

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
May 21, 2015**

The meeting was called to order by Alexa Nerdrum, Vice-Chairperson, at 8:50 a.m.

ROLL CALL

Members Present: Clark, Flack, Hastie, Heusel, Monroe, Nerdrum
Members Absent: Crawford, Powers
Staff Present: Kluczynski, Walker
Others: Michael VanOverbeke, Legal Counsel

AUDIENCE COMMENTS – None

A. APPROVAL OF REVISED AGENDA

Ms. Walker requested that the Resolution to Hire Constitution Capital be added to the agenda as item D-4 per the Investment Policy Committee. The Board agreed.

It was **moved** by Heusel and **seconded** by Clark to approve the agenda as revised.

Approved

B. APPROVAL OF MINUTES – April 16, 2015

It was **moved** by Hastie and **seconded** by Monroe to approve the April 16, 2015 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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Tamera Jones	General	9 years, 6 months	City of Allen Park

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 Purchase of Military Service Time

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, Section 1:561(e) of the Retirement Ordinance, Chapter 18 of the Code of the City of Ann Arbor allows for prior Military Service Credit, and

WHEREAS, the Board is in receipt of an Application for Purchase of Military Service Time, 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 purchase of Military Service Time:

Name	Employee Group	Requested Military Service Time	Requested Method of Payment	Cost for Purchase of Military Service Time
Scott Rathbun	General	3 years, 8 Months	Combination: Lump Sum & Payroll Deductions	\$ 12,717.48

FURTHER RESOLVED, that the applicant(s) purchasing Military Service Time be notified of the amount of money necessary to buy the Military Service Time, and upon full payment, the member(s) shall be credited the service time.

It was **moved** by Hastie and **seconded** by Clark to approve the Consent Agenda as submitted.

Approved

D. ACTION ITEMS

D-1 Revised FOIA Policy

Mr. VanOverbeke reviewed the revised FOIA Policy which occurred last year at the end of the legislative session with the adoption of Public Act 563, and becomes effective July 1, 2015. The Policy includes a summary page and the necessary forms for filing a FOIA request.

It was **moved** by Heusel and **seconded** by Hastie to accept and approve the revised FOIA Policy as presented.

Approved

D-2 Annual Disability Re-Examinations

Ms. Walker submitted a letter indicating that:

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 RE-EXAMINATION	EXECUTIVE DIRECTOR'S RECOMMENDATION FOR RE-EXAMINATION
Ralonda Robinson	January 17, 2013	July 28, 2014	Yes

It was **moved** by Hastie and **seconded** by Clark to request that Ms. Robinson be sent for an annual disability re-examination per the Board's policy.

Approved

D-3 Drafted Retroactive Recalculation of Retirement Benefits Policy

Mr. VanOverbeke stated that this item includes a drafted policy, as well as two legal opinions that he has provided for discussion, and recommends that the Board convene an Executive Session due to review of personnel matters.

It was **moved** by Hastie and **seconded** by Clark to convene an Executive Session for the purpose of discussing the drafted Retroactive Recalculation of Retirement Benefits Policy.

Approved

Roll call vote:

Clark – Yes	Hastie – Yes	Nerdrum - Yes
Crawford - Absent	Heusel – Yes	Powers - Absent
Flack – Yes	Monroe - Yes	

Executive session time: 9:10 a.m. – 10:04 a.m.

It was **moved** by Hastie and **seconded** by Clark to receive and file the legal opinions as presented, and direct legal counsel to prepare revisions to the Board's Retroactive Recalculation of Retirement Benefits Policy consistent with the discussion in closed session and the opinions provided by the Board's legal counsel, and that such amendments to the policy be provided to the Administrative Policy Committee for its next meeting for their review and consideration and that this item be brought back before the Board at its next meeting.

Approved

D-4 Resolution to Hire Constitution Capital as Part of the Private Equity Allocation Program

Mr. Hastie provided an overview of how a private equity fund works, a brief history of Constitution Capital, and reviewed the following resolution as recommended by the Investment Policy Committee:

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, and the Board of Trustees have discussed an allocation to private equity in the amount of a 3% target, and

WHEREAS, a potential managers, Constitution Capital Partners, presented their investment strategies to the IPC on May 5, 2015, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with Constitution Capital Partners, Ironsides Co-Investment Fund III, so be it

RESOLVED, that the Board of Trustees approves the hiring of Constitution Capital Partners in the initial amount of \$12 million with a tentative total investment of \$21 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

It was **moved** by Clark and **seconded** by Flack to approve the Resolution to Hire Constitution Capital as Part of the Private Equity Allocation Program, with \$12 million in the City of Ann Arbor Employees' Retirement System, and 50/50 in both Ironsides Funds.

