

**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, October 24, 2024**

**OPEN SESSION MINUTES**

<b>Board Attendance</b>	<b>Present</b>	<b>Absent</b>	<b>Term End Date</b>
Randa Dagher, Chair, Mayor Appointed	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 (Via phone)	10:49 A.M.		06/30/25
Chad Bronson, Trustee, Fire Member Elected	X		06/30/27
James Rodgers, Trustee, Fire Member Elected	X		06/30/25
Ibrahem Mac Elabed, Trustee, Citizen Appointed	X		01/01/26

<b>Other Attendance</b>	<b>Present</b>	<b>Absent</b>
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
Kevin Yousif, Yousif Capital Management	X	
Eric Lessnau, Yousif Capital Management	X	
Francois Pieterse, GRS	X	
Rich Koch, GRS	X	
Abdullah Hammoud, Mayor of Dearborn	X	
Eric Cullum, Onstead Michigan	X	
Adam Ferrall, Chelsea Michigan	X	
Ali Shamsedin, Dearborn Heights	X	
Alia Ibrahim Selbini, Dearborn Heights	X	

**\*Roll Call Time: 08:39 A.M**

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

1. Consider agenda as proposed

<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>	<b>2024-83</b>

**8:40 AM - INVESTMENT CONSULTANT BUSINESS**

2. Yousif Capital Management – Investment Manager Presentation

Kevin Yousif presented on behalf of Yousif Capital Management. Mr. Yousif provided a brief overview of the history of YCM's handling of investments for the Dearborn retirement systems. The portfolios held by YCM are index products, indexed to the Russell 3000 allowing ownership of all U.S. stock. This type of investment is a core piece of the portfolio.

Current market value of this portfolio for Chapter 23 is \$23.3 million. In addition to the index piece, there's a foreign equity product valued at \$8.4 million. The index portfolio is up 13.18% since inception; with a bench mark of 13.22%. Foreign equity is up 25.85% year to date; with a benchmark of 25.35%.

Trustee James Rodgers inquired as to whether there were any issues with the foreign equity portfolio as a result of the recent issues experienced with Comerica Bank. Mr. Yousif explained that the Comerica issues are on the custody side and have no impact on the investment portfolio.

Chair Randa Dagher asked about the portfolio turnover. Mr. Yousif explained that they have a very low turnover, because the Russell 3000 includes almost all U.S. stocks. Active managers have a turnover of around 100-150%; YCM turnover is about 30-40%. Mr. Yousif also highlighted that YCM's commission fees are low, and they provide commission free trades on rebalancing.

*Receipt & file resolution #*      **2024-84**

3. Graystone Consulting – Monthly Report

Steve Riga presented the monthly market report. The soft landing is still on-going and better than expected. GDP up for Q3; PMI is up slightly as well. Leading economic indicators are down and trending down further; which signals weakness and which could be affected by rate cuts beyond 0.25%. The jobs market report came in at less than 200,000 for October; it was 185,000 in July, 161,000 in August, and 254,000 in September.

Unemployment hit a low in April 2023 at 3.4%; it was up to 4.2% in August 2024 and then back to 4.1% for September 2024. The market reaction to this was not as negative as expected and US Treasuries are now at 4.19%. Average hourly earnings were down 3.8% in August, and up 4.0% in September, which is a bad read for the market. Rate cuts are expected to be 0.25/0.25 in November and December, with 2.5% in total cuts over the next year – depending on the economy.

The CPI core rate is stagnant at 3.2%, 3.2% and 3.3% for July, August and September 2024 respectively; with the headline rate similarly reported at 2.9%, 2.5% and 2.4% respectively. PPI has been well behaved; current PCE is coming soon - headline was 2.1% in July, and 2.2% in August; the core rate was 2.6% in July and 2.7% in August.

There have been interest rate hikes around the world; notably the European Union and Australia are reducing rates. The Chinese economy is still in turmoil – stimulus is being pumped into it. Rising interest rates in the US will hurt Emerging Markets. The yield curve has finally un-inverted. Housing prices are still inflated. It usually takes an 18-month rolling period for prices to work through inflation indices.

Earnings reports show that overall, banks and airlines are doing well. S&P 500, Growth & Value are all up about 1% each; AG is down 2%. 79% of companies are beating earnings; 64% are beating revenues. This is the 5<sup>th</sup> quarter in a row of year-over-year growth. High yield continues to hold; it is only down 0.65%; Emerging markets debt is up near 17%.

Trustee James Rodgers asked Mr. Riga about the upcoming election and whether the market is impacted by some of the proposed policies. Mr. Riga answered that he believes there will not be any impact. Mr. Riga explained that a lot of policies described during campaigns simply never get implemented; he further elaborated that the markets prefer gridlock within the government – different parties in control of different branches. This helps prevent impact on the market through governmental policies.

