

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 19, 2024**

B

The meeting was called to order by Board Chairperson, David Monroe, at 8:37 a.m.

ROLL CALL

Members Present: Buselmeier, Flack, Grimes (*Via TX*), Foster, Lynch, Monroe, Nerdrum
(*arrived at 8:45 a.m.*), Schreier
Members Absent: DiGiovanni
Staff Present: Buffone, Gustafson, Lieder, Orcutt (*Via TX*)
Others: Michael VanOverbeke-Legal Counsel

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

It was **moved** by Flack and **seconded** by Foster to approve the agenda as submitted.
Approved

B. APPROVAL OF MINUTES

B-1 August 15, 2024 Regular Board Meeting

It was **moved** by Flack and **seconded** by Foster to approve the August 15, 2024, Regular Board Meeting minutes.
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
Kelly Reynolds	City Administrator	DUAL	1 Year, 2 Months	Ann Arbor Area Transportation Authority

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.

C-2 GASB Disclosure 67/68

Mr. Monroe again brought up a concern about using the 1971 mortality tables for the optional factors and inquired as to why GRS assumes straight life when not everyone will elect that option. Ms. Nerdrum commented that GRS did attend the Audit Committee meeting and offered some insight on the underwriting process.

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

Approved

D. EXECUTIVE SESSION – Personnel Matter

It was **moved** by Flack and **seconded** by Nerdrum to convene an Executive Session at the request of Ms. Orcutt for the purpose of discussing a personnel matter.

Approved

Roll call vote:

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

Executive session time: 8:47 a.m. – 9:15 a.m.

E. ACTION ITEMS

E-1 Motion Regarding Personnel Matte

It was **moved** by Lynch and **seconded** by Flack to acknowledge receipt of the recommendation from the Executive Director regarding seeking classification changes from the City.

Approved

E-2 Age 60 Catch Up Provision

Ms. Orcutt presented one of the optional provisions from Secure 2.0 which increases the catch-up limit for participants age 60-63. The Board discussed and Mr. Schreier asked if this is something the City must approve. Mr. VanOverbeke commented that it needs to be a recommendation to the City since it's a plan amendment and not simply

an administrative matter.

It was **moved** by Flack and **seconded** by Buselmeier to send a request to the City to amend the plan to allow the Age 60-63 catch-up amounts.

E-3 457 Plan In-Service Distributions for ages 59 and 1/2

Ms. Orcutt discussed the 45 plan in-service distribution option for participants ages 59 ½ and up. This matter would also require a recommendation approved by the City and a plan amendment.

It was **moved** by Nerdrum and **seconded** by Flack to recommend to the City that the 457 plan be amended to allow these distributions for eligible participants.

Approved

F. DISCUSSION ITEMS - None

G. REPORTS

G-1 Executive Report – September 19, 2024

DRA CAPITAL CALLS AND DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund X on 8/15/24 in the amount of **\$ 37,478** for the Retirement System and **\$ 24,985** for the VEBA consisting of cash from operations netted against management fees.

BLACKROCK CAPITAL CALLS AND DISTRIBUTIONS

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$ 420,809** for the Retirement System and **\$ 157,803** for the VEBA on 8/29/24.

BlackRock Global Renewable Power Infrastructure Fund IV requested a capital call in the amount of **\$ 1,936,301** for the Retirement System and **\$ 1,161,780** for the VEBA on 9/5/24.

GRAIN COMMUNICATIONS CAPITAL CALLS AND DISTRIBUTIONS

Grain Communications Opportunity Fund IV requested a capital call in the amount of **\$1,895,995** for the Retirement System and **\$ 1,137,597** for the VEBA on 8/28/24 to fund investments, management fees and retroactive interest.

TORCHLIGHT CAPITAL CALL

Torchlight Investors requested a capital call for Debt Fund VII in the amount of **\$900,000** for the Retirement Plan and **\$400,000** for VEBA on 8/26/24 to fund investments.

Torchlight Investors requested a capital call for Debt Fund VII in the amount of **\$1,364,414** for the Retirement Plan and **\$606,407** for VEBA on 9/16/24 to fund investments.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount of **\$96,000** for the Retirement Plan and **\$24,000** for VEBA on 9/6/24 to fund investments and pay management fees. With these installments, **CAAERS** will have funded 23.7% of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

SVB DISTRIBUTION

SVB Fund VIII issued a distribution in the amount of **\$ 8,605** for the Retirement System and **\$2,158** for the VEBA on 8/30/24 consisting of return of capital.