Approved

E. DISCUSSION ITEMS

E-1 Dashboard Concepts Discussion

This item was postponed until the June regular Board meeting so that Mr. Crawford may be present to participate in the discussion.

E-2 Request for Proposals (RFP) Schedule

The Board reviewed the schedule for conducting RFP's, which indicated that RFP's are due for both the legal and actuarial service providers. After discussion, it was decided that an actuarial RFP be conducted this year, and the in-state legal RFP be conducted in May 2016.

E-3 Consistency in Credited Service

The Board discussed situations where the City as the employer may enter into agreements, or be subject to grievance and arbitration settlements with certain employees, that may affect their benefits. Legal counsel and the Board reviewed the role and obligations of the Board, which may have limited or no input into these employee relations or contractual settlements, and its proper role in the enforcement of pension ordinance rules and requirements.

F. REPORTS

F-1 Executive Report – May 21, 2015

SUMMIT CAPITAL CALLS

Summit Partners Credit Fund II, L.P. (the "Fund") has called capital in the amount of one half percent (0.5%) of the Retirement System commitment to the Fund, or **\$46,000**, on May 7, 2015. With this installment, the System has funded twenty one and seven-tenths percent (21.7%) of the total commitment of \$9,200,000.

Summit Partners Credit Fund II, L.P. (the "Fund") has called capital of one half percent (0.5%) of the VEBA's commitment to the Fund, or **\$11,500** on May 7, 2015. With this installment, the System will have funded twenty one and seven-tenths percent (21.7%) of the total commitment of \$2,300,000.

Summit Partners Credit Fund II, L.P. (the "Fund") has called capital for current commitments in the amount of three tenths percent (0.3%) of the Retirement System commitment, or **\$27,600** for May 26, 2015. With this installment, the System will have funded twenty two percent (22.0%) of the total commitment of \$9,200,000.

Summit Partners Credit Fund II, L.P. (the "Fund") has capital for current commitments in the amount of three tenths percent (0.3%) of the VEBA commitment, or **\$6,900**, for May 26, 2015. With this installment, the System will have funded twenty two percent (22.0%) of your total commitment of \$2,300,000.

DRA DISTRIBUTIONS

DRA Growth and Income Fund made the following distribution to the VEBA on May 15, 2015.

<u>Fund Level</u>	<u>Investor Share</u>
Gain on Sale: \$ 0	
Return of Capital: 0	
Cash from Operations (Dividend): 7,400,000.00	\$ 13,713.00
Asset Management Fee: (1,588,499.00)	<u>(2,942.00)</u>
Total \$5,811,501.0	\$10,771.00

The VEBA's remaining commitment to the Fund is \$1,964,544.00.

DRA Growth and Income Fund made the following distribution to the Retirement System on May 15, 2015.

<u>Fund Level</u>	<u>Investor Share</u>
Gain on Sale: \$ 0	
Return of Capital:\$ 0	
Cash from Operations (Dividend): \$7,400,000.00	\$ 46,625.00
Asset Management Fee: (1,588,499.00)	<u>(10,002.00)</u>
Total \$5,811,501.00	\$36,623.00

The RS's remaining commitment to the Fund is \$6,679,450.00.

MANAGER UPDATES

90% of Optima Discretionary Macro Fund Class B redemption in the amount of **\$5,373,085** was distributed to the System April 21, 2015. These proceeds funded the remainder of the Tse Capital allocation (\$1.4 million) with additional disbursement proceeds to Och Ziff (\$2.8 million) on 5-1-2015, with the balance to cash for benefit payments funding for 5-1-2015.

STAFF ACTIVITY

At the request of the Field Operations Services manager, Nancy and Dan conducted a mini retirement seminar on May 14th at the Wheeler Center before regular work hours so that this group of mostly "in the field" employees could receive training on the ESS and retirement concepts. Four employees attended - the room was set up for twelve. RS staff has offered to do more seminars for this group in pre-work hours through the summer to reach more employees.

A site called Retirement Resources has been added to the A2 Central intranet site. This contains the link to the ESS calculation, the Employee Handbook, Social Security and IRS websites. Because the new intranet is planned to be rolled out May 19, the announcement of the site in the A2 newsletter (internal communication) will also occur on that date.

