



**CITY OF ROYAL OAK RETIREMENT SYSTEM
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES**

A meeting of the Retirement Board of Trustees was conducted at the City Hall building in conference room #122 on January 20, 2023, at 9:00 a.m.

The meeting was called to order at 9:01 a.m.

Attendance

PRESENT: Lee Collick – Chairperson
Bret Nelson – Vice Chairperson
Kyle DuBuc – Trustee
Monica Hunt – Trustee
Paul Brake – Trustee

ALSO PRESENT: Debra Peck Lichtenberg – Director of Finance
Lisa Genord – Financial Analyst / Pension Technician
Rebecca Chase – Accountant
Susan Barkman – Assistant to the City Manager
Tom Michaud – Retirement Board Attorney with VanOverbeke, Michaud & Timmony
Florence Mwaura – Investment Advisor with SEI
Mike Burke – Investment Advisor with SEI via conference call

Public Comment

Steve Cito, former city employee, attended the meeting. There was no public comment.

Board approval of the agenda for the January 20, 2023 meeting

Moved by Lee Collick to approve the agenda for the January 20, 2023 meeting.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Board approval of the draft minutes for the December 16, 2022 meeting

Moved by Lee Collick to approve the draft minutes for the December 16, 2022 meeting.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Request that the Board approve Adjustments, Applications and Benefits as follows:

Adjustments

Alexander S. Bourgeois, former police officer with the police department – requests withdrawal of employee non-vested contributions and interest from the plan amounting to \$2,247.57. Separation from service was effective July 5, 2022.

Moved by Lee Collick to approve the withdrawal of non-vested contributions / interest of \$2,247.57 to Alexander S. Bourgeois.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Applications

Edward J. O'Hanlon Jr., of the DPS, SEIU bargaining unit, 28 years of service credit. Eligible based on years of service and age. Requested retirement date of February 11, 2023. Edward J. O'Hanlon Jr. requests an estimated pension payment in accordance with the following policy:

Effective January 1, 2020, the board will allow for payment of an estimated pension payment for certain new retirees that make the election due to hardship, the estimated calculation will be calculated by taking 75% of the straight life calculation using average base wage only (base wage that will be utilized in the in FAC excludes roll-ins), years of service and the applicable multiplier(s). Any under/overpayments will be paid/collected. This policy will be available to those employees with a retirement date of January 1, 2020 through August 31, 2020. At the July 10, 2020 retirement board meeting, Lee Collick motioned to continue paying estimated payments from January 1st – August 31st each year, as long as the criteria is met by the applicant. The motion was adopted unanimously 5/0.

Moved by Lee Collick to approve the retirement application and estimated pension payment for Edward J. O'Hanlon Jr.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Margaret Stirling, formerly of the planning department, DHDDH bargaining unit, 14 years (service purchase of 2 years and 7 months) of service credit. Deferred retirement requested. Request for a retirement date of January 10, 2023. Eligible based on age and years of service.

Moved by Lee Collick to approve the deferred retirement application for Margaret Stirling.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Retirement Benefits

Stephen L. Cito, of the Information Technology department, Pro-Tech bargaining unit, 25 years and 2 months of service credit. Retirement date of October 8, 2022. Selected Option SL Straight Life - \$3,489.52 gross monthly benefit with withdrawal of contributions / interest of \$75,454.86.

Moved by Lee Collick to approve the gross monthly benefit payment of \$3,489.52 to Stephen L. Cito and withdrawal of contributions / interest of \$75,454.86.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

INVESTMENTS

SEI investment report, presented by Florence Mwaura and Mike Burke (via conference call) of SEI Investments

Market value/allocation of assets as of December 31, 2022, equaled \$149,104.751

One-month performance (except core property) – total portfolio outperformed benchmark: -2.27% return vs. -2.29% index.

Three-month performance – total portfolio underperformed the benchmark: 6.88% return vs. 7.03% index.

YTD performance - total portfolio outperformed the benchmark: -13.68% return vs. -14.36% index

One-year performance – total portfolio outperformed the benchmark: -13.68% return vs. -14.36% index.

Three-year performance – total portfolio outperformed the benchmark: 4.26% return vs. 2.70% index.

