

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
May 18, 2017**

The meeting was called to order by Alexa Nerdrum, Board Vice-Chairperson, at 8:57 a.m.

ROLL CALL

Members Present: Crawford, DiGiovanni, Hastie, Heusel, Lynch, Monroe, Nerdrum
Members Absent: Clark, Flack
Staff Present: Hammond, Gustafson, Kluczynski, Orcutt
Others: Michael VanOverbeke, Legal Counsel
Jason Ashline, ICMA-RC
Rola Ismail, ICMA-RC

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 April 20, 2017 Regular Board Meeting

It was **moved** by Hastie and **seconded** by Crawford to approve the April 20, 2017 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	Reciprocal Service Credit	Prior Reciprocal Retirement Unit
Melissa Bondy	General	9 years, 7 months	Cities of Farmington, Farmington Hills, and Novi

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 Crawford and **seconded** by Hastie to approve the Reciprocal Retirement Act – Service Credit resolution as submitted.

Approved

D. ACTION ITEMS

D-1 Annual Disability Re-Examinations

Ms. Orcutt submitted a memo 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	June 16, 2016	Yes

It was **moved** by DiGiovanni and **seconded** by Crawford to direct the disability re-examination of Ralonda Robinson consistent with the Board’s Disability Retirement Procedures.

Approved

D-2 Resolution to Invest in First Eagle Gold 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, Meketa as the Retirement System’s investment consultant, the Investment Policy Committee, and the Board of Trustees have discussed an allocation to Natural Resources, and

WHEREAS, the potential manager, First Eagle Investment Management LLC presented their investment strategy to the IPC on May 2, 2017, and

WHEREAS, Meketa and the Investment Policy Committee have recommended an investment with First Eagle Investment Management LLC, and

WHEREAS, Meketa Investment Group has recommended funding First Eagle from Domestic Equity with a total commitment of approximately 3% of the portfolio, with initial funding of 1.5% of the portfolio, so be it

RESOLVED, that the Board of Trustees approves the hiring of First Eagle Investment Management LLC with an investment in the amount of approximately 3% of the portfolio, pending review of investment management documents by the Board’s legal counsel and any recommended additional due diligence

It was **moved** by DiGiovanni and **seconded** by Crawford to approve the Resolution to Invest in First Eagle Gold Fund, with initial funding of 1.5%, giving the IPC the latitude as to the timing of the remaining 1.5% investment, for a total commitment of approximately 3% of the portfolio.

Approved

D-3 Drafted Letter to City Council Regarding Fossil Fuel Divestment

Mr. Hastie reviewed the letter regarding Fossil Fuel Divestment as drafted by Ms. Orcutt and Mr. Jaung, stating that this is a follow up to the letter sent in October 2013. Mr. Hastie stated that the letter basically indicates that the costs are still too high, the tools are not quite available yet, and even if we felt that the investment premise was there, the tools are not there to have a cost-effective solution so it would be expensive to move into this area. Mr. Crawford also noted that the letter states that the Board will continue to monitor this issue and will advise the Council of any future developments; this will eliminate the need for an annual report on behalf of the System.

It was **moved** by DiGiovanni and **seconded** by Monroe to acknowledge receipt of the Drafted Letter to the Mayor and City Council regarding Fossil Fuel Divestment, and direct that the letter be forwarded to the Mayor and City Council as presented.

Approved

D-4 Executive Director’s Goals & Objectives

Ms. Orcutt reviewed the listing of her Goals and Objectives as discussed at the May 9th APC meeting. There were no additions or changes made to the listing at this time.

It was **moved** by Crawford and **seconded** by Hastie to approve the Executive Director’s Goals & Objectives as presented.

Approved

D-5 Temporary Services Contract for N. Gail Jarskey

Mr. VanOverbeke stated that the Temporary Services Contract has been placed on this agenda in order to have it finalized before July, noting that it is consistent with contracts used in the past, as well as being consistent with the City's current template for returning employees and contractors. Mr. VanOverbeke stated that there are no additional benefits included, the starting date and pay rate are yet to be determined, and noted that the City is able to set up the payments through their payroll system. Ms. Orcutt stated that she will be speaking with Ms. Jarskey in the near future, and will provide a report at the June Board meeting regarding the agreed pay rate and starting date.