Attendance at the retiree luncheon is trending at over 145, a record high.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended April 30, 2015

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended April 30, 2015 to the Board of Trustees:

4/30/2015 Asset Value (Preliminary)	\$478,754,927
3/31/2015 Asset Value (Audited by Northern)	\$476,718,316
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$16,122,972
Percent Gain <Loss>	3.4%
May 20, 2015 Asset Value	\$485,929,711

F-3 Investment Policy Committee Minutes – May 5, 2015

Following are the Investment Policy Committee minutes from the meeting convened at 3:13 p.m. on May 5, 2015:

Member(s) Present: Clark, Flack (via tx @ 3:39 p.m.), Monroe
 Member(s) Absent: Hastie
 Other Trustees Present: None
 Staff Present: Kluczynski, Walker
 Others Present: Henry Jaung, Meketa Investment Group

MARCH 31, 2015 QUARTERLY INVESTMENT REVIEW

Mr. Jaung stated that as of March 31, 2015, the Retirement System was valued at \$476.2 million, an increase of \$0.6 million for the fiscal year to date. For the fiscal year to date, the Retirement System reported net cash outflows of approximately \$15.3 million. The Retirement System returned 2.2% for the first quarter, net of fees. At the end of March, the Retirement System was within all of its asset allocation target ranges.

Mr. Jaung discussed the private equity review and the current classification of Summit Credit Fund II, L.P.:

The City of Ann Arbor Employees' Retirement System has a 3% target allocation to private equity, or approximately \$15 million. The Retirement System currently has approximately \$1.9

million, or 0.4% of the total Fund's assets, invested in private equity with the Summit Credit Fund II, L.P. The total commitment to Summit Partners is \$9.2 million. Depending on the classification of Summit Credit Fund II, L.P., the amount available to private equity investment will change.

To maintain and approach the target allocation, the Retirement System will need to make additional commitments of approximately \$14 million to private equity during 2015. Meketa Investment Group ("MIG") recommends the Trustees consider adding a select fund of funds investment and co-investment partnership to continue to build private equity exposure. An overview of a potential private equity portfolio allocation is provided, and a potential private equity fund of funds and co-investment manager, Constitution Capital Partners, will be highlighted at this meeting. Mr. Jaung recommends that Summit Credit Fund be classified as high yield in both the Retirement System and VEBA.

CONSTITUTION CAPITAL PARTNERS PRESENTATION

Daniel Cahill & John Guinee, Managing Partners

Daniel Cahill & John Guinee were present to discuss Constitution Capital Partners, a private equity firm focused exclusively on North American small/mid-cap buyout fund investments and direct investments.

- Experienced team of investment professionals that have invested 8 funds totaling \$3.1 billion
 - Formed firm 2/08; Partners have invested together for over 26 years
 - 106 individual investments (including 1 pending)
 - Deep relationships across North America
 - Value driven shop focused exclusively on small/mid-cap buyouts

- Strategic partnership with Universities Superannuation Scheme ("USS") with commitments totaling \$1.35 billion
 - USS-Constitution Fund I = \$750 million (June 2008)
 - USS-Constitution Fund II = \$600 million (July 2012)

- Ironsides II
 - Ironsides II = \$230 million (closed January 2012)

- Ironsides III - \$450 million – Currently in the market
 - Ironsides Partnership Fund III = \$225 million target
 - Ironsides Co-investment Fund III = \$225 million target

- Ironsides III has closed on roughly \$300 million and anticipates having a final closing in May of 2015

Further discussion ensued after Mr. Cahill and Mr. Guinee departed, and it was decided that the Committee will make a recommendation to invest in Constitution Capital's Ironsides III Fund:

*It was **moved** by Monroe and **seconded** by Clark to make a recommendation to the Board of Trustees at the May 21, 2015 meeting to invest in Constitution Capital's Ironsides III Fund in private equity, with a \$12 million starting commitment, and a total commitment of \$21 million.*

Approved

ADJOURNMENT

*It was **moved** by Clark and **seconded** by Monroe to adjourn the meeting at 5:46 p.m.*

Meeting adjourned at 5:46 p.m.

Following are the Administrative Policy Committee minutes from the meeting convened at 3:02 p.m. on May 12, 2015:

Committee Members Present: Monroe, Heusel (via telephone)
Members Absent: Crawford
Other Trustees Present: None
Staff Present: Kluczynski, Walker
Others Present: None

REVISED DRAFT – ETHICS POLICY

The Committee further reviewed the drafted Ethics Policy, specifically, language regarding gifts and gratuities, meals, conferences. After further language review, Mr. Heusel volunteered to provide a redline version of section six for the Committee's consideration at the June meeting.