Five-year performance – total portfolio outperformed the benchmark: 5.03% return vs. 4.14% index.

Inception - total portfolio outperformed the benchmark: 5.95% return vs. 5.18% index.

Florence reported that a more stable interest rate environment allowed markets to find their footing in the last three months of 2022, undoing some of the damage done in the first nine months of the year. Equity market returns were broadly positive. International and emerging market equities outperformed U.S. stocks, thanks to improving sentiment toward Europe and Asia, reopening of economic activity in China, and a decline in the exchange rate of the U.S dollar. Fixed income markets finally turned in a positive quarter, with investment-grade, high yield and emerging markets all faring well. This was a welcome respite from what proved to be a historically challenging calendar year for fixed income markets. Commodity returns were positive overall. Industrial and precious metals led, the former helped by an end to China's zero-COVID policies and more supportive government policies for its real estate sector. With the exception of natural gas, energy commodity performance bounced back from a challenging third quarter. Commodities were the only high-level public asset class that generated a positive return for the full year. Florence reported that 2022 was characterized by high market volatility,

with a 4th quarter rebound in all markets, which offset some of the underperformance experienced earlier in 2022. Florence reported that in the U.S. equity market, value stocks continued their outperformance of growth stocks in the 4th quarter of 2022. Florence also reported that consumer prices soared in 2022 due to rising inflation, and that towards the end of the year, inflation started to slowly decline. Florence reported that the supply-chain constraints also started to dissipate at the end of 2022. Florence also gave a brief overview of the economic outlook for 2023 and stated that the good news is that inflation is easing, central banks will likely slow down the pace of policy-rate hikes, and that China's U-turn away from their zero-Covid policy should all support economic growth in 2023. Florence also reported that despite its easing, inflation is still problematic, and that some additional concerns are rising energy prices and the longer-term shifts that may exert a negative impact on corporate profit margins.

Mike Burke, SEI Portfolio Manager for the Core Property Fund and Investment Advisor for the SEI Private Asset Funds, discussed the importance of alternatives in the city's investment portfolio (structured credit, real estate, private assets) and stated that they have strategic benefits and provide meaningful returns that are not realized in the public market. Mike reviewed SEI's Core Property historical results relative to the NPI and ODCE property market indices and the 8 underlying manager allocations. Mike reported that today's environment, with the sharp rise in interest rates, has led to a slowdown in broad transaction volume as a result of interest rate uncertainty and volatility in the market, however, the private real estate market continues to outperform the index and is in a strong position on a relative basis. Mike briefly reviewed the city's portfolio allocation across all asset classes and reported that the city's private asset target allocation is 5%, the current allocation at 0.8%, which was the \$3 million investment in the SEI GPA Fund V vintage year 2020. Mike reviewed SEI's traditional programmatic approach to slowly increase the city's private asset allocation over a multiple years and with multiple fund vintages. Mike also reviewed the SEI GPA Fund V, discussing the diversification of the fund by strategy, asset class (buyout, private credit, real assets, real estate and venture capital), geography, and type. Mike stated that the GPA Fund VI is the next available vintage year and that SEI recommends that the city commit \$4 million to GPA Fund VI in order to continue to take advantage of the market and to increase the city's private asset allocation closer to the 5% target. Lee Collick asked Mike what the length of the investment in the GPA Fund VI would be as well as the associated fee structure. Mike reported that the fee is 1.15% charged on the assets as they are invested, and as you move through the investment period, there a point in time when the fee changes to being charged on the NAV (net asset value). Mike also reported that the length of the investment is typically 7 to 10 years and is an illiquid investment. Tom Michaud, retirement board attorney, reported that he has reviewed the subscription documents for the SEI GPA Fund VI and that they were consistent with today's presentation. Tom also reported that the GPA Fund VI fees are consistent with how these types of investments are structured. Debra Peck-Lichtenberg, Finance Director, reviewed the broad purpose of the investment policy of the retirement board, the city's portfolio allocation across all asset classes and asked Florence to verify that the \$4 million investment in the SEI GPA Fund VI was indeed her recommendation relative to the city's entire investment portfolio with SEI. Florence stated that the city had previously committed to the 5% target allocation to private assets within the portfolio, so the additional \$4 million commitment request is a continuation of the city's investment in private assets. Tom Michaud affirmed that the board's role is to set the asset allocation by class for the retirement investment portfolio, while giving the SEI investment consultant discretion to invest in underlying managers within those asset classes relative to the city's investment policy guidelines. Florence reported that SEI will conduct an annual review of the city's portfolio relative to all asset class allocations, prior to the next meeting and that her colleague, John Waite, Chief Actuary at SEI, will be in attendance at the February retirement board meeting to assist in this discussion.

