



**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 February 17, 2023, at 9:00 a.m.

The meeting was called to order at 9:02 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
Tom Michaud – Retirement Board Attorney with VanOverbeke, Michaud & Timmony
Florence Mwaura – Investment Advisor with SEI

Public Comment

There were no public attendees / comments.

Board approval of the agenda for the February 17, 2023 meeting

*Moved by Lee Collick to approve the agenda for the February 17, 2023 meeting.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0*

Board approval of the draft minutes for the January 20, 2023 meeting

*Moved by Lee Collick to approve the draft minutes for the January 20, 2023 meeting.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0*

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

Adjustments

Keylan Stovall-Smith, former police service aide with the police department – requests withdrawal of employee non-vested contributions and interest from the plan amounting to \$1,110.50. Separation from service was effective November 11, 2021.
*Moved by Lee Collick to approve the withdrawal of non-vested contributions / interest of \$1,110.50 to Keylan Stovall-Smith.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0*

Applications

John T. Lang, of the DPS department Parks & Forestry division, SEIU bargaining unit, 29 years and 1 month of service credit. Eligible based on years of service and age. Requested retirement date of February 10, 2023. John T. Lang 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 John T. Lang.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Rosemary Mirsky, of the Library, TPOAM bargaining unit, 21 years of service credit. Eligible based on years of service and age. Requested retirement date of March 4, 2023. Rosemary Mirsky 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 Rosemary Mirsky.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Nicole M. Thomson, of the 44th District Court, ProTech bargaining unit, 29 years and 8 days of service credit. Eligible based on years of service and age. Requested retirement date of July 8, 2023.

Moved by Lee Collick to approve the retirement application for Nicole M. Thomson

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Retirement Benefits

None

INVESTMENTS

SEI investment report, presented by Florence Mwaura of SEI Investments

Market value/allocation of assets as of January 31, 2023, equaled \$156,062,934

One-month performance (except core property) – total portfolio underperformed benchmark: 5.19% return vs. 5.34% index.

Three-month performance – total portfolio underperformed the benchmark: 8.76% return vs. 9.25% index.

YTD performance - total portfolio underperformed the benchmark: 5.19% return vs. 5.34% index

One-year performance – total portfolio outperformed the benchmark: -6.44% return vs. -6.60% index.

Three-year performance – total portfolio outperformed the benchmark: 6.15% return vs. 4.65% index.

Five-year performance – total portfolio outperformed the benchmark: 5.36% return vs. 4.51% index.

Inception - total portfolio outperformed the benchmark: 6.54% return vs. 5.79% index.

Florence provided a market performance overview and reported that equity markets rallied into the New Year as generally positive economic data bolstered investor optimism. Emerging-market stocks outperformed developed markets, led by Latin America and Emerging Asia. Regionally, within developed-market equities, gains in the U.S. continued to lag as investors braced for a potential economic recession. U.S. equities rose by 6.28% during the month (as represented by the S&P 500 Index). Within U.S. equities, telecommunications and consumer discretionary companies outperformed other sectors. Meanwhile, utilities and health care companies underperformed other sectors. U.S. large-cap stocks underperformed U.S. small-cap stocks. Value stocks underperformed growth stocks. All U.S.

