

City of Ann Arbor Employees' Retirement System
Minutes for the Regular Meeting
September 15, 2016

The meeting was called to order by Jeremy Flack, Chairperson, at 8:40 a.m.

ROLL CALL

Members Present: Clark, Crawford, DiGiovanni, Flack, Hastie, Heusel, Lynch, Monroe, Nerdum (8:47)
Members Absent: None
Staff Present: Gustafson, Kluczynski
Others: Michael VanOverbeke, Legal Counsel
David Diephuis, City Resident

AUDIENCE COMMENTS - None

A. APPROVAL OF AGENDA

Mr. VanOverbeke requested that a legislature update and an executive session be added to his legal report under item F-6 in order to discuss a personnel matter. The Board agreed.

It was **moved** by Clark and **seconded** by Hastie to approve the agenda as amended.
Approved

B. APPROVAL OF MINUTES

B-1 August 18, 2016 Regular Board Meeting

It was **moved** by Hastie and **seconded** by Clark to approve the August 18, 2016 Regular Board Meeting minutes as submitted.
Approved

B-2 September 9, 2016 Special-Call Board Meeting

It was **moved** by Hastie and **seconded** by Clark to approve the September 9, 2016 Special-Call 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
Stephen Goebel	General	9 years, 11 months	City of Grand Rapids
Shawn Harris	General	2 years, 9 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 Hastie and **seconded** by DiGiovanni to approve the Consent Agenda as submitted.

Approved

D. ACTION ITEMS

D-1 DRA Growth & Income Fund IX – Final Subscription Documents

Mr. VanOverbeke stated that his office has reviewed the final documents and are approved as to form.

It was **moved** by Hastie and **seconded** by Clark to authorize execution of the DRA Growth & Income Fund IX final subscription documents by the appropriate Board signature(s).

Approved

E. DISCUSSION ITEMS - None

F. REPORTS

F-1 Executive/Staff Report – September 15, 2016

ACTUARIAL VALUATION PROGRESS

All data has been received by the actuary and staff has provided clarification to actuary's questions. The actuary is waiting on the health care listing from H.R., and they're anticipating that the draft Valuations will be ready in early November.

AUDIT PROGRESS

The auditor was in our office on Wednesday, September 7th to review the sample retiree files and discuss notable changes from the prior fiscal year. All documentation requested has been provided and questions answered. Financial Statements and notes are in progress and will be completed when the Actuarial Valuation is received.

ANNUAL BOARD ELECTIONS / APPOINTMENTS

Citizen Trustee terms for both Mr. Hastie and Ms. Lynch are up on December 31, 2016. If both are interested in a reappointment, Staff suggests sending letters of recommendation to the Mayor's Office in October 2016 in order to have them reappointed before their terms are expired.

ADDITIONAL NOTES FROM STAFF

Requests for the number of retirement estimates have gone down, with sixteen requested estimates in the last month. Dan has also started to work on the Poverty Level Adjustment calculations project as well.

F-2 City of Ann Arbor Employees' Retirement System Preliminary Report for the Month Ended August 31, 2016

N. Gail Jarskey, Accountant, submitted the Financial Report for the month ended August 31, 2016 to the Board of Trustees:

8/31/2016 Asset Value (Preliminary)	\$473,164,054
7/31/2016 Asset Value (Audited by Northern)	\$469,824,527
Calendar YTD Increase/Decrease in Assets <i>(excludes non-investment receipts and disbursements)</i>	\$27,886,925
Percent Gain <Loss>	6.1%
September 14, 2016 Asset Value	\$473,164,054

F-3 Investment Policy Committee Minutes – September 6, 2016

Following are the Investment Policy Committee minutes from the meeting convened at 3:10 p.m. on September 6, 2016:

Member(s) Present: Clark, DiGiovanni, Flack, Hastie, Monroe
Member(s) Absent: None
Other Trustees Present: None
Staff Present: Gustafson, Kluczynski,
Others Present: Henry Jaung, Meketa Investment Group
Alli Wallace, Meketa Investment Group
David Diephuis, City Resident

RENAISSANCE UPDATE

Mr. Jaung reviewed the recent performance of Renaissance as well as the positives and negatives outlined in the presentation booklet, which also indicates that the System recently committed \$10 million to SVB, a Venture Capital fund of funds, and that the Board could consider a commitment with a direct investment in a buyout fund for the 2017 commitments. Mr. Jaung feels that there are better diversifying strategies at this point, and that perhaps the Committee should not make a commitment in an additional Venture Capital fund of funds at this time. Mr. Hastie stated that Renaissance should be kept on the radar, and perhaps the System could invest

in their next fund. Mr. Jaung agreed, stating that Meketa will also keep an eye on Renaissance and Arboretum. The Committee agreed that it will pass on investing in the Renaissance Fund at this time.

**FISCAL YEAR TO DATE PERFORMANCE REVIEW OF THE FUNDS &
DETAILED MANAGER REVIEW**

Ms. Wallace presented the Investment Performance Review as of July 31, 2016. As of July 31, 2016, the Fund was at \$469.7 million, and is up 3% fiscal year-to-date as of the end of August. All investments are currently in compliance with PA 314 and in range with the targets. Ms. Wallace briefly reviewed an under-performance by 36 South.

**REVIEW OF RECENT PRIVATE MARKETS INVESTMENTS APPROVED, AND WHERE WE
ARE RELATIVE TO THE PACING STUDY PRESENTED EARLIER THIS YEAR**

Mr. Jaung stated that the Retirement System is currently paying approximately 34 basis points for management fees, which is significantly lower than other plans this size. The VEBA is paying approximately 32 basis points, which will increase slightly once the asset allocation is adjusted.

