

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
October 21, 2021**

B

The meeting was called to order by Board Chairperson, Jeremy Flack, at 8:36 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX, Ann Arbor, MI*), Flack(*Via TX, Wood County, OH*), Hastie(*Via TX, Ann Arbor, MI, 8:39 a.m. arrival*), Lynch(*Via TX, Dexter, MI, 9:00 a.m. depart*), Monroe(*Via TX, Green Oak Twp., MI, 10:06 a.m. depart*), Praschan(*Via TX, Ann Arbor, MI*)

Members Absent: Nerdrum, Peariso, Schreier

Staff Present: Buffone(*Via TX*), Gustafson(*Via TX*), Hollabaugh(*Via TX*), Orcutt(*Via TX*)

Others: VanOverbeke, Legal Counsel(*Via TX*)
Jim Anderson, GRS, (*Via TX, 9:36 a.m. depart*)
Rich Koch, GRS, (*Via TX, 9:36 a.m. depart*)
Francois Pieterse, GRS (*Via TX, 9:36 a.m. depart*)
Danielle Mathiesen, GRS (*Via TX, 9:36 a.m. depart*)
David Diephuis, *City Resident*(*Via TX*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

B. APPROVAL OF MINUTES

B-1 September 16, 2021 Regular Board Meeting

It was **moved** by Monroe and **seconded** by Lynch to approve the September 16, 2021 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
Stephen Longworth	General	Traditional	1 Year, 9.5 Months	Monroe County

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

Approved

D. ACTION ITEMS

D-1 Letter of Recommendation to Reappoint Alexa Nerdrum as Citizen Trustee

It was **moved** by Monroe and **seconded** by Lynch to approve the letter of recommendation to reappoint Alexa Nerdrum as Citizen Trustee for the term January 1, 2022 – December 31, 2024, and the letter be forwarded to the Mayor’s Office for consideration.

Approved

D-2 PRESENTATION: FYE June 30, 2021 Actuarial Valuation

Mr. Anderson, Mr. Pieterse and Mr. Koch were present to review the drafted Actuarial Valuation for fiscal year ending June 30, 2021.

Highlights

- The 2021 valuation reflects a change in the assumed investment return assumption from 6.9% to 6.8%.
- 2021 valuation reflects a 2% annual increase assumption for retiree members impacted by the minimum benefit provision
- The aggregate experience during 2021 was more favorable than assumed
- Funding Status – 88.35%

Looking Ahead

- Contribution rates should trend toward the long-term cost (normal cost) of the benefits over time.
- Asset smoothing helps reduce the volatility of the employer contributions
- Ann Arbor has prudent funding policy

GRS also discussed the topic of dedicated gains, noting that some systems have taken advantage of recent high rates of investment return to lower future expectations. Ann Arbor is currently reducing the return assumption 10 basis points per a year until reaching 6.50%. The Board briefly discussed the possibility of expediting this reduction rather doing so over the next 3 years. It was decided that it would be prudent to stay the course as this reduction is revisited every valuation prior to approval and was phased in to reduce the volatility in contributions.

It was **moved** by Monroe and **seconded** by Praschan to approve the Retirement System Valuation.

Approved

BOARD RECESS

The Board was called to recess at 9:95 a.m. for the purpose of holding the VEBA Board meeting to continue the Valuation updates for VEBA.

Meeting recessed at 9:40 a.m.

The meeting was reconvened at 9:56 a.m.

D-3 FYE June 30, 2021 Financial Statements

Ms. Orcutt informed the Board the Audit Committee previously reviewed the statements and recommended for approval.

It was **moved** by Monroe and **seconded** by Lynch to approve the Audit Financial Statements for the Fiscal Year Ended June 30, 2021 and to send copies to the City.

Approved

E. DISCUSSION ITEMS

E-1 MAPERS Conference Re-Cap from Attendees

Mr. Gustafson, Mr. Monroe, Ms. Praschan and Ms. Orcutt briefly reviewed the Fall MAPERS Conference, highlighting topics from various sessions.