Treasury yields with maturities of one year or greater declined during the month, with the intermediate- and long-term segments of the yield curve falling further than short-term yields. Investors eagerly awaited the Federal Reserve's February interest rate decision as slowing inflation spurred optimism that the central bank may not need to raise rates as high as previously estimated. Florence reported that we have seen a market rally in January that has extended from the 4th quarter of 2022, which has been driven by some positive economic data coupled with expectation that the FED and central banks in general will slow down the pace of interest rate hikes. Florence also reported that in December 2022 consumer spending marginally slowed down and core inflation month over month had declined. Florence reported that these factors contributed to the rally in December as well as created a "January Effect," meaning that in January, financial markets tend to experience the most gains, specifically in small caps. Florence reported that fixed income declined in yields which helped support the performance of bond prices. Florence also reported that wages on an inflation-adjusted basis are down, despite the job growth being strong, with technology & the financial services industries experiencing significant job losses. Florence reported that the economy is not declining in a persistent nor pronounced manner, which would be indicative of a recession, therefore, SEI expects that the FED will continue to bring inflation down. Florence reviewed the city's portfolio performance as of January 31, 2023 and reported that January was a good month with a portfolio return of 5.19%, and the trailing 3-month quarter was also favorable with a portfolio return of 8.76%. Florence illustrated and reiterated the importance of a diversified portfolio by comparing the U.S equity (indexed) quarterly return of 12.04% to the international World Equity Ex-US Fund (actively managed) quarterly return of 20.07%. Florence reported that SEI is expecting to see the diversification benefits of fixed income in the current market environment, with higher yields in the shorter duration. Kyle Dubuc requested that SEI provide calendar year returns in all future portfolio presentations. Debra Peck-Lichtenburg requested that fiscal year-to-date performance from July 1st through June 30th of each year be provided in all future portfolio presentations, in order to compare how the city's portfolio is performing relative to the target rate of return of 7.25%. Bret Nelson stated that several members advised him that they are concerned that the target / hurdle rate of 7.25% is too high and asked when the actuary will be completing the next 5-year Experience Study. Debra stated that GRS will be conducting it closer to the end of the fiscal year and will advise the board as to when the actuary will be presenting the Experience Study to the retirement board. Debra also stated that as part of the annual audit, the auditors validate the target / hurdle rate to ensure that the rate (currently 7.25%) is reasonable, and if they determine that it the rate is unreasonable, then the rate would need to be adjusted downward for financial statement purposes. Debra stated that to-date, 7.25% has been validated by the auditor to be a defensible and reasonable number, but if at any point the rate was not, Debra would advise the retirement board.

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

SEI Structured Credit Newsletter December 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 January 27, 2023

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 January 27, 2023

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 January 27, 2023

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

OTHER

MAPERS 2023 One Day Seminar Friday, March 3, 2023 – Registration Form & Agenda

Debra Peck-Lichtenberg, Finance Director, stated that if any board members wish to attend the MAPERS 2023 One Day Seminar on Friday, March 3, 2023, to contact Lisa Genord and submit completed registration forms to the Finance Department prior to February 24, 2023.

Draft Policy Resolution – Retiree Verification Policy & Procedures

Debra Peck-Lichtenberg, Finance Director, stated that the enclosed draft retiree verification policy resolution and form are proposed in an effort to ensure that the information the city has on record for all retirees continues to be accurate. Debra stated that the letter would be mailed out to all retirees on an annual basis, to ensure that there have not been any changes that would impact a retiree's benefit. Tom Michaud, retirement board attorney, drafted the enclosed policy resolution and reviewed the verification form.

Moved by Lee Collick to approve the Draft Policy Resolution – Retiree Verification Policy & Procedures Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Debra Peck-Lichtenberg, Finance Director, provided a copy of a draft email to the board trustees regarding a possible change in the retirement board and retiree health care investment meeting frequency, as discussed at the January 20, 2023 retirement board meeting as part of the city-wide review of Boards and Committee conducted by Susan Barkman, Assistant to the City Manager. The board discussed frequency options and the consensus was to change the meeting frequency from monthly to quarterly for both the retirement board and retiree health care investment meeting. Tom Michaud, board attorney, asked Florence Mwaura from SEI when the quarterly performance reports would be available, to determine what week / month the board should meet. Florence stated that to ensure that all performance materials are available, that the best time to meet would be the first week following the quarter end. Debra advised the board the retirement ordinance and bargaining agreements drive the administration of all pension benefit payments, so the Finance department would proceed with normal retirements administratively and changing to a quarterly meeting frequency would not delay the process. Debra assured the board that if any retirement-related concerns arose in the interim that required board approval, a special non-quarterly retirement board meeting would be called. Lee Collick requested that the Finance department continue to provide the retirement board with the monthly PBGC rates, as previously requested. The board agreed upon the following dates for future retirement board and retiree health care board meetings: 5/5/2023, 8/4/2023, 11/3/2023 & 2/2/2024 beginning at 9 a.m.

Moved by Lee Collick to change from monthly to quarterly retirement board and retiree health care investment meetings on a one-year trial period, with the following meeting dates: 5/5/2023, 8/4/2023, 11/3/2023 & 2/2/2024 beginning at 9 a.m.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

NEXT MEETING AND ADJOURNMENT

Next quarterly meeting is scheduled for 9:00 a.m. on Friday, May 5, 2023 at the City Hall Building at 203 South Troy Street, in the first floor conference room # 122.

Moved by Lee Collick to adjourn the meeting (9:33 a.m.) and confirmed the meeting for May 5, 2023, at 9:00 a.m.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0