

CITY OF DEARBORN
CHAPTER 23 - POLICE AND FIRE REVISED RETIREMENT SYSTEM
(System Close Dates: Police: 07/01/2005...Fire: 05/01/2009)
NOTICE of BOARD OF TRUSTEES MEETING & AGENDA
Dearborn Administrative Center – Council Chambers
16901 Michigan Avenue, Dearborn, MI, 48126

8:30 AM, Thursday, September 26, 2024

Board Attendance	Present	Absent	Term End Date
Randa Dagher, Chair, Mayor Appointed (Out at 10:50)	X		01/01/26
Alan Brzys, Vice Chair, City Council Appointed	X		01/01/26
Daniel Bartok, Trustee, Police Member, Elected	X		06/30/27
Madou Bazzi, Trustee, Police Member Elected	X		06/30/25
Chad Bronson, Trustee, Fire Member Elected	X		06/30/27
James Rodgers, Trustee, Fire Member Elected (Out at 10:25)	X		06/30/25
Ibrahim Mac Elabed, Trustee, Citizen Appointed (In at 9:12)	X		01/01/26

Other Attendance	Present	Absent
Michael Kennedy, Board Secretary		X
Robert Festerman, Pension Administrator	X	
Robert Benak, Pension Accountant	X	
Jeremy Romer, Legal Counsel		X
Marie Racine, Legal Counsel	X	
John Krakowiak, Graystone, Consultant	X	
Steve Riga, Graystone, Consultant	X	
Amy Cole, Graystone, Consultant		X
Garret Bradley, Labaton Sucharow	X	
Guillaume Buell, Labaton Sucharow	X	
Joe Graham, Lord Abbett [via telephone]	X	
Jason Franken, Foster & Foster	X	
Francois Pieterse, GRS	X	

***Roll Call Time:**

Quorum Met (Needs 5 attending members for a quorum): Yes

1. Consider agenda as proposed

<i>Motion by:</i>	<i>Madou Bazzi</i>
<i>Support by:</i>	<i>Daniel Bartok</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2024-69

8:30 AM – Closed Session

2. Motion to go to Closed Session

<i>Motion by:</i>	<i>James Rodgers</i>
<i>Support by:</i>	<i>Chad Bronson</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2024-70

- a. Legal Report from Labaton Sucharow
- b. Review of 04/05/2024 Closed Session Minutes
- c. Review of 05/30/2024 Closed Session Minutes
- d. Any Other Closed Session Items that Arise

8:56 AM OPEN SESSION (cont.)

3. Consider 05/30/2024 Closed Session Minutes

Motion to approve 05/30/2024 Closed Session Minutes.

<i>Motion by:</i>	<i>Alan Brzys</i>
<i>Support by:</i>	<i>Madou Bazzi</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2024-71

3.1 Consider 04/05/2024 Closed Session Minutes

Motion to approve 04/05/2024 Closed Session Minutes.

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>Alan Brzys</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2024-72

INVESTMENT CONSULTANT & CUSTODY BANK BUSINESS

4. Lord Abbett – Investment Manager Presentation

Joe Graham presented via phone call to the Board regarding the portfolio with Lord Abbett. Mr. Graham briefly discussed the quarter and year in the market, focusing on employment and inflation. Mr. Graham discussed the rise of immigration creating an inflated unemployment number, which is unsustainable. Long term they still see scarcity as the determining factor for unemployment. Mr. Graham also explained they expect 8 rate cuts over the next 14 months and that these cuts are already priced into the market. Tax cuts are projected to bring the rate down to a neutral rate of about 3%. This rate is good for Lord Abbett however Mr. Graham is only concerned with the pace of these cuts given the markets growth – in all the market is great for credit.

Mr. Graham quickly covered asset class spreads, the U.S. Treasury forward curve and treasury yields compared to rate cuts. Asset spread is compressing and the treasury curve is showing price appreciation, providing positive returns post rate cut.

Chair Randa Dagher inquired about the turnover rate in the portfolio. Mr. Graham explained it was between 50 and 70% and highlighted that they are an active manager, utilizing bid ask in short term markets and using maturities to rotate into more favorable asset classes.

