

**City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 16, 2021**

B

The meeting was called to order by Board Secretary, David Monroe, at 8:36 a.m.

ROLL CALL

Members Present: DiGiovanni(*Via TX, Ann Arbor, MI*), Hastie(*Via TX, Ann Arbor, MI*), Lynch(*Via TX, Dexter, MI*), Monroe(*Via TX, Green Oak Twp., MI*), Nerdrum(*Via TX, Ann Arbor, MI, 8:44AM arrival*), Peariso(*Via TX, Ann Arbor, MI*), Praschan(*Via TX, Ann Arbor, MI*)
Members Absent: Flack, Schreier
Staff Present: Buffone(*via TX*), Gustafson(*Via TX*), Hollabaugh(*Via TX*), Orcutt(*Via TX*)
Others: VanOverbeke, Legal Counsel(*via TX*)

AUDIENCE COMMENTS

A. APPROVAL OF AGENDA

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

Approved

B. APPROVAL OF MINUTES

B-1 August 19, 2021 Regular Board Meeting

It was **moved** by DiGiovanni and **seconded** by Praschan to approve the August 19, 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
Michael Gonzalez	General	Traditional	7 Years, 11.5 Months	Finance & Admin.
Jennifer Koperniak	General	Dual	4 Years, 5.5 Months	47 th District Court
Mark Pulford	Police	Traditional	5 Years, 4 Months	Safety Services

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

The disclosure has been received and filed.

It was **moved** by Praschan and **seconded** by Hastie to approve the consent agenda as presented.

Approved

D. ACTION ITEMS

D-1 Decision on Direct Lending Investment Manager

The Board discussed the funds with Angelo Gordon and Neuberger Berman and decided to invest in the Angelo Gordon (Leveraged) Fund.

It was **moved** by DiGiovanni and **seconded** by Hastie to invest with Angelo Gordon with a commitment in the amount of \$12 million, pending review of investment management documents by the Board's legal counsel and any recommended additional due diligence.

Approved

E. DISCUSSION ITEMS

E-1 Buck Invoicing

Ms. Orcutt informed the Board that Buck has begun invoicing for services effective July 2021. MS. Orcutt proposed to begin paying the invoices August 2021 as there were errors with the software in July. Mr. VanOverbeke concurred with beginning payment in August. The Board agreed to start paying the Buck invoices.

F. REPORTS

F-1 Executive Report – September 16, 2021

DRA CAPITAL CALLS & DISTRIBUTIONS

DRA issued a distribution from the Growth and Income Fund IX on 8/19/21 in the amount of **\$75,778** for the Retirement System and **\$22,288** for the VEBA consisting of gains on sales and return of capital(unrecallable).

DRA issued a distribution from the Growth and Income Fund VIII on 9/10/21 in the amount of **\$79,536** for the Retirement System and **\$23,393** for the VEBA consisting of a gain on sale and return of capital(unrecallable).

DRA issued a distribution from the Growth and Income Fund IX on 9/3/21 in the amount of **\$108,444** for the Retirement System and **\$31,895** for the VEBA consisting of gains on sales and return of capital(unrecallable).

DRA requested a capital call of our commitment to the Growth and Income Fund X in the amount of **\$ 476,842** for the Retirement Plan and **\$ 317,895** for the VEBA on 9/16/21 for the purpose of funding current commitments

CONSTITUTION CAPITAL PARTNERS

Ironsides Partnership Fund V, L.P. requested a capital call in the amount of **\$ 96,235** for the Retirement System and **\$ 32,078** for VEBA to fund current investments on 9/9/21.

ARBORETUM CAPITAL CALLS

Arboretum Ventures requested a capital call of our commitment to Fund V in the amount **\$632,000** for the Retirement Plan and **\$158,000** for VEBA on 9/2/21 to fund investments and management fees. With these installments, **CAAERS** will have funded 45.2 % of our total commitments of \$8,000,000 for the Retirement Plan and \$2,000,000 for the VEBA.

TORCHLIGHT CAPITAL CALL

Torchlight Investors requested a capital call of our commitment to Debt Fund VII in the amount of **\$400,000** for the Retirement Plan and **\$200,000** for VEBA on 9/20/20 to fund investments.

BUCK CONVERSION

The remaining outstanding item is the Buyback calculation process. We were notified that it was ready for testing on 9/11/2021. Staff will test for accuracy as soon as possible. Buck sent an invoice for July and August services. Given that the ABS issue occurred in July and the fact that the Buyback feature was still outstanding, ED recommends payments should not be made for the month of July.

PENSION ADMINISTRATION SOFTWARE RFP

Milliman and GRS provided demonstrations of their software solutions on September 1 and September 8, respectively. Staff, ED and Kyle Spade from the City's IT department were in attendance. Both firms will present a condensed demo at the Audit Committee meeting on the 14th.

