

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

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:40 a.m.

ROLL CALL

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

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B-1 November 20, 2025 Regular Board Meeting

It was **moved** by Lynch and **seconded** by Foster to approve the November 20, 2025 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
Jordan Dottor	Safety Services	Traditional	9 Years, 8 Months	Dearborn Heights & Livonia

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 Lynch and **seconded** by Grimes to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Resolution to Raise Cash from Domestic Equities

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 System's investment consultant, Meketa Investment Group, has evaluated the current asset class allocations relative to their respective targets, and

WHEREAS, Meketa as the System's investment consultant, has recommended at the December 1st IPC meeting selling \$7 million from the Rhumbline HEDI Fund, so be it,

RESOLVED, that the Board of Trustees approves the redemption of \$7 million from the Rhumbline HEDI, to fund capital calls and benefit payments.

It was **moved** by Foster and **seconded** by Lynch to approve the redemption of \$7 million from the Rhumbline HEDI to fund capital calls and benefit payments.

Approved

D-2 Member Interest Credits for Calendar Year 2026

Ms. Orcutt presented the Member Interest Credits for Calendar Year 2026. GRS provides this calculation to the System annually following completion of the valuation. The letter highlights the amount that gets credited to member pension contributions on a quarterly basis. For this year the annual rate is 7.9% as compared to 7.4% last year. Staff have already put that percentage in the MARC system to utilize this rate going forward.

It was **moved** by Lynch and **seconded** by Grimes to approve the Member Interest Credits of 7.9% for Calendar Year 2026.

Approved

D-3 Poverty Level Pension Adjustment

Ms. Orcutt presented the current Poverty Level Pension Adjustment. GRS provides this calculation to the System annually following completion of the valuation to determine the minimum benefit amount. Retirees whose pension benefit is below the annual threshold of \$18,336 will automatically be increased to that amount pursuant to the parameters in the Ordinance. This adjusted level is effective July 1, 2025 and retroactive amounts will be determined and paid as appropriate.

It was **moved** by Lynch and **seconded** by Grimes to approve the Poverty Level Minimum benefit of \$18,336 as of July 1, 2025.

Approved

D-4 Julie Lynch Testimonial

WHEREAS, Julie Lynch has faithfully served as a Trustee for the City of Ann Arbor Employees' Retirement System (the "Retirement System") and the City of Ann Arbor Retiree Health Care Benefit Plan (the "RHC Plan") since July of 2015, and

WHEREAS, throughout Julie Lynch's ten (10) years of service to the Retirement System and RHC Plan, she worked diligently to provide thorough, comprehensive and respectful services as an appointed citizen representative to the respective Boards of Trustees, and

WHEREAS, Trustee Lynch carried out her fiduciary responsibilities with dedication, sincerity, scholarship, hard work and honor and provided distinguished service to both of the Boards of Trustees and the members and beneficiaries of the Retirement System and RHC Plan, and

WHEREAS, the Boards of Trustees, the members and beneficiaries of the Retirement System and RHC Plan, and the employees and citizenry of the City of Ann Arbor owe a debt of gratitude to Julie Lynch for her dedication and service to the Retirement System and RHC Plan, therefore be it

RESOLVED, that the Boards of Trustees, on behalf of the members and beneficiaries of the Retirement System and RHC Plan, hereby expresses its gratitude and appreciation to Trustee Lynch for her honorable and distinguished service as a Trustee to the City of Ann Arbor Employees' Retirement System and the Retiree Health Care Benefit Plan, and be it further

RESOLVED, that the Boards of Trustees, on behalf of all the aforementioned parties, says *"Thank You for a Job Well Done"* and expresses its best wishes to Trustee Lynch along with a reminder that she will always be welcome at future meetings of the Board.

It was **moved** by Grimes and **seconded** by Foster to receive and file Julie Lynch's testimonial as appreciation for her dedication and service to the System.

Approved

E. DISCUSSION ITEMS - None

F. REPORTS

F-1 Executive Report – December 18, 2025

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund VI in the amount of **\$ 90,000** for the Retirement Plan and **\$ 30,000** for VEBA on 12/17/25 to fund investments. With these installments, **CAAERS** will have funded 44.7% of our total commitments of \$6,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

JP MORGAN IIF DISTRIBUTIONS

The JP Morgan IIF Hedged L.P. issued a distribution on 12/4/25 in the amount of **\$744,829** for the Retirement System and **\$ 229,443** for VEBA which will be held for reinvestment.

