



CITY OF ROYAL OAK RETIREE HEALTH CARE INVESTMENT BOARD MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES

A meeting of the Retiree Health Care Investment Board of Trustees was conducted remotely via Zoom, on Friday May 21, 2021, at approximately 8:30 a.m.

The meeting was called to order at 8:33 a.m.

Attendance / Roll Call:

PRESENT: Lee Collick, attending from Royal Oak, Michigan - Chairperson
Bret Nelson, attending from Royal Oak, Michigan - Vice Chairperson
Kyle DuBuc, attending from Royal Oak, Michigan – Trustee
Paul Brake, attending from Royal Oak, Michigan – Trustee
Monica Hunt, attending from Detroit, Michigan - Trustee

ALSO PRESENT: Julie Rudd - Bd Chief Administrative Officer/ Bd Secretary/Bd Treasurer
Lisa Genord - Financial Analyst / Pension Technician
Tom Michaud – Bd attorney with VanOverbeke Michaud and Timmony
Brian Green – AndCo Investment Advisor

Public Comment

Members of the public were able to participate in the meeting by joining on Zoom Webinar using Meeting ID 86104144791 & password 143695. Participation could be either online or by calling in:
Online: <https://us02web.zoom.us/j/83745739614?pwd=d3lvYk1vL2dlcmdXYkFXRG11OXFNQT09>
iPhone: 1 929 205 6099 or 1 301 715 8592
Phone: 1 929 205 6099 or 1 301 715 8592 or 1 312 626 6799 or 1 669 900 6833 or 1 253 215 8782 or 1 346 248 7799. There were no public attendees / comments.

Board approval of the agenda for the May 21, 2021, meeting

Moved by Lee Collick to approve the agenda for the May 21, 2021 meeting

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Board approval of the draft minutes for the April 16, 2021 meeting

Moved by Lee Collick to approve the draft minutes for the April 16, 2021 meeting

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

INVESTMENTS

Investment performance review as of April 30, 2021, presented by Brian Green of AndCo.

Market value/allocation of assets as of April 30, 2021 is \$154,146,043.

Current month – total portfolio outperformed the benchmark: 3.51% vs. 3.21% index.

3-month performance – total portfolio outperformed the benchmark: 8.02% vs. 6.68% index.

Year-to date performance – total portfolio outperformed the benchmark: 7.55% vs. 6.39% index.

1-year performance – total portfolio outperformed the benchmark: 32.35% vs. 30.60% index.

3-year performance – total portfolio underperformed the benchmark: 10.73% vs. 11.82% index.

Inception – total portfolio underperformed the benchmark: 9.24% vs. 10.42% index.

Brian recommended that the board members read the AndCo Newsletter – Introduction to Crypto Assets dated April 2021 (listed on this agenda), as an important educational tool from a market standpoint. Brian then reported that April was a continuation of the good news / performance results realized in first quarter of 2021, with the increase in COVID-19 vaccinations and the reopening of the economy. Brian reported the U.S. equities continue to dominate the market with the shift from large cap to small cap and from growth-oriented to value-oriented stocks. Brian stated that the recovery in value-oriented and small cap stocks have been a tremendous boost to the city's portfolio and have helped close the gap of long-term inception performance relative to the policy index. Brian also reported that there continues to be inflation concerns as interest rates slowly rise and investors question if / when the FED will intervene. Lee Collick asked Brian if he had any recommended changes for the city's portfolio and Brian stated that he proposed a change to the real estate allocation of the portfolio at the March 2021 meeting that he would still like the board to consider, as well as discussing adding private debt to the city's portfolio to help cover the health care monthly and quarterly payouts. Lee Collick asked about the costs associated with adding private debt, and Brian stated that there is a management fee, and that private debt is a more costly investment because it is illiquid.