TRUSTEE ELECTION UPDATE

The term of Citizen Trustee Alexa Nerdrum expires December 31, 2021.

The terms of Police Representative David Monroe and General Representative Joseph Peariso are expiring December 31, 2021. Elections will be Wednesday, December 8th and Thursday, December 9th.

The new term would be from January 1, 2022-December 31, 2024.

A copy of this year's full Election schedule will be included in the Board Packet.

FYE AUDIT UPDATE

Yeo & Yeo was onsite August 26 to conduct the annual audit. Staff is awaiting a draft of the financial statements for review.

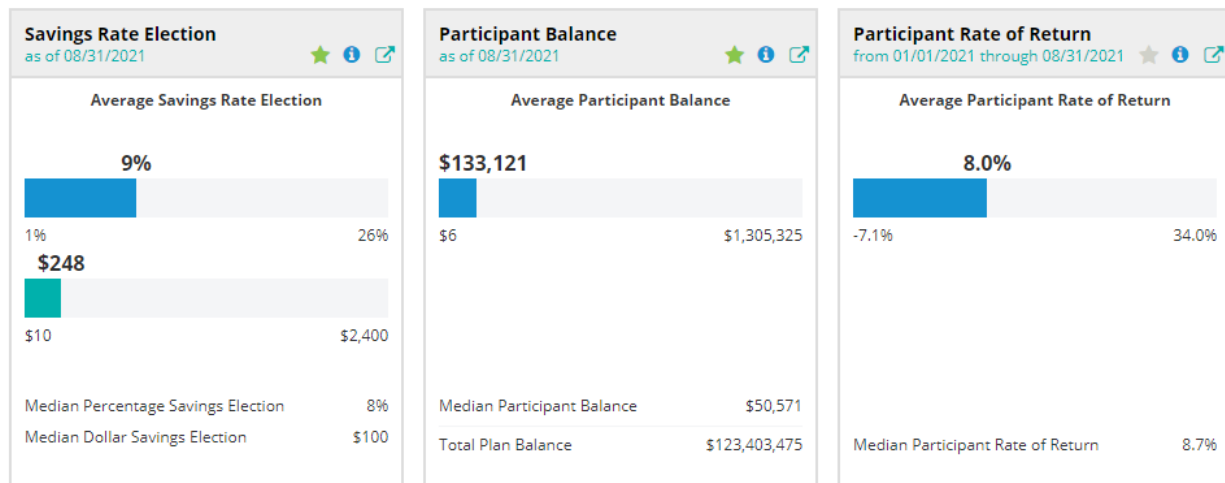
STAFF OPERATIONS/UPDATE

The Pension Analyst processed 38 estimates, 2 non-vested calculations, 3 payouts, 8 final calculations, and 1 pre session.

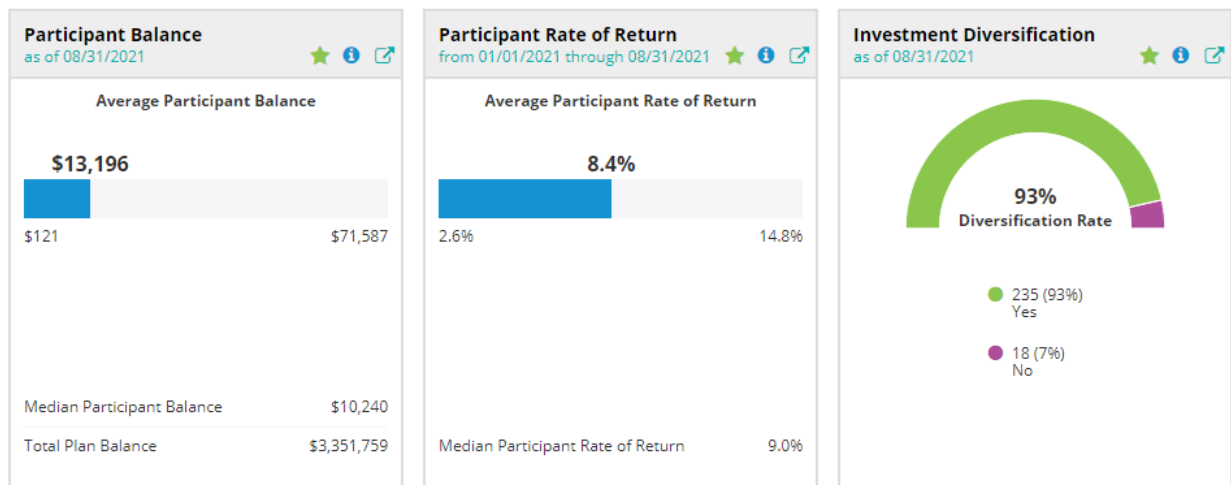
ED will be out of the office 9/27 – 10/1 but will be working remotely a portion of time and monitoring email.