It was **moved** by DiGiovanni and **seconded** by Crawford to approve the Temporary Services Contract for N. Gail Jarskey as submitted, with a rate to be established by the Executive Director consistent with the Board's discussion.

Approved

E. DISCUSSION ITEMS

E-1 Actuarial RFP Timing

The Board discussed whether the Actuarial RFP should be conducted this year considering the Retirement Staff turnover, cross training, and many other administrative projects. After further discussion, It was decided that the RFP should be conducted in calendar year 2018 rather than 2017 as originally scheduled.

F. REPORTS

F-1 Executive Report – May 18, 2017

SUMMIT PARTNERS

Summit Partners issued a recallable refund of capital in the amount of **\$1,137,879** for the Retirement System and **\$284,470** for the VEBA from the Credit Fund II on 4/17/17.

INVESCO DISTRIBUTION

The Retirement System received INVESCO Mortgage Recovery Loans AIV, L.P. distribution on 4/11/17 in the amount of **\$1,230,528** comprised of \$ **774,566** return of capital and **\$455,962** realized gains.

STAFF OPERATIONS/UPDATE

The Pension Analyst conducted 4 pre-sessions, completed 12 estimates, 5 final calculations and processed four deaths.

Corbin Hammond, Safety Liaison for the Retirement System Staff, will be holding "Micro" trainings at the bi-weekly staff meetings.

Wendy Orcutt and Corbin Hammond met with Finance and the new Auditors on April 18 for an introduction and discussion on first year audit procedures. Auditors will be onsite on June 14 to conduct preliminary fieldwork.

Interviews for the Management Assistant Position were conducted on 5/3/17. Three candidates were interviewed with Sharie Sell, Lora Kluczynski and ED. Two of those applicants advanced and second interviews were conducted 5/9/17 with full Staff, Julie Lynch and Sharie Sell.

Staff met with Kyle Spade from IT on 5/10 to discuss data consolidation project.

Wendy Orcutt will be at MAPERS 5/20-5/23. Corbin Hammond at GFOA training 5/21-5/24.

DUAL PLAN UPDATE

- Administrative Agreement has been fully executed.
- ED is meeting with ICMA and HR on 5/16 at City Hall to discuss the automation of ICMA-RC's participant forms.
- Conference call with auditors on Friday 5/12 to discuss treatment of contributions, reporting requirements, G/L accounts needed, etc. in advance of Fiscal Year End.

OTHER

The Annual Retiree Luncheon is on May 25. Please RSVP with Lora if you plan to attend.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended April 30, 2017

Corbin Hammond, Accountant, submitted the Financial Report for the month ended April 30, 2017 to the Board of Trustees:

4/30/2017 Asset Value (Preliminary)	\$487,923,572
3/31/2017 Asset Value (Audited by Northern)	\$485,502,487
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$24,206,799
Percent Gain <Loss>	5.1%
May 17, 2017 Asset Value	\$484,413,633

F-3 Investment Policy Committee Minutes – May 2, 2017

Following are the Investment Policy Committee minutes from the meeting convened at 3:04 p.m. on May 2, 2017:

Member(s) Present: Clark, DiGiovanni, Flack (via tx 3:36), Hastie, Monroe
Member(s) Absent: Crawford
Other Trustees Present: None
Staff Present: Hammond, Orcutt
Others Present: Henry Jaung, Meketa Investment Group
Keith Beaudoin, Meketa Investment Group
David Diephuis, City Resident

GQG PARTNERS

Mr. Jaung advised the Committee that GQG has notified Meketa that the emerging markets equity commingled pool the IPC selected had broached the ERISA asset limit of 25% of the commingled pool. This necessitated a new ERISA Trust for ERISA assets, and although CAAERS is technically not an ERISA plan, it should be treated like an ERISA plan. Meketa was told by GQG that it will be at least 60-120 days before a new ERISA Trust is formed. He noted that with the current Fund there is weekly liquidity, and with the new ERISA Trust, there will be daily liquidity. The question is whether to go into the current fund as planned, or wait for the new one to open up in 2-3 months. After further discussion, the Committee decided to leave the money in the NT Index Fund for now and wait for GQG's second fund to open. Meketa will keep the Committee advised of further status updates.