E-2 Pension Administration Software RFP Update

Ms. Orcutt updated the Board of the status of the RFP. Staff has narrowed the selection down to two firms and have reviewed site demos. Staff will be preparing a summary sheet for Audit Committee to review and is prepared to decide in November.

E-3 Discussion on Nov/Dec Agenda Items

The Board reviewed the remainder of the Board meeting agenda items through December 2021.

F. REPORTS

F-1 Executive Report – October 21, 2021

DRA DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund IX on 9/17/21 in the amount of **\$624,756** for the Retirement System and **\$183,752** for the VEBA consisting of gains on sales, dividends and return of capital(unrecalable).

DRA issued a distribution from the Growth and Income Fund IX on 10/14/21 in the amount of **\$350,080** for the Retirement System and **\$102,965** for the VEBA consisting of gains on sales and return of capital(unrecalable).

CARLYLE DISTRIBUTION

Carlyle Realty Fund VIII issued a distribution in the amount of **\$283,604** for the Retirement System and **\$ 70,896** for the VEBA on 09/29/21. The distribution was netted against additional investment funding, fees and expenses.

BLACKROCK CAPITAL CALLS

BlackRock Global Renewable Power Infrastructure Fund III requested a capital call in the amount of **\$452,322** for the Retirement Plan and **\$169,621** for the VEBA on 10/14/21. Total commitments to this fund are \$8,000,000 for the Retirement Plan and \$3,000,000 for the VEBA.

SUMMIT PARTNERS CAPITAL CALL

Summit Partners Credit Fund III, L.P. requested a capital call in the amount of **\$741,635** for the Retirement Plan and **\$206,010** for the VEBA on 10/25/21. With these installments, **CAAERS** will have funded 110.43% of our total commitments of \$9,000,000 for the Retirement Plan and \$2,500,000 for the VEBA.

Summit Partners Credit Fund II, L.P. requested a capital call in the amount of **\$70,266** for the Retirement Plan and **\$17,566** for the VEBA on 10/26/21. With these installments, **CAAERS** will have funded 139.48% of our total commitments of \$9,200,000 for the Retirement Plan and \$2,300,000 for the VEBA.

BUCK CONVERSION

Currently, the site is functional, and Staff continues to meet with Buck weekly or as needed. Buck introduced a workflow feature called Tasknet that is part of this platform and has not been utilized by Staff. Buck will provide training on this in the coming weeks.

PENSION ADMINISTRATION SOFTWARE RFP

Milliman and GRS provided demo sites of their software to enable Staff and Audit Committee members to get a feel for both the participant and admin sites. Staff sent detailed follow up questions to both firms on October 8. ED will provide an update at the October Board meeting.

TRUSTEE ELECTION UPDATE

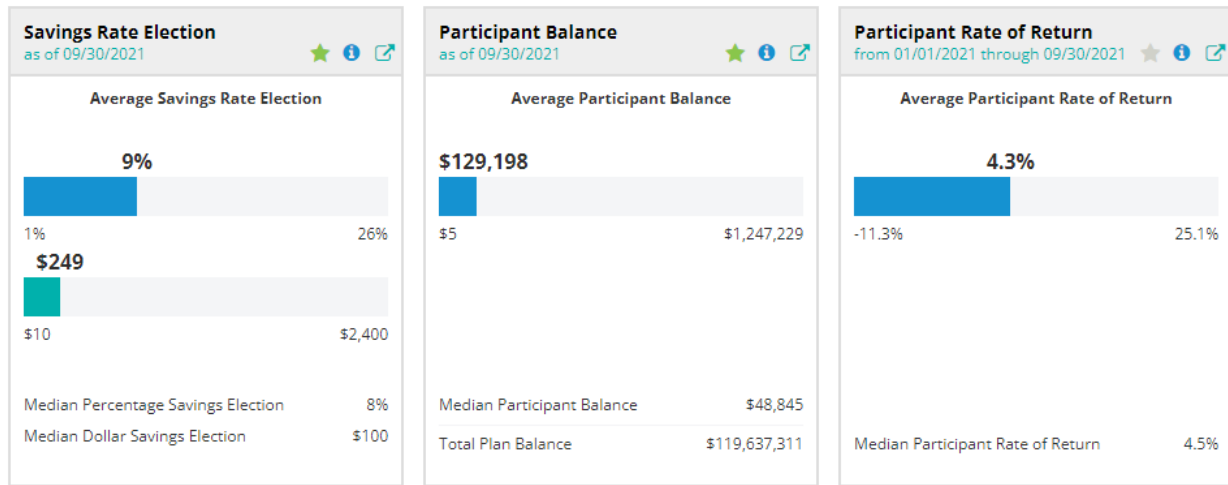
Election notices were sent out on 10/8 informing General and Police members that the deadline to submit their declaration is 11/5.