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

SEI Global Private Asset Fund VI – SEI recommended additional private equity investment at the November 18, 2022 retirement board meeting.

Moved by Lee Collick to approve a \$4 million commitment to the SEI Global Private Asset Fund VI.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

SEI Global Private Assets V, L.P. – Statement of Capital Account For Period Ended September 30, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

SEI Core Property Newsletter 3Q 2022
Moved by Lee Collick to receive and file report.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

SEI Private Equity Newsletter 3Q 2022
Moved by Lee Collick to receive and file report.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

SEI Structured Credit Newsletter November 2022
Moved by Lee Collick to receive and file report.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

LEGAL

Robbins Geller Rudman & Dowd Portfolio Monitoring Report dated December 30, 2022
Moved by Lee Collick to receive and file report.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Robbins Geller Rudman & Dowd International Portfolio Monitoring Report dated December 30, 2022
Moved by Lee Collick to receive and file report.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Robbins Geller Rudman & Dowd Portfolio Settlement Report dated December 30, 2022
Moved by Lee Collick to receive and file report.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Tom Michaud, retirement board attorney, provided a memorandum from his office dated January 16, 2023 regarding a legislative update on the Secure Act 2.0, which are federal legislation regulations dealing with pension and retiree health care employee benefits. The Secure Act 2.0 contains 92 provisions intended to promote additional retirement savings and ease administrative requirements through modernization of federal retirement laws. Tom stated that the purpose of the memorandum is to inform the retirement board of these limitations and significant changes, many of which apply more on an individual basis as opposed to the city retirement plan as a whole.

Moved by Lee Collick to receive and file report.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

OTHER

City-wide review of Boards and Commissions – Discussion led Susan Barkman, Assistant to the City Manager. Susan stated that the City Commission has asked the city manager's office to review the city's non-intergovernmental Boards and Commissions, to understand the processes that support them, such as by-laws, ordinances and appointments. Susan asked the board members if they have any additional needs or issues that need to be addressed. Lee Collick reiterated a previous request to retain board members longer than two years to ensure a continuity of knowledge since the retirement boards are more technical in nature than other advisory boards. Paul Brake clarified the city commission's reappointment policy. Susan asked if there was a succession plan in place for board members. Tom Michaud stated that in the past, outgoing board members have had their potential replacement candidates attend several meetings to ensure that they understood the commitment level and responsibilities prior to accepting the position. Tom also stated that due to the technical nature of the retirement board, training and educational opportunities are strongly encouraged and available for new

and existing board members through MAPERS (Michigan Association of Public Employee Retirement Systems). Debra Peck-Lichtenburg stated that all board trustee training and education is funded by the pension system. Tom Michaud stated that the composition of the retirement board is outlined in the retirement ordinance. Susan advised that board members should contact her directly if they have any future questions or concerns. Debra had a question for the board regarding the monthly meeting cycle – whether it is appropriate to continue to meet monthly or possibly revise the meeting schedule to quarterly or bi-monthly. Debra will send a separate communication to the board members and investment advisors to gather their opinions and suggestions on the meeting frequency moving forward. Tom Michaud reported that there is still pending legislation on the Open Meetings Act (OMA) regarding the potential for retirement board meetings to be attended remotely and will advise the board if / when that legislation is passed.

PBGC (Pension Benefit Guaranty Corporation) substitute rate beginning July 1, 2023.