Mr. Graham discussed the portfolios risk and sector allocations, going in detail over each asset sector. The asset distribution is 51% in Investment Grade Corporate, 15% ABS, 8% CLO; 6% CMBS and Bank Loans. Most of the assets in the portfolio are short duration; roughly 30% of the portfolio has an effective duration of 1 year, less than 5% over 4 years.

Mr. Krakowiak asked Mr. Graham about the rate of return with the yield curve starting to normalize. Mr. Graham explained that with the rate cuts being baked in, the 2-year returns are going to be minimal, including a 5% carry with potentially a little extra; ultimately short of the 7% expectation.

Chapter 22 Trustee Robert Guerin inquired about the potential of a recession; are we in one or heading toward one? Mr. Graham explained that we are not actively in a recession, they do believe there is a small, non-negligible, chance that we do enter a recession. The largest risk in Mr. Graham's opinion is if China continues to slow down, as well as other risks like consumer spending.

Receipt & file resolution # **2024-73**

5. Graystone Consulting – Monthly Report

Steve Riga presented the market report on behalf of Graystone Consulting. The GDP numbers have been revised; Q2 was moved from 2.1 to 3.0; which was up from 1.6% in Q1. The Fed had a surprise 0.5% rate cut. 818,000 Jobs were cut from the U.S. mixed with rising immigration is fueling unemployment up to 4.2%. 12 million job openings down to 7.9 over a few years; average hourly earnings had a year over year increase of 3.8%. These factors drove the rate cuts. As explained by Mr. Graham, more cuts are expected.

PMIs are above 50; housing rates for 30-year conventional mortgages are down from 7.5 to 6.08; more refinancing as well. Many mortgages still exist with historic 2% rates; Mr. Riga explains if these houses reach market, it will boost the economy significantly through subsequent spending to buying a home.

August CPI is at 2.5%; the core rate is at 3.2 %; PPI is down from 2.2% to 1.7% year over year. PCE is at 2.5% and a new reading is expected soon. The 4-month rate is at 1.8% which is where the fed wants it; however, year over year is higher. China had big cuts, in an effort to support their consumers to fight their youth unemployment and market stagnation. Chinese equities are rising despite the negative economic news. Ali Baba is up over 20% in a week.

September started rough for the US markets but the month has turned out well. S&P is up 1.4%; Growth Stocks are up 2.6%; Value was 0%; small cap is down slightly but they expect good 4th quarter 2024 and 1st quarter 2025 which will be triggered by the interest rate cuts. EAFE is relatively flat and emerging markets are up almost 4%. Bond markets are doing well; the Aggregate is up 1.3% in September; high yield came in at 1.4% and emerging market debt is at 1.5%.

Mr. Riga does not believe a recession is likely; he still believes there will be the predicted soft landing. Mr. Riga gave an overview of the Yen borrowing dilemma. The Yen did strengthen and there was a massive drop in the Japanese and U.S. markets followed by a quick recovery, and he believes this could happen again. The Yen rate went from 166 to 144 yen to the US dollar, thereby increasing its value. The yield curve is un-inverting/normalizing which will drive the fed to do more rate cuts as predicted.

Chair Randa Dagher inquired about the current market's similarity to the 1980's. Mr. Riga explained that there are some similarities, but the major difference is how globalized the markets have become since the 1980's. Mr. Riga also added that the market in general reacts very well to inflation being broken; as we've seen historically and recently. Chair Dagher also asked about the election effects on the market. Mr. Riga explained that usually presidential election years perform well. As the election gets closer, things get uncertain which hurts the market. After the election and once certainty is restored, the markets recover and perform well typically.

John Krakowiak very briefly presented the monthly portfolio report for the Board. He highlighted the equity allocation of around 40% domestic and 20% international, which is skewed toward large cap. They have been trimming down international investments by using earnings for benefit payments where possible; some take more notice to liquidate. Emerging markets are having a good month and will likely be a source for the next periods benefits payments.