GRAIN COMMUNICATIONS CAPITAL CALLS AND DISTRIBUTIONS

Grain Communications Opportunity Fund IV requested a capital call in the amount of **\$105,923** for the Retirement System and **\$63,554** for the VEBA on 12/22/25 to fund investments and pay management expenses and fees.

STAFF OPERATIONS/MISCELLANEOUS

The Pension Analyst processed 17 estimates, 2 final calcs, 4 deceased calcs, 3 non-vested calcs, and conducted 3 pre-sessions.

HAPPY HOLIDAYS!!!

F-2 Executive Report – Voya Update

Voya Update – December 18, 2025

457 PLAN - Balance at 12/11/2025 - \$ 126,736,000

Admin Allowance \$ 3,170

401A PLAN – Balance at 12/11/2025 - \$ 12,508,000

Forfeiture Balance \$ 50,793

401A Executive PLAN – Balance at 12/11/2025 - \$ 1,234,000

Forfeiture Balance \$ 709

Current Items/Education:

During the month of October, Mike had 8 in person meetings, 1 zoom meeting and 3 phone calls. Mike Landolt will be onsite again December 10th and 11th.

401 and 457 Force Outs – 2025

Please see the APC minutes for a complete update on this project. The mailer containing the IRS information and a 60 day window to take action will be mailed out before the end of the month.

Future Items/Education:

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

Mandatory Roth Catch Up Audit – January 2026

360 Integration with Payroll

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended November 30, 2025

Ms. Orcutt submitted the Financial Report for the month ended November 30, 2025 to the Board of Trustees:

11/30/2025 Asset Value (Preliminary)	\$696,559,160
10/31/2025 Asset Value (Audited by Northern)	\$695,981,099
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$4,483,942
Percent Gain <Loss>	0.6%
December 18, 2025 Asset Value	\$693,556,913

F-4 Investment Policy Committee Minutes – December 1, 2025

Following are the Investment Policy Committee minutes from the meeting convened at 3:03 p.m. on December 1, 2025:

*Member(s) Present: DiGiovanni, Foster, Praschan, Toth (Departed at 4:08pm)
Member(s) Absent: Flack
Other Trustees Present: None
Public Present: None
Staff Present: Buffone (Via TX), Lieder, Orcutt (Via TX)
Others Present: Henry Jaung, Meketa Investment (Via TX)
Keith Beaudooin, Meketa Investment (Via TX)
Paul McCreadie, Arboretum Ventures (Arrived at 3:35pm,
Departed at
4:30pm)
Dan Kidle, Arboretum Ventures (Arrived at 3:35pm, Departed at
4:30pm)*

ECONOMIC AND MARKET UPDATE AS OF OCTOBER 31, 2025

Mr. Jaung provided an economic update noting in October the US government shutdown drove policy uncertainty without regular economic data releases, the Fed cut policy rates by 25 basis points but delivered hawkish forward guidance, and while US company earnings largely beat expectations, markets weighed rising concerns regarding frothy enthusiasm for AI related stocks and soaring capex plans. Key questions going forward include how the Fed will manage interest rates given competing pressures on its dual

mandate of inflation and employment, will tariff pressures eventually show up in inflation, can earnings growth remain resilient in the US, will the significant investment in the AI infrastructure buildout pay off, and how will China's economy and relations with the US track.

EXECUTIVE SUMMARY

Recap: The market value of the ERS was \$695 million at the end of October 2025. The performance for October, FYTD, and YTD were 0.1%, 4.3% and 11.0% respectively.

Over the past 3, 5, 7, and 10 years, the ERS has returned 11.5%, 10.0%, 9.7% and 8.6% exceeding its actuarial target return of 6.7%.

The market value of the VEBA was \$318 million at the end of October 2025. The performance for October, FYTD, and YTD were 0.3%, 4.5%, and 11.1% respectively.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 11.9%, 9.1%, 9.1% and 8.2%, also exceeding its actuarial target of 6.7%.