Brian then presented his review of AndCo's performance, as requested by the Board at the last meeting, in comparison to the investment policy guidelines and indices. Brian briefly reviewed the investment policy statement and the overall performance objectives, and then discussed AndCo's performance as of March 31, 2021, relative to the statement and performance objectives. Brian stated that the portfolio's overall return for the past 4 years (as of 4/1/2017) is +8.43% net of fees, which trails the policy index return of 9.78% (1.35% in underperformance). Brian reported that one of the biggest drivers of portfolio's underperformance is the overweight to small cap stocks (20%) vs. the market weighting of 8% and, given the significant difference in performance between large cap and small cap stocks over the last 4 years, that allocation decision has driven 0.50% of the 1.35% in underperformance. Brian also reported that starting in the 4th quarter of 2020, the overweight to small cap (coupled with outperformance from Ancora & Clarkston) has become the largest driver of performance recovery in the overall portfolio. Brian reported that outperformance in April & May 2021 has closed the gap between the Total Fund and Policy Index by another 0.34%, and this continued improvement in performance has closed the gap by +1.19% in the last 8 months, putting the difference between the Total Fund and Policy Index at -1.01%. Brian stated he is confident, if the Board continues to allow AndCo to manage the city's retiree health care investment portfolio, that the Board will come to see this gap closed in the future.

Bret Nelson asked about not meeting the systems assumed rate of return. Brian stated that it is likely that the city's portfolio will have more muted returns. Julie Rudd confirmed with Brian that his opinion for the long-term rate of return is still expected to be 7% or 7.25%. Brian agreed that long-term rate of return assumption should remain at 7-7.25% and by exploring other asset classes, the city should meet the 7.25% hurdle rate.

The complete AndCo Investment Performance Review report dated April 30, 2021 is on file in Finance office.

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

AndCo Investment Performance Review for period ending March 31, 2021

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

AndCo Investment Policy Statement – Overall Performance Objectives

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

AndCo ADV Part 2A Disclosure Brochure dated March 29, 2021

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

AndCo Privacy Notice 2021

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

AndCo Newsletter – Introduction to Crypto Assets dated April 2021
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

PGIM Real Estate Prisa II LP Detailed Management Fee Report for Quarter Ending March 31, 2021
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

PGIM Real Estate Prisa II LP Investor Statement Period Ending First Quarter 2021
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

PGIM Real Estate Prisa II Performance Report - First Quarter 2021
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Seizert Capital Partners (SCP) Summary of Material Changes to Form ADV
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Seizert Capital Partners (SCP) GIPS Verification Announcement Letter dated April 2021
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Seizert Capital Partners (SCP) Directions Newsletter 1Q 2021 as of March 31, 2021
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Seizert Capital Partners (SCP) Quarterly Report dated March 31, 2021
Moved by Lee Collick to receive and file.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0

Brian Green left the meeting at 9:17am at the request of Lee Collick

LEGAL

None

OTHER

Annual advisor and consultant review – In accordance with Board policy, each year one existing advisors/consultants is reviewed along with prospective advisors/consultants. The investment advisor is due for review. Lee Collick proposed to have the retiree health care board investment advisor prepare a presentation outlining the portfolio's performance in comparison to the investment policy guidelines and indices and present it to the board at the next meeting. Brian Green, retiree health care investment advisor with AndCo, presented his review of AndCo's performance in comparison to the investment policy guidelines and indices, prior to his monthly market value / asset allocation review. At the conclusion of Brian's presentation, Bret Nelson stated that he thought that 5 years was needed to properly evaluate and investment advisor's performance, and because the city has only been utilizing

AndCo for 4 years, that the Board should allow AndCo the additional year to demonstrate their overall performance. Julie Rudd stated that the decision to add Seizert to the portfolio was to provide downside protection and we have not seen a significant decline in the stock market (as both financial advisors advised years ago) to witness the benefit of Seizert, which will need to be evaluated when it occurs. Both Paul Brake and Kyle DuBuc each opined that they want AndCo / Brian Green to continue as advisor.

Moved by Lee Collick to retain Brian Green with AndCo as the retiree health care investment advisor for another year and reevaluate AndCo's performance relative to the investment policy guidelines and indices at that time in May 2022.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Retiree Health Care Investment Board Trustee Election 2021 – update. City Clerk determined that an election was not necessary for the police / fire representative as Bret Nelson was the only person running - his new term will expire 5/31/2025. At the June meeting, the retiree health care investment board will acknowledge Bret's new term as the police / fire representative.

NEXT MEETING AND ADJOURNMENT

Next regular meeting is scheduled immediately following the retirement system board meeting at approximately 8:30 a.m. on Friday, June 11, 2021, via remote Zoom webinar.

Moved by Lee Collick to adjourn the meeting (9:29 a.m.) and confirm the next meeting for June 11, 2021, immediately following retirement system board meeting at approximately 8:30 a.m.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0