The portfolio has a year-to-date return of 9.6%; there was a timing issue with the Comerica reports resulting in 3 missing updates that should account for about 0.5%. Asset levels are climbing back up toward the 2022 balance; they are currently at approximately \$346,000,000 and performing well. Real Estate managers' reports are now nearing the bottom of the office crash, now that interest rates are coming down and return to office mandates are being issued to employees from corporations like Google. Additional legislation is working to bring about return to work results as well.

Trustee Madou Bazzi inquired about the Comerica reporting issue and its resolution. Mr. Krakowiak explained the issue of timing again, explaining they now review all of the reports in house at Graystone and find discrepancies but Graystone's reporting is limited to the information that flows from Comerica. Mr. Krakowiak reported that he is aware of other municipalities that are going out to market for a new custodial bank. Mr. Krakowiak noted that the important thing is that the reports are correctly reported at year end and are ready for auditors. At this point, the System has not had a problem with misstatements of assets to any great extent. Additionally, there has been a massive improvement in Comerica's services as compared to a year ago.

Mr. Krakowiak offered to provide any additional feedback the Board would like to hear, which would come from Tim Ely, the day-to-day Graystone representative that deals with the Comerica reporting services. Pension Administrator Festerman inquired about any suggestions from Mr. Krakowiak for potential new custodial banks. Mr. Krakowiak offered ideas and his experience with the quality and cost of the services provided by others. In addition, he offered to provide a list of about five different banks and trusts that could be candidates that are likely to come forward if an RFP is done..

ACTUARIAL BUSINESS

6. Foster & Foster Presentation of Actuarial Audit Reports

Jason Franken from Foster & Foster presented the actuarial audit report to the Board. Mr. Franken explained that the Chapter 22 and 23 Boards were among the first to complete this actuarial audit required by PA 202. The report explains that the audit tested the June 30, 2023 actuary report data regarding members, assets, liabilities, methods and actuarial assumptions. They concluded that there is no significant or material impact for any of the tested criteria, however, they did have minor recommendations. Mr. Franken highlighted that Gabriel, Roeder & Smith currently determines gain or loss for the year by comparing performance to the expected actuarial value; while Foster & Foster recommends using the expected market value approach.

Chapter 22 Trustee Robert Guerin asked about the impact if they change from the gain and loss method. Mr. Franken responded that ultimately there would not be a material difference. The actuarial method that smooths is intended to stabilize swings in gains and losses from year to year, resulting in a discrepancy from actual gains and losses, but in the long term these discrepancies are negligible.

Trustee James Rodgers inquired about the standardization of actuary services. Mr. Franken explained that the Actuarial Standards of Practice (“ASOP”) dictate specific components of actuary services. However, with regard to expected market value versus actuarial market value, that is left to the auditor’s discretion, which he again stated would make an immaterial difference. However, he did state that the standard practice is to use market value, even amongst other Gabriel Roeder & Smith actuaries.

Mr. Franken explained the System’s mortality projection tables are one edition behind, however, he notes that GRS is currently conducting an experience study which will update this. The current return rate assumption of 7% is exactly the median.

Mr. Franken highlighted an issue with provisions specifically involving Fire employee’s retirement eligibility. Vice Chair Alan Brzys later stated this issue was resolved and the contract language was corrected with a memorandum of understanding.

Francois Pieterse was present for Mr. Franken’s presentation and given the opportunity to respond to the audit in person, in addition to the written response included in the presentation materials presented by Foster & Foster. Mr. Pieterse thanked Mr. Franken for the audit report, and emphasized the utmost importance for these audits to be done to ensure the System actuarial services are being conducted correctly.

Mr. Pieterse spoke with regard to the asset calculations previously mentioned by Mr. Franken. He explained that the smoothing method has been utilized by him for all 23 years he has been with GRS. He reported that this is the only way the calculation has been performed, since it was put in place by Brian Murphy of GRS and members of the Actuarial Standards Board. However, he acknowledged Mr. Franken’s report that ASOP has not required either method and the method of calculations differs across the industry.

Mr. Pieterse confirmed the ongoing experience study that GRS is working on will utilize the updated mortality tables. GRS does not incorporate every mortality table when they become effective due to the need to constantly update the process of determining benefits by pension staff, and other actuarial factors. Mr. Pieterse lastly explained that the study will address the inclusion of layered amortization periods moving forward once the amortization period hits 15 years.