ERS Cash Raise Recommendation: After benefit payments in December the ERS will have approximately \$6 million in cash remaining. US Equities are the largest overweight asset class relative to policy targets therefore Meketa recommends selling \$7 million of the Rhumbleline HEDI which represents a 1% reduction of US Equities to get closer to the 33% target.

VEBA Rebalancing Recommendation: VEBA has an overweight position in US Equities and is approaching the top of its policy range. Meketa recommends rebalancing 2% from US Equities to Investment Grade Bonds. Meketa recommends selling \$3 million from Rhumbleline HEDI and \$3 million from the NT Russell 1000 and moving it equally to the NT 1-5 Credit Bond Index and the NT Aggregate Bond Index.

Mr. Giovanni asked whether it would be more prudent to invest in treasuries instead of the bond funds that were recommended. Meketa will research options that may be available with Northern Trust and report back to the Board. In the meantime the \$ 6 million will be redeemed and held in cash until the IPC decides where best to invest.

ERS - It was moved by Foster and seconded by Toth to recommend to the Board to sell \$7 million from Rhumbleline HEDI to raise cash for benefit payments and capital calls

Approved

VEBA- It was moved by Foster and seconded by Toth to recommend to the Board to rebalance from equities to fixed income by selling \$3 million from Rhumbleline HEDI and another \$3 million from the NT Russell 1000. These funds will remain in cash until further direction from Meketa. .

Approved

RETIREMENT SYSTEM

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

October 31, 2025, Performance Update: As of October 31, 2025, the balance of the Funds was \$695,466,471 for ERS. ₆ Fiscal Year to Date performance was 4.3%

for ERS net of fees.

VEBA

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

October 31, 2025, Performance Update: As of October 31, 2025, the balance of the Funds was \$318,416,617 for VEBA. Fiscal Year to Date performance was 4.5% for VEBA net of fees.

Mr. Foster asked about GQG as they now have over 5 years of underperformance and when appropriate to leave the strategy. Meketa stated they still have confidence in the team at GQG and that GQG on the whole is still sticking to their investment process.

ARBORETUM VENTURES PRESENTATION

Mr. McCreadie and Mr. Kidle presented the fund portfolios for Arboretum Ventures. Administrative details were discussed highlighting Arboretum's investment culture and projections on returns of current investments. More detail was discussed on funds V and VI as those are the funds the System has commitments with. The decreased funding of the NIH will have an impact as healthcare research will be affected.

FUTURE MEETING

The next meeting was scheduled for Tuesday, February 3, 2026, at 3:00 p.m.

ADJOURNMENT

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

F-5 Administrative Policy Committee Minutes – December 9, 2025

Following are the Administrative Policy Committee minutes from the meeting convened at 3:03 p.m. on December 9, 2025:

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

401 AND 457 SMALL BALANCE FORCE OUT UPDATE

Ms. Orcutt provided an update to the 401a Dual plan and 457b annual force out project. The System received the reports from Voya and Mr. Lieder has audited them verifying date of termination or address issues. For the 401a, of the original 97 on the list 12 were removed either due to rehires or cadets being hired as police officers. For the 457b, 6 members are on the mailing list.

Ms. Orcutt referred to the Committee on the 19 members of the 401a being terminated recently in 2025 and if it were appropriate to proceed with them as well. The Committee agreed to proceed with the force out of these also with Mr. Schreier stating it was best practice to initiate as soon as administratively possible to avoid these participants having to pay fees on small account balances. He also suggested performing these more than annually, possibly bi-annually or quarterly. Ms. Grimes inquired on the last time the System did a force out of the 401a with the answer being never. This is the first time the System has conducted a 401a Dual plan force out since the plan started in 2017. Letters will be required disclosures and the 60 day window to take action will be sent out soon.

ANNUAL 457 PARTICIPANT FEE REVIEW

Ms. Orcutt discussed the annual 457 participation fee review. Staff reviews this annually to ensure we are generating enough in participant fees to cover administrative costs incurred by the System. Ms. Orcutt presented a budget with the anticipated expenses and fee revenue for the coming year. The System is in good shape in this regard with the current fee of \$80 per participant annually with \$19 going to Voya for record-keeping fees and the balance to the System. In addition to Staff time and legal expenses, these funds are used to pay Innovest for consulting services which are split evenly between the 401a Dual plan and the 457b plan.