FYE/AUDIT UPDATE

The GASB reports were received on August 26 and sent to the City and the Auditors. Annual Valuation drafts are due October 6 and will be reviewed at Audit Committee on the 12th 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 completed, Rehmann will also be presenting at the October Board meeting.

TRUSTEE ELECTION UPDATE

The term of Citizen Trustee Alexa Nerdrum expires December 31, 2024. The terms of Police Representative Dave Monroe and Employee Representative Jen Grimes expire December 31, 2024. Elections will be held on Wednesday, December 11th and Thursday, December 12th. The new term for all would be from January 1, 2025-December 31, 2027.

STAFF OPERATIONS/UPDATE

The Pension Analyst processed 26 estimates, 4 deceased calcs, 7 non-vested calcs, 1 deferred calc, 3 payouts and conducted 7 pre-sessions.

G-2 Executive Report – Voya Update

Voya Update – September 19, 2024

457 PLAN - Balance at 9/12/24 - \$ 111,992,000

Admin Allowance \$ 591

401A PLAN – Balance at 9/12/24 - \$ 8,201,081

Forfeiture Balance \$ 73,620

401A Executive PLAN – Balance at 9/12/24 - \$ 702,095

Forfeiture Balance \$ 4,693

Current Items/Education:

During the month of August Mike had 10 phone calls and 16 zoom appointments with employees/retirees. Mike will be onsite again for meetings September 18th and 19th.

Small Balance Force Out Project – Please see APC minutes.

Administrative Fee Implementation – First fee to be assessed late September.

Future Items/Education:

Virtual October Lunch and Learn by Voya.

Review Secure 2.0 Act for Applicable Optional Provisions.

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

Ms. Orcutt submitted the Financial Report for the month ended August 31, 2024 to the Board of Trustees:

8/31/2024 Asset Value (Preliminary)	\$664,190,110
7/31/2024 Asset Value (Audited by Northern)	\$652,904,112
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$58,071,764
Percent Gain <Loss>	9.4%
September 19, 2024 Asset Value	\$660,105,651

G-4 Investment Policy Committee Minutes – September 3, 2024

Following are the Investment Policy Committee minutes from the meeting convened at 3:02 p.m. on September 3, 2024:

Member(s) Present: DiGiovanni, Flack (Via TX-3:11), Foster, Monroe (TX-3:05 In person-3:16), Buselmeier
Staff Present: Buffone, Orcutt (Via TX)
Others Present: Henry Jaung, Meketa Investment Group (Via TX)
Keith Beaudoin, Meketa Investment Group
Meredith Richardson, GQG Partners (Via TX)
Alex Hoy, GQG Partners (Via TX)
Laura Ott, GQG Partners (Via TX)

ECONOMIC AND MARKET UPDATE DATA AS OF JULY 31, 2024

Mr. Jaung provided an economic update noting hints from the Fed that it would lower interest rates given continued declines in inflation which drove markets higher. Notably, there was a rotation in the US equity market away from mega cap tech stocks particularly toward small cap stocks. Looking to the rest of this year, the paths of inflation and monetary policy, China's economic disorder and slowing economic growth, the yen-carry trade, and the many looming elections will be key factors. Decisions the Board and money managers made that cost the most had the most positive returns net of fees.

EXECUTIVE SUMMARY

The market value of the ERS was \$653 million at the end of July 2024. The performance for July, YTD, and trailing 1-Year was 1.8%, 7.8%, and 10.6%.

Over the past 3, 5, 7, and 10 years, the ERS has returned 5.5%, 9.5%, 8.4% and 7.8%. These returns have outperformed the 60% equity/40% Bonds benchmarks as well as the primary benchmark in most periods.

The market value of the VEBA was \$283 million at the end of July 2024. The performance for July, YTD, and trailing 1-Year was 1.9%, 7.9%, and 11.0%.

Over the past 3, 5, 7, and 10 years, the VEBA has returned 4.3%, 8.2%, 7.7% and 7.1%. These returns have outperformed the 60% equity/40% benchmarks as well as the primary benchmark in most periods.

Currently, Grain Communications Opportunity Fund IV and BlackRock Global Renewable Power Fund IV are initiating capital calls in August and September of \$1.9 million (ERS) and \$1.1 million (VEBA) respectively.