DASHBOARD CONCEPTS

Ms. Walker stated that this item comes from her 2014 evaluation, and that she isn't clear of what the Committee is looking for as far as a project listing. The Committee agreed to add this to the May Board meeting agenda so that more Trustees can weigh in on what is being requested in this matter.

Executive Director Evaluation: The Committee also decided to discuss Ms. Walker's 2015 evaluation at the next APC meeting on June 9th.

RFP Schedule: Mr. Monroe suggested that the RFP schedule be reviewed to see which service providers are due for review. It was decided that staff would place the current schedule on the May Board meeting agenda for discussion with the full Board to determine a timeline for upcoming RFP's.

DISCUSSION REGARDING CONSISTENCY IN CREDITED SERVICE

Ms. Walker advised the Committee of a current situation involving consistency with credited service and various City-Employee agreements that are being created without consideration of pension consequences. After discussion, the Committee decided to request a legal opinion indicating what their role is when it comes to City-Employee agreements when it comes to pension matters. Ms. Walker was requested to speak with Mr. VanOverbeke before the May Board meeting with the hopes of getting a written opinion for further discussion with the full Board of Trustees.

ADJOURNMENT

It was **moved** by Monroe and **seconded** by Heusel to adjourn the meeting at 3:58 p.m.
Meeting adjourned at 3:58 p.m.

F-5 Audit Committee Minutes – No Report

F-6 Legal Report – Recent Legal Issues & Decisions

Mr. VanOverbeke reviewed a summary report of recent legal issues and decisions of interest to Michigan public retirement and healthcare plans. Received and filed.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 June Planning Calendar

G-3 Record of Paid Invoices

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

	PAYEE	AMOUNT	DESCRIPTION
1	Hasselbring-Clark Co.	43.57	Monthly copier cost per copy – March 2015
2	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – May-July 2015
3	Buck Consultants	8,755.83	Monthly hosting fees, qrtly instlmt, 3 rd GASB 67 instlmt
4	The Berwyn Group	1,000.00	Ins. Special audit & analysis April 2015-March 2016
5	DTE Energy	81.31	Monthly Gas Fee dated April 15, 2015
6	DTE Energy	179.16	Monthly Electric Fee dated April 15, 2015
7	Loomis, Sayles & Company	46,586.85	Inv. management fees – 1/1/2015-3/31/2015
8	United States Postal Service	281.85	Pre-stamped envelopes, box of 500
9	AT&T	305.25	Monthly telephone service
10	B Green and Clean	210.00	Office cleaning services for February & March 2015
11	Culligan	7.00	Water service – May 2015
12	Meketa Investment Group	9,166.66	Investment Consultant Retainer - April 2015
13	Comcast	85.24	Monthly Cable Fee
14	Fisher Investments	63,523.48	Investment mgmt fees: 1/1/2015 – 3/31/2015
15	VanOverbeke, Michaud & Timmony, PC	5,390.00	Fees for legal services: 6/1/2014 – 8/31/2014
	TOTAL	135,706.20	

G-4 Retirement Report

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

Name	Type of Retirement	Effective Date	Group	Years of Service	Service Area
Timothy Flack	Age & Service	May 15, 2015	Fire	24 years, 5 months	Safety Services Fire Department
Lynn Renaud	Age & Service	June 5, 2015	General	7 years, 6 months	Public Services Wastewater Treatment
Leszek Sipowski	Age & Service	June 6, 2015	General	21 years, 4 months	Public Services Project Management
John Seto	Age & Service	August 1, 2015	Police	25 years, 3 months	Safety Services Police Department

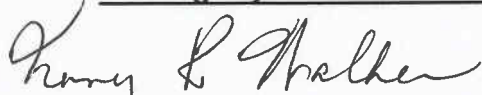
G-5 36 South Periodic Report – January-March 2015

H. **TRUSTEE COMMENTS - None**

I. **ADJOURNMENT**

It was **moved** by Heusel and **seconded** by Hastie to adjourn the meeting at 11:14 a.m.

Meeting adjourned at 11:14 a.m.



Nancy R. Walker, Executive Director
City of Ann Arbor Employees' Retirement System

u:\pension\Minutes-2015\BDMTG MAY 2015.doc