VOYA CATCH UP COMMUNICATION EMAIL

Ms. Orcutt presented the Voya Catch Up communication email. The email announces the new standard contribution limit, the age-based catch-up limits and announces the new provision regarding age based catch ups having to be made post tax (Roth) for members making \$150,000 or more in their FICA wages. Mr. Schreier commented that we should notify affected participants so they are aware and can opt out of the catch-up amounts if they so choose.

REVISED TRAVEL POLICY

Ms. Orcutt presented the revised travel policy which removed obsolete information and adapted the meals section to adhere to the new meal policy using the GSA rates that were adopted earlier this year by the Board. The revisions were discussed by the Committee as well as a few new suggested edits. The revised policy will be discussed further at the January 2026 APC meeting.

JANUARY / FEBRUARY APC MEETING DATE

Ms. Orcutt and the Committee agreed to hold the next Administrative Policy Committee meeting on January 13, 2026, at 3:00 p.m. at the Pension office.

ADJOURNMENT

It was moved by Lynch and seconded by Schreier to adjourn the meeting at 3:30 p.m.
Meeting adjourned at 3:30 p.m.

F-6 Audit Committee Minutes – None

F-7 Legal Report – None

G. INFORMATION (Received & Filed)

- G-1 Communications Memorandum**
- G-2 January 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 Meketa	\$10,000.00	Investment Consulting Fee 10/2025
2 Applied Innovations	\$34.90	Printing Services 10/2025
3 Culligan	\$14.00	Service 11/2025
4 Culligan	\$22.97	11/13/2025 Delivery & Deposit 5 Gallon BW, Transportation Fee
5 GRS	\$1,600.00	EDRO Calc Sturt v. Kelly
6 Staples	\$50.91	2026 Calendars
7 Milliman	\$3,612.36	MARC Licensure/MFA 232 - 9/2025
8 DTE (Reimbursement to M.Lieder)	\$116.68	DTE Electric 10/11/2025 to 11/10/2025
9 DTE (Reimbursement to M.Lieder)	\$55.94	DTE Gas 10/11/2025 to 11/10/2025
10 AMEX (Itemized below 11-17)		AMEX Bill Cycle Closed 11/28/2025; Total \$1,880.49
11 AMEX - Kroger	\$128.82	Pop & Snacks for Office and Board Meeting 11/20/2025
12 AMEX - S&J Cleaning	\$160.00	Office Cleaning 11/6/2025
13 AMEX - S&J Cleaning	\$160.00	Office Cleaning 11/20/2025
14 AMEX - Stadium Trophy	\$124.47	Julie Lynch Plaque
15 AMEX - Staples	\$57.20	Office Calendars
16 AMEX - Webers	\$900.00	2026 Retiree Luncheon Booking Reservation
17 AMEX - Webers	\$350.00	2026 Board Retreat Booking Reservation
18 Applied Innovations	\$14.31	Printing Services 11/2025
20 Culligan	\$14.00	Service 12/2025
21 City of Ann Arbor Treasurer	\$53.37	Fire Inspection 11/19/2025
22 West Arbor Condo Association	\$367.00	Condo Association Dues 1/2026
Total	\$17,836.93	

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
Colette Luckhardt	Age & Service	1/3/2026	General	NON UNION	20 Years & 6 Months	City Administrators
Michael Koski	Age & Service	1/31/2026	General	AFSCME	28 Years & 6 Months	City Administrators
Michael Scherba	Age & Service	1/25/2026	Police	COAM	23 Years & 9.5 Months	Safety Services
Alison Heatley	Age & Service	1/10/2026	General	NON UNION	30 Years & 5 Months	Public Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

Ms. Orcutt met with incoming Citizen Trustee K.C. Walbridge for an orientation session on 12/17/2025.

I. ADJOURNMENT

It was **moved** by Lynch and **seconded** by Grimes to adjourn the meeting at 9:00 a.m.
Meeting adjourned at 9:00 a.m.

Wendy Orcutt

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