RETIREMENT SYSTEM

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

July 31, 2024, Performance Update: As of July 31, 2024, the balance of the Funds was \$652,587,605 for ERS. Fiscal Year to Date performance was 7.8% for ERS net of fees.

VEBA

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

July 31, 2024, Performance Update: As of July 31, 2024, the balance of the Funds was \$283,148,547 for VEBA. Fiscal Year to Date performance was 7.9% for VEBA net of fees.

CURRENT ISSUES

GQG Partners Emerging Markets Equity Presentation: Ms. Richardson and Mr. Hoy gave a presentation on the projected forecast in the value of the Emerging Markets Equity in our portfolio. The ownership of GQG has changed from 100% owned by Rajiv Jain CIO to 70% by Rajiv Jain CIO, 5% company partners, and 25 % Australian IPO shares. Latin America, specifically Petroleo Brasileiro SA Petrobras drive the large high exposure and high earning in the international investments. This is due in mostly to being largely government owned and strict dividend policies. It is GQG policy that they can have no more than 20% index weighted investments in any one country. Currently, China and Taiwan are slightly overweight.

FUTURE MEETING

The next meeting was scheduled for Wednesday, October 9, 2024, at 3:00 p.m.

ADJOURNMENT

It was **moved** by Foster and **seconded** by Buselmeier to adjourn the meeting at 4:20 p.m.
Meeting adjourned at 4:20 p.m.

G-5 Administrative Policy Committee Minutes – September 10, 2024

Following are the Administrative Policy Committee minutes from the meeting convened at 3:02 p.m. on September 10, 2024:

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

DC PLANS STATUS UPDATE

Ms. Orcutt presented the draft of the force out cover letter that is required to be sent to participants. The committee made minor revisions to the cover letter. Ms. Orcutt noted that there are approximately 88 termed participants in the 457 with a balance of less than \$7,000.

Mr. Monroe and Mr. Schreier questioned the IRA rollover fixed account and inquired whether there are other options that would pay more i.e. money market, CD, other fixed income options. Ms. Orcutt will follow up with Voya and Innovest and discuss with the Board next week.

DISCUSS IMPLEMENTING INCREASED AGE 60 CATCH UP PROVISION

Ms. Orcutt presented the Secure 2.0 Act optional provision for age 60 catch ups. Ms. Orcutt noted that this would require a change to the payroll system which is why it is being presented now even though it is not effective until 2025. The committee discussed and decided to recommend approving this provision to the Board.

It was **moved** by Schreier and **seconded** by Grimes to present the Age 60 Catch Up provision to the Board for approval.

Approved

DISCUSS IMPLEMENTING IN-SERVICE DISTRIBUTIONS PROVISIONS

Mr. Monroe discussed the In-Service Distribution provision for participants who are age 59 and ½. . The committee discussed and decided to recommend approving this provision to the Board.

It was **moved** by Grimes and **seconded** by Buselmeier to recommend that the Board amends the 457 plan to allow In-Service Distributions for those age 59 1/2.

Approved

457 STAY IN THE PLAN AND SAFETY GUARANTEE FLYERS

Ms. Orcutt presented the 457 Stay in the Plan and Safety Guarantee Flyers. The committee discussed revisions to the flyers to match the force out cover letter (requires vs permits).

PERSONNEL MATTER

Ms. Orcutt and the Committee convened a close session to discuss a personnel matter.

Closed session started at 3:45 p.m. and the Committee reconvened at 4:10 p.m.

OCTOBER APC DATE

Ms. Orcutt and the Committee agreed to hold the next Administrative Policy Committee meeting on October 8, 2024, at 3:00 p.m. at the Pension office.

ADJOURNMENT

It was **moved** by Schreier and **seconded** by Lynch to adjourn the meeting at 4:15 p.m.
Meeting adjourned at 4:15 p.m.