STAFF OPERATIONS/UPDATE

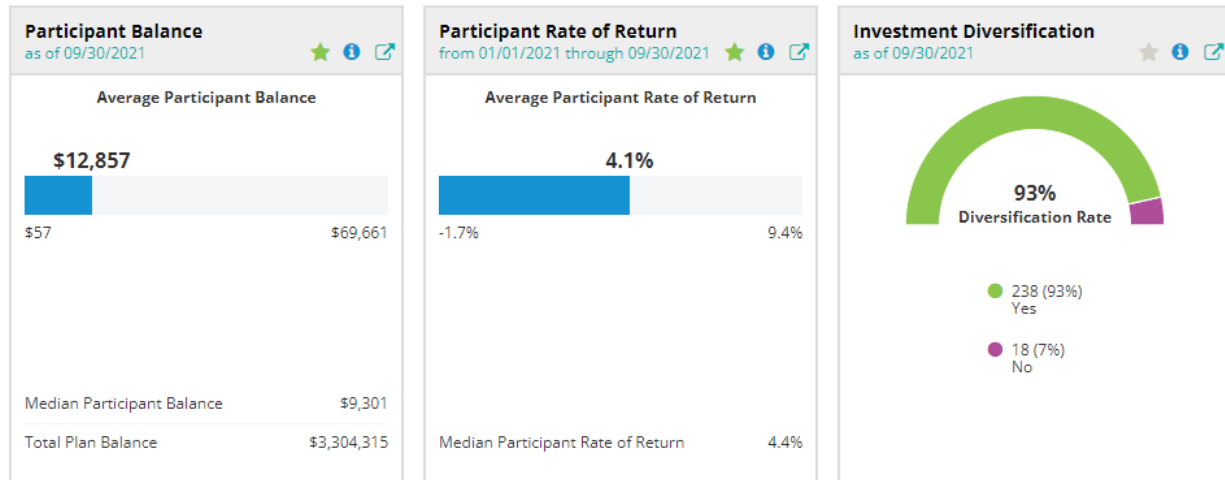
The Pension Analyst processed 56 estimates, 6 non-vested calculations, 2 payouts, 5 final calculations, 3 deceased calcs and 6 pre sessions.

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 10/13/21 - \$ 120,395,742 – Statistics as of 9/30/21



401 Balance at 10/13/21 – \$ 3,364,200 - Statistics as of 9/30/21



Current Items/Education:

The 457 and 401 contracts have been fully executed extending the term of the 401 until 1/1/2023 and incorporating the new fee structure.

Gina John has one-on-one consultations and a webinar scheduled for October 27-28, 2021.

Staff has received feedback from City departments regarding preference of in-person consultations vs virtual. Most sites prefer virtual meetings as more staff are working

remotely. In-person consultations will be offered for sites that expressed a preference to do so beginning in November but the group webinars will remain virtual.