F-2 Executive Report – MissionSquare (ICMA) Update

457 Balance at 9/9/21 - \$ 123,345,910 – Statistics as of 8/31/21



401 Balance at 9/9/21 – \$ 3,383,260 - Statistics as of 8/31/21



Current Items/Education:

- Dan Stewart will be conducting virtual appointments and a webinar September 15th and 16th.

Other Items:

ED met with Ray Fontin and Amy Humphrey on September 1 to discuss the plans, when to resume onsite meetings, and the upcoming Due Diligence review RFP. Amy is the VP of Relationship Management based out of Connecticut.

VMT reviewed the updated contracts on September 8 and they will be routed for signature via DocuSign.

F-3 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2021

Maria Buffone, Accountant, submitted the Financial Report for the month ended August 31, 2021 to the Board of Trustees:

8/31/2021 Asset Value (Preliminary)	\$647,077,782
7/31/2021 Asset Value (Audited by Northern)	\$634,911,036
Calendar YTD Increase/Decrease in Assets (excludes non-investment receipts and disbursements)	\$75,124,778
Percent Gain <Loss>	12.9%
September 15, 2021 Asset Value	\$643,249,632

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

Following are the Investment Policy Committee minutes from the meeting convened at 3:08 p.m. on September 16, 2021:

Member(s) Present: DiGiovanni(via TX, Ann Arbor, MI), Flack(via TX, Wood County, OH, 3:44 PM arrival), Hastie(via TX, Ann Arbor, MI, 4:47 PM depart), Monroe(via TX, Ann Arbor, MI) Praschan(via TX, Ann Arbor, MI)

Member(s) Absent: None

Other Trustees Present: None

Staff Present: Buffone(via TX), Gustafson(via TX, 5:00 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
Colleen Casey(via TX, 3:32 – 4:16 PM), Angelo Gordon
Trevor Clark(via TX, 3:32 – 4:16 PM), Angelo Gordon
Daniel Jacobson(via TX, 3:32 – 4:16 PM), Angelo Gordon
Lauren Keefe(via TX, 3:32 – 4:16 PM), Angelo Gordon
Will Proctor(via TX, 4:19 – 4:47 PM), Neuberger Berman
Melissa Wylde(via TX, 4:19 – 4:47 PM), Neuberger Berman

ECONOMIC AND MARKET UPDATE DATA AS OF JULY 31, 2021

Mr. Jaung provided an economic update reviewing the market returns, volatility, S&P500 and the impact of the pandemic.

EXECUTIVE SUMMARY

BlackRock Global Renewal continues to make deployments and has called 11% of the committed dollars. The fund committed to wind, EV infrastructure, and solar developers. The ERS asset allocation is now officially based on the policy approved earlier in 2021 with increased equity, infrastructure and private debt. The Board did not adopt a new asset allocation policy for VEBA but will continue to review cash flow dynamics and risk/return objective to evaluate if a new asset allocation policy can better meet the VEBA goals.

ERS IPS UPDATE

Meketa has added TIPS and Emerging Market Debt back into the IPS with a 0% target to allow for future flexibility if needed. The IPC agreed with this addition.

*It was **moved** by DiGiovanni and **seconded** by Monroe to approve the addition of TIPS and Emerging Market Debts to the IPS.*

Approved

RETIREMENT SYSTEM

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

July 31, 2021 Performance Update: As of July 31, 2021, the balance of the Funds was \$635,333,090 for ERS. Fiscal Year to Date performance was 1.0% for ERS net of fees.

Fossil Fuel Exposure Monitoring: As of June 30, 2021, approximately 2.3% or 113 total securities were invested in fossil fuels, excluding overlapping securities. Within this exposure, approximately 1.5% of the total Retirement System is invested in the Carbon Underground 200 Companies.

VEBA

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

July 31, 2021 Performance Update: As of July 31, 2021, the balance of the Funds was \$247,415,914 for VEBA. Fiscal Year to Date performance was 1.2% for VEBA net of fees.

Fossil Fuel Exposure Monitoring: As of June 30, 2021 approximately 1.8% or 90 total securities were invested in fossil fuels, excluding overlapping securities. Within this exposure, approximately 1.1% of the total VEBA plan is invested in the Carbon Underground 200 Companies.

DIRECT LENDING SEARCH

Colleen Casey and Trevor Clark from Angelo Gordon were present to discuss the firm. The following was discussed in their presentation:

- Firm overview
- Middle Market Direct Lending
- Origination
- Underwriting and Portfolio Management
- Target and Historical Returns

Will Proctor and Melissa Wylde from Neuberger Berman were present to discuss the firm. The following was discussed in their presentation:

- Firm overview
- Team
- Process
- Performance

The Committee discussed both firms as well as fee structure and decided to discuss further at the Board meeting before making a decision.