MARCH 31, 2017 QUARTERLY PERFORMANCE UPDATE

As of March 31, 2017, the balance of the Fund was \$484,814,876, up 9.2% fiscal year-to-date, and is up 1.1% for April. Mr. Jaung stated that the Fund's overweight in small and mid-cap helped the domestic equity aggregate to outperform its benchmark the 12 months ending and FYTD ending 3/31/2017 and suggested that in June the Committee should discuss which areas to draw the next benefit payments.

GOLD FUND MANAGER PRESENTATIONS

Mr. Jaung and Mr. Beaudoin provided a brief review and comparison of the two Gold/Gold Mining managers prior to the presentations.

VAN ECK

Bill Best, Head of Institutional Group & Imaru Casanova, Deputy Portfolio Manager

Mr. Best and Ms. Casanova presented on behalf of Van Eck, including their history, team overview, stock selection, and investment process.

Summary: Established in 1955. Active, fundamental, bottom-up research and security selection as primary drivers of performance; Market selection and index construction to promote investability, liquidity, diversity, and transparency; Investable indices based on three key factors: liquidity, pure-play exposure, and diversification. \$4.2 billion in assets under management, 33 investment professionals, 234 full-time staff; 20 years' average portfolio manager experience in asset class; Global headquarters in NY with offices in Australia, China, Germany, and Switzerland.

FIRST EAGLE INVESTMENT MANAGEMENT

Brian Ralph, Vice President & Thomas Kertsos, Portfolio Manager

Mr. Ralph and Mr. Kertsos presented on behalf of First Eagle Investment Management, including their history, team overview, stock selection, and investment process.

Summary: Founded in the 1860's with the Gold Fund started in 1993; Independent asset management firm; significant family and employee ownership; \$105 billion of assets under management; \$17.9 billion Institutional Assets under management; 217 employees; the Arnhold family and key employees in the aggregate are one of the largest fee-paying investors across the First Eagle strategies.

Committee Discussion:

A lengthy discussion ensued regarding the two presentations, and the Committee ultimately decided that a recommendation should be made to the Board of Trustees to hire First Eagle Investment Management as the new Gold manager for both the Retirement System and Retiree Health Care Benefit Plan & Trust (VEBA) with 3% to the Retirement System and 3% for the VEBA. Mr. Hastie suggested that Mr. Jaung be available by telephone during the May 18th Board meeting in case other Board Members have questions regarding this fund, and Mr. Jaung agreed.

*It was **moved** by DiGiovanni and **seconded** by Clark to recommend at the May 18, 2017 regular meeting that the Board of Trustees approve the hiring of First Eagle Investment Management LLC, with an investment in the amount of approximately 3% funded from the Domestic Equity portfolio, with initial funding of 1.5% to both the Retirement System and the VEBA.*

Approved

FISHER INVESTMENTS FEE REDUCTION / ALLOCATION

Fisher had presented at the last IPC meeting, and was asked to review the current fee structure to see if there is any potential decrease to the fee. Currently, they are charging 88 basis points. Fisher has provided two new fee schedules for a separate account and the current commingled pool. After discussion, the Committee decided use the lower comingled pool fee schedule. The new proposed fee is 72 basis points. The committee asked Meketa to compare Fisher with other high conviction international equity managers at the June meeting.

FOSSIL FUEL REPORT FOR CITY COUNCIL

Mr. Hastie stated that he believes that a letter should be sent to City Council, and Ms. Orcutt stated that she will work with Mr. Jaung on drafting a letter for the Board's review. Mr. Monroe expressed his concern with sending the right message in the letter that divesting from fossil fuels is not a good financial decision, and that it could subject the System to additional, socially oriented issues down the road.

ADJOURNMENT

Meeting adjourned at 6:11 p.m.

F-4 Administrative Policy Committee Minutes – May 9, 2017

Following are the Administrative Policy Committee minutes from the meeting convened at 3:12 p.m. on May 9, 2017:

Committee Members Present:	Lynch, Monroe
Members Absent:	Heusel
Other Trustees Present:	Crawford (3:26)
Staff Present:	Kluczynski, Orcutt
Others Present:	None

EXECUTIVE DIRECTOR GOALS & OBJECTIVES

The Committee reviewed Ms. Orcutt's proposed Goals & Objectives, and decided that training and development should be added to the listing. A discussion ensued as to whether the Actuarial RFP should be conducted this year, considering Ms. Orcutt is so new to the System and should have more time to settle in before undertaking the RFP process. It was decided that this issue should be discussed by the full Board to get further input, and be placed on the May 18th Board meeting agenda as a discussion item along with a copy of the Board's current RFP/RFI Policy as a reference. Ms. Orcutt's Goals & Objectives will also be placed on the May 18th agenda as revised for the Board's approval.