Lee Collick stated that contractually the PBGC rate has been set at 1.75% for any employees retiring from July 1, 2022 through June 30, 2023, however, the current PBGC rate as of January 1, 2023 is at 3.00%. Lee stated that upcoming eligible retirees have asked if the PBGC rate beginning July 1, 2023 can be made available to them / the retirement board by May 2023 so those employees can decide whether they would like to retire before or after June 30, 2023. Debra Peck-Lichtenberg stated that the Finance department contacted the retirement board actuary, Gabriel Roeder Smith, who advised that the monthly PBGC rate is not available until on / near the 27th of the preceding month, which means that the July 1, 2023 rate will not be known until approximately June 27, 2023. Lee Collick requested that the Finance Department provide the board with the monthly PBGC rate from the actuary to indicate the current rate trends prior to July 1, 2023. Debra agreed to Lee Collick's request.

Gainful Employment Recertification for Disability Retirees, which was temporarily suspended during the COVID-19 pandemic.

Debra Peck-Lichtenberg, Finance Director, advised that during the COVID-19 pandemic, the gainful employment recertification process for disability retirees was temporarily suspended. Debra advised that when someone retires under the disability guidelines, the retirement system has the authority to ask those disability retirees to recertify that they are continuing to be disabled and qualify for that pension earlier than they normally would have. Debra asked if the board is ready to resume that annual recertification process for disability retirees now that we are at a different place with COVID-19 pandemic. Tom Michaud advised that if the recertification process resumes in 2023, then we would be recertifying those disability retirees for the 2022 calendar year. Tom also advised that it would be a financial / income verification for each disability retiree, which may in turn lead to a medical recertification examination to determine an individual's ability to return to work.

Moved by Lee Collick to approve the reinstatement of the gainful employment recertification process for disability retirees, as implemented prior to the COVID-19 pandemic.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Kyle DuBuc left the meeting at 10:27 a.m.

Gabriel Roeder Smith (GRS) 5-year Experience Study - Letter of Engagement dated January 10, 2023
Debra Peck-Lichtenberg stated that at the December 16, 2022 board meeting, GRS advised that they typically conduct an Experience Study for the retirement system every five years, with the last study completed in 2018. The experience study reviews the history of the retirement system, how benefits are being paid, which provides a better baseline for future actuarial valuations. GRS provided the enclosed letter of engagement stating that they will provide the full 5-year experience study for a fee of \$15,000, which Debra stated is a reasonable and expected fee for that service.

Moved by Lee Collick to approve the GRS 5-year Experience Study Letter of Engagement for a \$15,000 fee.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

City of Royal Oak retirement system summary annual report (SAR) to members for period ending June 30, 2022. After approval, this report will be sent to each department and posted on the city website.

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Revenue and expenditure (audited) variance report for year-ending June 30, 2022. This report is provided in accordance with board policy that allows finance director to approve trust payments without the board's specific approval of each payment.

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Mark Liss – retirement date of October 16, 2021. Retirement application approved on the December 17, 2021 board agenda – no other retirement forms submitted.

Debra Peck-Lichtenberg advised that retiree Mark Liss, member of the general system, retired on October 16, 2021, however, has not submitted his retirement forms, despite repeated efforts to contact him. Debra stated that Mr. Liss has not received any retirement benefit payments to date and requested direction and /or assistance from the board in facilitating contact with Mr. Liss. Tom Michaud, board attorney, stated that the retirement ordinance does state that a retiree does have to elect their retirement option, and if they do not choose an option, that the Straight Life (SL) option will be chosen for them with no surviving spouse benefit. Tom recommended that the Finance department send Mr. Liss a letter via certified mail advising him that he has 30 days to make a retirement election and to complete the required forms, and in the event that he does not make an election within that timeframe, he will have deemed to have elected a regular retirement benefit – Straight Life.

Moved by Lee Collick to mail Mark Liss a certified letter stating that he has 30 days to respond, as outlined above.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

NEXT MEETING AND ADJOURNMENT

Next regular meeting is scheduled for 9:00 am Friday, February 17, 2023 at the City Hall Building at 203 South Troy Street, in the 1st floor conference room # 122.

Moved by Lee Collick to adjourn the meeting (10:33 a.m.) and confirmed the meeting for February 17, 2023, at 9:00 am.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0