ADJOURNMENT

It was ***moved*** by DiGiovanni and ***seconded*** by Monroe to adjourn the meeting at 5:14 p.m.
Meeting adjourned at 5:14 p.m.

F-5 Administrative Policy Committee Minutes – None

F-6 Audit Committee Minutes – September 14, 2021

Following are the Audit Committee minutes from the meeting convened at 3:04 p.m. on September 14, 2021:

Committee Members Present: Monroe(Via TX, Ann Arbor, MI, 3:14 PM arrival),
Nerdrum(Via TX, Philadelphia, 4:14 PM depart),
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: Kyle Spade, IT(Via TX)
Jim Anderson, GRS(Via TX, 3:32 PM depart)
Rich Koch, GRS(Via TX, 3:32 PM depart)
Scott Moss, GRS(Via TX, 3:32 PM depart)
Fern Tausig, GRS(Via TX, 3:32 PM depart)
Theora Braccialarghe, GRS(Via TX, 3:32 PM depart)
Valmicki Ramsewak, GRS(Via TX, 3:32 PM depart)

GASB STATEMENTS 67/68 AND 74/75

The Committee reviewed the GASB Statements 67/68 & 74/75 for FYE June 30, 2021.

It was **moved** by Praschan and **seconded** by Nerdrum to accept the GASB Statements 67/68 & 74/75 for June 30, 2021 as discussed and recommend receipt and file of the reports at the September 16, 2021 regular Board Meeting.

Approved

FYE UPDATE – AUDIT AND ACTUARY

Ms. Orcutt informed the Committee that the onsite Audit work with Yeo & Yeo was completed and went well. There were no findings and Staff will review the drafted financial statements upon receipt. The Actuary is currently on track to complete the ERS and VEBA valuations by October.

GRS “PENSION SOFT” - PENSION ADMINISTRATION SOFTWARE DEMO

GRS was present to present a brief software DEMO for the Committee.

MILLIMAN “MARC” – PENSION ADMINISTRATION SOFTWARE DEMO

Milliman was present to present a brief software DEMO for the Committee.

DISCUSSION ON PENSION ADMINISTRATION NEXT STEPS

The Committee discussed the software demos deciding to put notes and follow up questions together to discuss further at the October meeting.

OCTOBER AUDIT COMMITTEE DATE/TIME

The October AC meeting was tentatively scheduled for October 12, 2021 at 4:00 PM.

ADJOURNMENT

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

Meeting adjourned at 4:19 p.m.

F-7 **Legal Report** – None.

G. **INFORMATION** (Received & Filed)

G-1 **Communications Memorandum**

G-2 **October Planning Calendar**

G-3 **2021 Election Calendar**

G-4 **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	\$4.99	Kroger Water for Office
2	Applied Imaging	\$19.86	Printing 8/2021
3	Culligan	\$12.00	Water Service 9/2021
4	Laura Hollabaugh	\$174.07	DTE Reimbursement Electric 7/15/2021-8/11/2021
5	Laura Hollabaugh	\$40.60	DTE Reimbursement Gas 7/15/2021-8/11/2021
6	Meketa	\$10,000.00	Investment Consultant Services 8/2021
7	VanOverbeke, Michaud & Timmony	\$9,280.00	Legal Services 4/1/2021-6/30/2021
8	Staples	\$82.64	Misc. Office Supplies
	Total	\$19,614.16	

G-5 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
Barbara Scott	Deferred Age & Service	September 1, 2021	Police	AAPOA	21 Years, 5.5 Months	Safety Services
Charles Fojtik	Age & Service	September 27, 2021	General	Teamsters	31 Years, 4.5 Months	Public Services
Robert Canell	Age & Service	August 1, 2021	General	Non Union	10 Years, 7 Months	Finance
Mauro Cervantes	Age & Service	October 3, 2021	Police	COAM	28 Years, 8.5 Months	Safety Services
Duane Weible	Age & Service	October 2, 2021	General	AFSCME	24 Years, 7 Months	Public Services
Janet Carpenter	Age & Service	October 8, 2021	General	Non Union	21 Years, 3.5 Months	City Administrator

G-6 Analysis of Page Views on Retirement System Website

H. TRUSTEE COMMENTS / SUGGESTIONS

The Board discussed dates for the upcoming Committee meetings. APC was scheduled for October 12th, 2021 at 1:00PM, AC was scheduled for October 12th at 3:00 PM and IPC is tentatively scheduled for October 7th pending Meketa's availability.

I. ADJOURNMENT

It was **moved** by Hastie and **seconded** by DiGiovanni to adjourn the meeting at 9:06

a.m.

Meeting adjourned at 9:06 a.m.

Wendy Orcutt

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