ADJOURNMENT

It was ***moved*** by Clark and ***seconded*** by Monroe to adjourn the meeting at 5:02 p.m.
Meeting adjourned at 5:02 p.m.

F-4 Administrative Policy Committee Minutes – August 30, 2016

Following are the Administrative Policy Committee minutes from the meeting convened at 3:15 p.m. on August 30, 2016:

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

HIRING PROCESS FOR EXECUTIVE DIRECTOR

Mr. Crawford stated that this position has been posted on the City's website and others such as MAPERS, NCPERS, P&I, and Michigan Municipal League. The Committee decided to leave the postings up for the next 2-4 weeks before reviewing applicants. Ms. Lynch will be receiving and collecting the resumes from H.R. In regards to Ms. Walker's Temporary Services Contract, she advised the Committee that her attorney was meeting with the City Attorney as well as the Board's legal counsel this afternoon, and will notify every one of the outcome as soon as possible.

Ms. Walker discussed her retiree healthcare account, stating that H.R. has requested that she set up the account with Flores. Ms. Walker also stated that setting up an account for the healthcare through the Northern Trust Company will be \$292.24 per month, and that the Board will need to approve the set-up and expenditure for this account through a resolution at the next Board meeting. It was noted that this item be added to the next Special Board Meeting agenda in order to expedite the set-up of this account.

HIRING PROCESS FOR ACCOUNTANT II POSITION

Ms. Walker stated that the Accountant II position has been posted on the City's website, and the

job description was finalized with the salary range determined at \$55-70K. Trevor Steinmetz, from the City's HR department, met with staff to discuss softer skills and general office environment desired for the position as well as timing and the process. The job will be posted internally, on MAPERS, NCPERS, MML, and UM and EMU University sites. It is recommended that there be no official closing date for the posted position, and that postings will continue for 3 weeks or so. Mr. Steinmetz will be accepting and reviewing resumes and will screen responses until there is a pool of candidates to be reviewed via phone interview. After that selection, a smaller pool of final candidates will proceed with an in-person interview.

CONTINUATION OF CITY PROCESSING OF BOARD EMPLOYEE PAY & BENEFITS

Mr. Crawford requested that the Board be asked to approve a verbal motion requesting the City to continue the payroll and benefits process for the Executive Director position, and the Committee agreed to place it on the next Board agenda.

ADJOURNMENT

It was **moved** by Crawford and **seconded** by Lynch to adjourn the meeting at 4:04 p.m.
Meeting adjourned at 4:04 p.m.

F-5 Audit Committee Minutes – No Report

F-6 Legal Report – Legislature Update & Executive Session Regarding Personnel Matter

Mr. VanOverbeke provided an update on the upcoming Lame Duck Sessions in Lansing, and stated that his office is keeping a close eye on certain pieces of legislature, one regarding making defined contribution plans mandatory for teachers, Act 5438 - the final average compensation item which he has not heard of any updates, and 5421 – the VEBA legislation regarding Trustee roles and responsibilities. Mr. VanOverbeke advised the Board to keep an eye on their emails because notifications on these bills may be going out soon.

It was **moved** by Heusel and **seconded** by Hastie to convene an Executive Session for the purpose of discussing a personnel matter which has been requested to be discussed under closed session.

Approved

Roll call vote:

Clark - Yes	Flack - Yes	Lynch - Yes
Crawford - Yes	Hastie - Yes	Monroe - Yes
DiGiovanni - Yes	Heusel - Yes	Nerdrum - Yes

Executive session time: 8:50 a.m. – 10:06 a.m.

It was **moved** by Heusel and **seconded** by Hastie to acknowledge the discussion in closed session regarding the personnel matters and direct that legal counsel proceed as directed by the Board in closed session.

Approved

It was **moved** by Monroe and **seconded** by Crawford to direct that the APC have the authority to meet with the Interim Executive Director to discuss roles and responsibilities and to set an increase in compensation to reflect above those increased roles, and that the APC be authorized to do so.

Approved

G. INFORMATION (Received & Filed)

G-1 Communications Memorandum

G-2 October 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	12.70	Monthly Gas Fee dated August 11, 2016
2	DTE Energy	258.35	Monthly Electric Fee dated August 11, 2016
3	AT&T	468.01	Monthly telephone service
4	Buck Consultants	1,583.33	Monthly hosting fees for July 2016
5	Allstar Alarm LLC	271.12	On-site replacement of two batteries in mech closet
6	Hasselbring-Clark Co.	41.04	Monthly copier cost per copy – July 2016
7	Staples Advantage	143.00	Miscellaneous Office supplies
8	Lora Kluczynski	270.47	Petty cash reimbursement
9	Meketa Investment Group	10,000.00	Investment Consultant Retainer - August 2016
	TOTAL	13,048.02	

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
Tracy Harris	Age & Service	October 19, 2016	Fire	25 years	Safety Services Fire Department

G-5 Och-Ziff News Article

G-6 Correspondence from WL Ross & Company – Settlement Regarding Management Fee Offset Methodology

G-7 H.R. Email Regarding Accountant II Position

H. TRUSTEE COMMENTS / SUGGESTIONS – No comments or suggestions presented.

I. ADJOURNMENT

It was **moved** by Nerdrum and **seconded** by Heusel to adjourn the meeting at 10:10 a.m.
Meeting adjourned at 10:10 a.m.

**Daniel Gustafson, Interim Executive Director
City of Ann Arbor Employees' Retirement System**

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