GENERAL BUSINESS

7. *CONSENT AGENDA FOR 9-26-2024*

- A. Consider 7/25/2024 Draft Board Minutes
- B. Consider Jack Lengyel's B-100 Retirement Application

END OF CONSENT AGENDA

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>Madou Bazzi</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2024-76

OTHER BUSINESS

- 8. Any Other Business Items That Arise – None arose.

OLD BUSINESS

- 9. Open work items in process
 - a. EDRO / DRO In Process: T. Darnall - No updates at this time.
- 10. Discuss Fiduciary Liability Insurance Information from Segal, as presented by Marie Racine
Tabled topic for October meeting.
- 11. Discuss Racine & Associates Legal Representation Agreement Proposal

Legal Counsel Marie Racine presented the proposed Legal Representation Agreement (“LRA”) between Chapter 23 and Racine & Associates. Ms. Racine explained that Legal Counsel Jeremy Romer requested specific language for the Pension Systems to own any and all work-product that was produced. Ms. Racine explains she fulfilled this request using the definition from ICLE; this includes any documents provided to Racine on behalf of the Pension Systems, any produced works related to court filings, legal opinions or charter work. The only items ineligible are internal Racine & Associates communications, memos or notes.

Among other terms, the LRA includes a retention policy of 7 years for all records. Mr. Romer also requested a specific provision in this regard which covers 2 years’ worth of retention; which is covered. Ms. Racine explained the differences and reasons for the two retention policies. Ms. Racine discussed the General Legal Services provision that includes her participation in board meetings, reviewing EDROs, policy and procedure preparations and of course legal opinions and counsel and advice to the Board.

Lastly, Ms. Racine discussed litigation fees. She explained the reasons for increased hourly rates for litigation including awards by judges as well as insurance companies. For example, Ms. Racine was recently awarded \$500 per hour by a judge during litigation she handles for the Detroit Police Officers Association. Chapter 22 Trustee Robert Guerin inquired about Larry Shoffner and rates associated with his services. Ms. Racine explained that Mr. Shoffner is “Of Counsel” to Racine & Associates and is only utilized for litigation purposes as opposed to general legal services. In any case where Mr. Shoffner would be involved in litigation, Ms. Racine would seek preapproval from the Board. Additionally, however, Mr. Shoffner would appear at meetings for rates that are the same as Ms. Racine’s for general services, in the event Ms. Racine is unable to attend.

Motion to approve the Legal Representation Agreement between Chapter 23 and Racine & Associates as presented.

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>Daniel Bartok</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2024-77

INFORMATIONAL ITEMS

12. Independent Medical Valuation (IME) Vendor Discussion

Pension Administrator Festerman presented his findings regarding additional IME vendors. Mr. Festerman was able to contact both Michigan Evaluation Group and Michigan IME and confirm their process is almost identical to our current vendor and can be incorporated into our current IME process. Having additional vendors for IME cases will allow for a more diverse offering of doctors and more specific valuations to the pension participant being evaluated.

13. NCPERS Public Safety Conference – October 27-30, 2024 in Palm Springs, California

- a. NCPERS Accredited Fiduciary (NAF) Program & NCPERS Program for Advanced Trustee Studies (PATS) – to be held at same location October 26-27, 2024

Pension Administrator Festerman provided flyers for the NCPERS conference. Legal Counsel Racine requested a headcount for herself and Sarah Schattner of Deroy and Deveraux, who may also be attending.

14. Any other informational items that arise

Trustee Chad Bronson briefly recounted the MAPERS conference that he and Trustee Rodgers attended. He requested Pension Administrator Festerman provide the trustees with information about other educational opportunities and conferences in addition to MAPERS and NCPERS.

ADJOURN MEETING

Motion to adjourn meeting

Meeting end time: 10:53 A.M.
Motion by: Daniel Bartok
Support by: Madou Bazzi
Roll-Call Vote: Unanimous
Resolution #: 2024-78



Michael Kennedy, Board Secretary

2024-88

Minutes Approval Resolution

10-24-24

Date

10/24/2024

Minutes Approval Date