Dan Stewart conducted 15 virtual appointments and 15 people attended the webinars during September 15th and 16th.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended September 30, 2021

Maria Buffone, Accountant, submitted the Financial Report for the month ended September 30, 2021 to the Board of Trustees:

9/30/2021 Asset Value (Preliminary)	\$631,120,042
8/31/2021 Asset Value (Audited by Northern)	\$649,166,423
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$61,846,323
Percent Gain <Loss>	10.6%
October 20, 2021 Asset Value	\$643,600,767

F-4 Investment Policy Committee Minutes – October 7, 2021

Following are the Investment Policy Committee minutes from the meeting convened at 3:08 p.m. on October 7, 2021:

Member(s) Present: DiGiovanni(via TX, Livonia, MI), Flack(via TX, Wood County, OH, 3:15 PM arrival), Hastie(via TX, Ann Arbor, MI, 4:10 PM depart), Monroe(via TX, Ann Arbor, MI) Praschan(via TX, Ann Arbor, MI, 3:28 PM arrival)

Member(s) Absent: None

Other Trustees Present: None

Staff Present: Buffone(via TX, 4:07 PM depart), Hollabaugh(via TX), Orcutt(via TX)

*Others Present: Henry Jaung(via TX), Meketa Investment Group
John Harris(via TX), Meketa Investment Group
Keith Beaudoin(via TX), Meketa Investment Group*

ECONOMIC AND MARKET UPDATE DATA AS OF AUGUST 31, 2021

Mr. Jaung provided an economic update reviewing the market returns, sector returns, breakeven inflation, and the impact of the pandemic.

EXECUTIVE SUMMARY

Angelo Gordon was hired last month to manage the direct lending portfolio for the ERS and VEBA. Private equity fund of funds is the next search for the ERS and VEBA.

RETIREMENT SYSTEM

Act 314 Compliance Review: Mr. Jaung reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

August 31, 2021 Performance Update: As of August 31, 2021, the balance of the Funds was \$646,164,853 for ERS. Fiscal Year to Date performance was 2.5% for ERS net of fees.

VEBA

Act 314 Compliance Review: Mr. Jaung reviewed the Act 314 Compliance, stating that all investments are currently in compliance.

August 31, 2021 Performance Update: As of August 31, 2021, the balance of the Funds was \$251,750,731 for VEBA. Fiscal Year to Date performance was 2.8% for VEBA net of fees.

PRIVATE EQUITY FUND OF FUNDS MANAGER SEARCH

The Board recently adopted a new asset allocation for the ERS which includes a 7% target allocation to private equity. To move in line with this target, Meketa recommended a commitment of \$10 million.

Meketa will run an updated pacing study if the Board approves a new policy target which includes a 5% target allocation to private equity. The commitment will likely be \$2-\$3 million.

Meketa presented four funds for review:

- HarbourVest XII, a diversified fund-of-funds
- Mesirow VIII-A, a diversified fund-of-funds
- Ironsides VI, a buyout-focused fund-of-funds and co-investment fund
- Strategic Investors Fund XI, a venture capital focused fund-of funds

Meketa recommended to consider either:

1. One of the two diversified fund of funds managers
2. A split commitment between Ironsides VI and Strategic Investors Fund XI

The Committee discussed the funds with Meketa and decided to have Mesirow and HarbourVest present at the next IPC meeting.

ASSET ALLOCATION REVIEW: VEBA

The Board did not adopt a new asset allocation policy for the VEBA when a new policy was adopted for the ERS in June. Meketa proposed an asset allocation policy for VEBA recommending a 5% target allocation to private equity and a 7% target allocation to private debt. The Committee discussed the new allocation policy and decided to submit to the Board for approval.

Meketa recommended to increase the VEBA Angelo Gordon commitment from \$3 million to \$5 million in attempt to reach the 7% private debt goal.

It was **moved** by Monroe and **seconded** by DiGiovanni to recommend investing \$5 million with Angelo Gordon in VEBA to the Board.

Approved

OTHER

Mr. Beaudoin informed the Committee of a recent change made by Northern Trust. Northern Trust cash sweeps previously used an end of day sweep and is moving towards a point in time sweep. Beginning in 2022 the cut off time will now be 2:00 PM CT for trades

and any trades made later than the deadline will be subject to fees.

ADJOURNMENT

It was ***moved*** by Flack and ***seconded*** by Monroe to adjourn the meeting at 4:19 p.m.
Meeting adjourned at 4:19 p.m.