G-6 Audit Committee Minutes – September 12, 2024

Following are the Audit Committee minutes from the meeting convened at 10:03 a.m. on September 12, 2024:

Committee Members Present: Buselmeier (Via TX), Monroe (Via TX), Nerdrum (Via TX)
Members Absent: None
Other Trustees Present: None
Staff Present: Buffone, Lieder, Orcutt (Via TX)
Others Present: Jim Anderson, GRS Consulting (Via TX)
Rich Koch, GRS Consulting (Via TX)
Kurt Dossou, GRS Consulting (Via TX; departed at 10:35am)
Jim Pranschke, GRS Consulting (Via TX; departed at 10:35am)

DISCUSS HEALTH CARE PREMIUMS

Mr. Pranschke of GRS Consulting discussed the self-insured premium development process. Mr. Pranschke presented 2 exhibits which outlined 12 processes and the premium development for the FYE 7/1/2024 OPEB valuations for the City of Ann Arbor. Mr. Anderson and Ms. Nerdrum discussed different levels of conservatism, and which one would be more appropriate. Ms. Nerdrum expressed concern on not being too conservative.

GASB STATEMENTS 67/68 AND 74/75

The Committee reviewed the GASB Statements 67/68 and 74/75 from Mr. Anderson's presentation. Mr. Anderson discussed the schedules of required supplementary information and schedule of changes in net pension liability and related ratios multiyear. Mr. Monroe commented on the assumptions and how the 1971 tables used for the Optional Factors may impact the valuations. Ms. Nerdrum brought up marriage assumptions used in the valuations and would like GRS to look into this topic in the future.

It was **moved** by Monroe and **seconded** by Nerdrum to recommend the GASB reports be presented to the Board to review and approve.

Approved

FYE UPDATE – AUDIT AND ACTUARY

Ms. Orcutt and Ms. Buffone discussed the audit process stating it went smoothly and reports were submitted in a timely manner.

FUTURE MEETINGS

The next Audit Committee meeting is Tuesday, October 8, 2024, at 4:00 p.m.

The next regular Board meeting is scheduled for Thursday, September 19, 2024, at 8:30 a.m.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Buselmeier to adjourn the meeting at 10:56 a.m.

Meeting adjourned at 10:56 a.m.

G-7 Legal Report – None

Mr. VanOverbeke discussed Treehouse litigation.

It was **moved** by Schreier and **seconded** by Foster acknowledging receipt of settlement from general counsel with regards to Treehouse, Suites Inc dated September 19th, 2024.

Approved

H. INFORMATION (Received & Filed)

H-1 Communications Memorandum

H-2 September Planning Calendar

H-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	\$593.45	GFOA, Kroger x2, S&J Cleaning, Culligan x2
2	Applied Innovations	\$34.96	Printing Services 7/2024
3	Rhumblin HEDI	\$19,436.00	Investment Manager Fee 4/1/2024 to 6/30/2024
4	DTE Electric	\$254.36	Electric 7/13/2024 to 8/12/2024
5	DTE Gas	\$17.28	Gas 7/13/2024 to 8/12/2024
6	Loomis Sayles	\$42,316.51	Investment Manager Fee 4/1/2024-6/30/2024
7	Meketa	\$10,000.00	Investment Consulting Fee 7/2024
8	Staples	\$23.32	Post-Its and Page Flags
	Total	\$72,675.88	

H-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
Rebecca Singer	Age & Service	9/13/2024	Police	AAPOA	26 Years, 3 Months	Safety Services

H-5 Analysis of Page Views on Retirement System Website

H-6 2024 Board Election Schedule

**City of Ann Arbor Employees' Retirement System &
Retiree Health Care Benefit Plan & Trust
Board of Trustees**

2024 ELECTION SCHEDULE

Two Trustee seats are up for election for the three-year term: January 1, 2025 - December 31, 2027:

- Citizen Member Trustee seat expiring: Alexa Nerdrum
- Police Member Trustee seat up for election: David Monroe
- Employee Member Trustee seat up for election: Jen Grimes

October 3: Election notices will be sent for electronic posting on A2 Central, A2 News, and Ultipro. The election notice will indicate the deadline for Declarations of Candidacy, which will be 5:00 p.m., November 8, 2024.

November 8: 5:00 p.m. deadline for Declarations of Candidacy.

November 14: Notices announcing election candidates will be posted as indicated above.

December 2: Deliver ballots and election materials to City Clerk's office & outlying areas (if applicable).

December 11 & 12: Election dates.

December 19: Board certification of elected candidates followed by a general announcement to all employees via electronic formats.

I. TRUSTEE COMMENTS / SUGGESTIONS

J. **ADJOURNMENT**

It was **moved** by Nerdrum and **seconded** by Schreier to adjourn the meeting at 9:44 a.m.
Meeting adjourned at 9:44 a.m.

Wendy Orcutt

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