ADMINISTRATION UPDATES

Management Assistant Position: Ms. Orcutt updated the Committee on the Management Assistant search, stating that the first round of interviews were conducted on May 3rd, with two of the candidates moving on to second interviews on May 9th. Ms. Orcutt hopes to announce the new staff member at the May 18th regular Board meeting.

Dual Plan Update: Ms. Orcutt stated that the Administrative Services Agreement has been fully executed by both the City of Ann Arbor Employees' Retirement System and ICMA representatives, and she plans to attend a meeting with HR and ICMA on May 16th to discuss future processes. Ms. Orcutt also reminded the Committee that ICMA will be present to provide fiduciary training to the Board of Trustees on May 18th directly following the Board meetings.

ADJOURNMENT

It was ***moved*** by Lynch and ***seconded*** by Crawford to adjourn the meeting at 4:05 p.m.
Meeting adjourned at 4:05 p.m.

F-5 Audit Committee Minutes – No Report

F-6 Legal Report

Mr. VanOverbeke provided a verbal report regarding happenings with the teacher’s union and the Governor’s intent to close their current hybrid plan and have them transition to a defined benefit plan. Mr. VanOverbeke stated that it is believed that public retirement systems could also be targeted in the future, and noted that it has been proven that a pure defined contribution plan is not a good long-term solution for public sector employees.

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	DTE Energy	118.52	Monthly Gas Fee dated April 13, 2017
2	DTE Energy	201.31	Monthly Electric Fee dated April 13, 2017
3	Culligan of Ann Arbor/Detroit	25.49	Water service – April 2017
4	Hasselbring-Clark Co.	74.26	Monthly copier cost per copy
5	Staples Advantage	159.87	Miscellaneous Office supplies
6	Allstar Alarm LLC	90.00	Quarterly alarm monitoring – May-July 2017
7	Fisher Investments	64,540.41	Investment manager fees: 1/1/2017 - 3/31/2017
8	Loomis, Sayles & Company	54,963.67	Investment manager fees: 1/1/2017 - 3/31/2017
9	Staples Advantage	58.76	Miscellaneous Office supplies
10	Culligan of Ann Arbor/Detroit	25.49	Water service – May 2017
11	Midwest Maintenance Services, Inc.	175.00	Office cleaning services for April 2017
12	Income Research & Management	3,978.22	Investment manager fees: 1/1/2017 - 3/31/2017
13	AT&T	535.99	Monthly telephone service
14	City of Ann Arbor Treasurer	123.06	ITSU Service Charge (K. Spade) for May 2017
15	Conduent HR Consulting, LLC	10,007.87	Berry EDRO, 3 rd Inst. for Act Svcs, hosting fees, & Amortization Policy Analysis at Retreat
	TOTAL	135,077.92	

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
Gloria Alexander-Bernardon	Age & Service	June 3, 2017	General	11 years, 9 months	15 th District Court

G-5 Analysis of Page Views on City Intranet / Retirement System Page

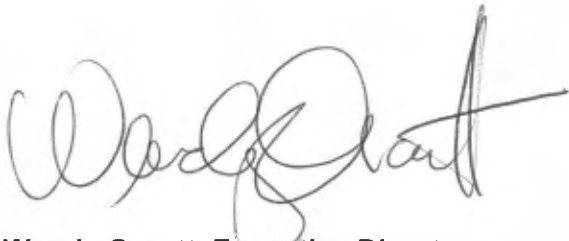
H. TRUSTEE COMMENTS / SUGGESTIONS

I. FIDUCIARY TRAINING WITH ICMA-RC

Jason Ashline and Rola Ismail from ICMA-RC were present to provide educational and fiduciary training with the Board of Trustees.

J. ADJOURNMENT

It was **moved** by Hastie and **seconded** by Lynch to adjourn the meeting at 11:30 a.m.
Meeting adjourned at 11:30 a.m.

A handwritten signature in black ink, appearing to read 'Wendy Orcutt', written in a cursive style.

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