F-5 Administrative Policy Committee Minutes – October 12, 2021

Following are the Administrative Policy Committee minutes from the meeting convened at 8:33 a.m. on October 12, 2021:

Committee Members Present: Lynch(via TX, Dexter, MI), Monroe(Via TX, Green Oak Twp., MI),
Peariso(Via TX, Ann Arbor, MI), Praschan(Via TX, Ann Arbor,
MI), Schreier(Via TX, Ann Arbor, MI)
Members Absent: None
Other Trustees Present: None
Staff Present: Buffone(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)
Others Present: None

MISSIONSQUARE UPDATE

Update on Contracts: The 457 and 401 contracts have been fully executed. However, the contract for the Executive 401a which is under City purview is in the process of being signed.

Upcoming Education: Gina John has one-on-one consultations and a webinar scheduled for October 27-28, 2021.

On-Site Consultations: Staff has received feedback from City departments regarding preference of in-person consultations vs virtual. Most sites prefer virtual meetings as more staff are working remotely. In-person consultations will be offered for sites that expressed a preference to do so but the group webinars will remain virtual.

UPDATE ON BUCK

Ms. Orcutt informed the Committee that payment has been issued for Buck invoicing beginning in August. Currently, the site is working and Staff continues to meet with Buck weekly as needed.

UPDATE ON HR POLICY – EMPLOYMENT OF CITY RETIREES

Ms. Orcutt, Aaron Castle and Legal (City) have been working together to update the rehiring policy. Ms. Orcutt will inform the Committee once complete.

NAEBECK OVERPAYMENT ISSUE

Ms. Orcutt informed the Committee of a recent retiree account issue. Staff was notified late of a retiree death resulting in pension benefit overpayment. Payments have been stopped and the estate has been notified of the amount owed to the Retirement System. An extended payment plan has been offered with a paid in full date of December 8, 2021. Currently, there have been zero payments made and the representative of the estate has expressed that there are not funds available to pay. Ms. Orcutt suggested having VMT

draft a request in hopes that notification from legal counsel may expedite repayment. However legal advised that since this would utilize Retirement System money to collect a debt that may be uncollectible, that the Board or Committee should approve such an expense. The Committee agreed that it may assist with the recoupment. Staff will work with legal to prepare a letter to the estate.

CYBER SECURITY DISCLOSURES

Ms. Orcutt informed the Committee that all disclosures have been received and filed. The Committee suggested a representative from IT review the disclosures as well. Staff will follow up with the City IT department.

ADJOURNMENT

It was ***moved*** by Schreier and ***seconded*** by Peariso to adjourn the meeting at 9:01 a.m. **Meeting adjourned at 9:01 a.m.**

F-6 Audit Committee Minutes – October 12, 2021

Following are the Audit Committee minutes from the meeting convened at 3:05 p.m. on October 12, 2021:

- Committee Members Present: Monroe(Via TX, Green Oak Twp., MI, 3:35 PM arrival), Nerdrum(Via TX, Gibraltar, MI), Praschan(Via TX, Ann Arbor, MI),
- Members Absent: None
- Other Trustees Present: None
- Staff Present: Buffone(Via TX), Hollabaugh(Via TX), Orcutt(Via TX)
- Others Present: Rich Koch, GRS(Via TX, 3:44 PM depart)
Francois Pieterse, GRS(Via TX, 3:44 PM depart)
Dan Beard, Yeo & Yeo(Via TX, 3:54 PM depart)
Mike Rolka, Yeo & Yeo(Via TX, 3:54 PM depart)

REVIEW ERS & VEBA VALUATION DRAFT FOR FYE JUNE 30, 2021

The Committee reviewed the Actuarial Valuations for the Retirement System & VEBA with Francois Pieterse and Rich Koch from GRS. Ms Nerdrum stated that given the large gains for the year she would like to have a broader discussion with the Board on funding policy, discount rate and investment strategy to possibly protect the funded status and remove some of the volatility from the Retirement System portfolio. Ms. Nerdrum asked what would happen to any remaining VEBA surplus if there were no longer any qualified beneficiaries eligible for benefits from the Trust. Ms. Orcutt will follow up with Michael VanOverbeke on this question and it will be discussed at the Board meeting next week.

