MARC Licensure/MFA 184 - 4/2025
12	Jeremy Flack	\$643.43	May 17-20, 2025 - MAPERS
13	American Express	\$2,961.68	Kroger, S&J Cleaning x2, Staples, Webers Luncheon
14	Staples	\$190.77	Supplies
15	Staples	\$73.99	Supplies
16	Meketa	\$10,000.00	Investment Management Fee for Period Ended 5/31/2025
17	Applied Innovations	\$25.61	Printing Services 5/2025
18	City of Ann Arbor Treasurer	\$2,228.25	K.Spade Time FY2025 July 2024 - June/2025
20	Culligan	\$14.00	Services 6/2025
21	Culligan	\$33.97	5/27/2025 Delivery & Despoit 5 Gallon BQ , Transprotation Fee
	Total	\$27,303.64	

G-4 **Retirement Report - None**

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

H. **TRUSTEE COMMENTS / SUGGESTIONS**

I. **ADJOURNMENT**

It was **moved** by Lynch and **seconded** by Grimes to adjourn the meeting at 9:10 a.m.
Meeting adjourned at 9:10 a.m.

Wendy Orcutt

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