It was ***moved*** by Monroe and ***seconded*** by Praschan to accept the Retirement System & VEBA Actuarial Valuations for June 30, 2021 as discussed and recommend approval at the October 21, 2021 regular Board Meeting.

Approved

REVIEW ERS & VEBA FINANCIAL STATEMENTS

The Committee reviewed the Financial Statements for the Retirement System & VEBA with Dan Beard and Mike Rolka from Yeo & Yeo. The audit went smoothly and there were no findings.

It was **moved** by Praschan and **seconded** by Monroe to accept the Retirement System & VEBA Financial Statements for June 30, 2021 as discussed and recommend approval at the October 21, 2021 regular Board Meeting.

Approved

PENSION ADMINISTRATION SOFTWARE RFP UPDATE

Staff was able to obtain test sites from both firms to get a feel for each. Additional follow up questions have been sent to both Milliman and GRS. Ms. Nerdrum requested to get participant feedback from both GRS and Milliman regarding the software. The Committee expressed an interest in having access to the demo sites. Ms. Orcutt will request access for the sites as well as provide an update for the Board at the October meeting.

NEXT AC MEETING DATE

The November AC meeting was scheduled for November 9, 2021 at 1:00 PM.

ADJOURNMENT

It was **moved** by Praschan and **seconded** by Monroe to adjourn the meeting at 4:20 p.m.

Meeting adjourned at 4:20 p.m.

F-7 Legal Report

Mr. VanOverbeke informed the Board that a revision to the Open Meetings Act has been drafted to allow virtual meetings to continue in 2022 and is awaiting approval. Updates will be provided throughout the process.

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 November 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	DTE	\$180.69	Electric 8/12/2021-9/10/2021
2	West Arbor Condo Association	\$912.00	8/2021 & 9/2021 Condo Association Dues
3	Buck	\$1,868.39	8/2021 Pension Admin Software
4	Allstar Alarm	\$156.00	Fire Alarm Monitoring 11/1/2021-1/31/2022
5	American Express	\$343.86	Misc. Office Supplies & Office Cleaning Service
6	Applied Imaging	\$27.15	Printing 9/2021
7	Culligan	\$12.00	Water Service 10/2021

8	GRS	\$2,425.00	GASB 67/68 Valuation Q4 2021
9	GRS	\$6,700.00	Pension Valuation Q4 2021
10	City of Ann Arbor Treasurer	\$1,608.30	K.Spade Hours 7/13/2021-9/20/2021
11	Meketa	\$10,000.00	Investment Consulting 9/2021
12	Staples	\$74.46	Misc. Office Supplies
13	Buck	\$1,868.39	9/2021 Pension Admin Software
14	VanOverbeke, Michaud & Timmony	\$300.00	457 Legal Services 4/1/2021-6/30/2021
15	Marti Praschan	\$461.84	MAPERS Conference 9/2021 Travel Reimbursement
16	Dan Gustafson	\$645.23	MAPERS Conference 9/2021 Travel Reimbursement
17	Yeo & Yeo	\$3,000.00	8/2021 FYE 6/30/2021 Financial Statement Audit
18	Wendy Orcutt	\$579.59	MAPERS Conference 9/2021 Travel Reimbursement
Total		\$31,162.90	

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	Department/Service Area
David Cullip	Age & Service	November 1, 2021	General	AFSCME	15 Years, 1.5 Months	Public Services
Kimberly Wendt	Age & Service	November 12, 2021	General	Non Union	14 Years, 10.5 Months	15th District Court
Charles Graham	Age & Service	October 25, 2021	Police	AAPOA	21 Years	Safety Services

G-5 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

I. ADJOURNMENT

It was **moved** by Hastie and **seconded** by DiGiovanni to adjourn the meeting at 10:13 a.m.
Meeting adjourned at 10:13 a.m.

Wendy Orcutt

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