Chapter 22 Trustee Robert Guerin asked about the allocation of equity and fixed income investments and how comfortable they are with the allocation. Mr. Riga explained their comfort level is positive. Fixed income is finally rebounding after 10-15 years of poor performance and is finally helping the System reach the required rate of return. Furthermore, a 60/40 allocation is considered a balanced portfolio.

Chair Randa Dagher inquired about the credit ratings of the companies in the portfolio. Mr. Riga explained he would need to verify, but his estimate is that we have an overall rating of BB+. Eric Cullum, resident of Onstead, MI, asked Mr. Riga about statements made by Vladimir Putin at the BRIC summit regarding combining the ruble with other currencies around the world. Mr. Riga was unaware of any such statements but does not believe there's any chance other economies will combine currency with the ruble.

John Krakowiak presented the performance report to the Boards. Chapter 22 is up almost 20% YTD; 18.5% for Chapter 23. Equities are strong. Aristotle is up 6.6% YTD with low volatility and deep value components that performed weakly in the first 3 months but are starting to pick up. Deroy & Deveraux YTD is 18.6%; and 30.3% for the 1-year. The DOW is moving up strong, partially due to value rising with the positive earnings calls. Fixed income assets have returned 7% YTD and 13.8% for the 1-year; there may be a negative return next month as rates fluctuate but if so, it will provide a buying opportunity to get more fixed income into the portfolio.

*Receipt & file resolution #*      **2024-85**

## **ACTUARIAL BUSINESS**

### **4. Gabriel Roeder Smith & Co. Presentation of 5 Year Experience Study**

Francois Pieterse presented the Chapter 23 study. Mr. Pieterse explained the yearly valuation report that is done as of June 30<sup>th</sup> each year, for which certain assumptions are made regarding the rates of terminations, disabilities, retirements, mortalities, investment returns and salary increases. The selection of these assumptions is paramount to the accuracy of the valuation to avoid overstated or understated costs, both which could have negative impacts on the retirement system. These assumptions are not suitable for indefinite use and must be reevaluated and corrected as necessary. It is common practice that following discussion involving the actuary, the Board of Trustees, and other professionals, the Board of Trustees makes a final choice of assumptions for the actuary to use from the various reasonable alternatives presented by the actuary.

Regarding the Experience Study, Mr. Pieterse highlighted that this Study covers a 5-year period that includes the entirety of the Covid pandemic and as such, the pandemic will have an impact on the actuarial recommendations. Fire retirement rates were higher than expected at 24 actual retirements with an expected 7.9 retirements. Police retirement rates were similar with 26 retirements as compared to an expectation of 15.4 retirements. The actuary proposes raising retirement rates, with a larger increase being applied to Fire. The suggested increase is 50% for Fire and 20% for Police, which is half as much as would typically be recommended because of the Covid impact.

No changes are recommended for rates of turnover due to lack of experience. Mr. Pieterse highlighted that the pension system is closed and as such, naturally has a lower turnover. Trustee Rodgers inquired about the expected and actual data for turnovers. Mr. Pieterse explained that they use the census data to determine when plan members retire, whether normally or as a disability, or whether they have been terminated. For the expectation assumption, each member is assigned a probability of termination and these probabilities are summed up for the system. GRS does not recommend any changes for the Disability assumptions, for reasons similar to the turnover assumptions – i.e. lack of experience.

Regarding mortality assumptions, Mr. Pieterse explained that the active population is shrinking due to the system being closed. The mortality assumption recommendation is to keep the existing mortality tables, but to update the mortality projection scale from MP-2019 to MP-2021. This recommendation would slightly lower computed liabilities and contributions requirements. It was further explained that the new mortality projection scale is a correction from the MP-2019 scale that was slightly over the actual mortalities experienced. It was also noted that the Society of Actuaries does not intend to perform another mortality improvement update for 2024 due to the effect of the Covid pandemic on their data.

Regarding the economic assumptions, Mr. Pieterse explained that they do not rely on internal historic data like demographic assumptions. Instead, they rely more on external factors like inflation, productivity changes and local economic environments. Current assumptions expect 2.5% inflation, 7% investment return and 2.75% wage inflation. GRS recommends no change for the inflation assumption. Similarly, wage inflation is within acceptable levels and in accordance with Actuarial Standards of Practice #27, no change is recommended. Mr. Pieterse recommended the longevity and merit portion of pay should be increased slightly to account for rising wages with Police and Fire – i.e. approximately 0.25% for everyone.

Lastly, Mr. Pieterse explained how GRS approaches the investment return assumption. Mr. Pieterse explained that because GRS is a benefits consulting firm and does not develop or maintain its own capital market expectations, they monitor forward-looking expectations developed by several investment firms. Future return expectations issued by various investment firms were analyzed using the GRS Capital Market Assumptions Modeler (CMAM). The summary of GRS 2024 CMAM is that short term expected returns are 6.83%; long term returns are 7.08%. GRS makes no recommendation to change the investment return assumption.

Mr. Pieterse reiterated the importance of the consideration of the nature of closed systems typically having more short-term liabilities than long-term liabilities. For Chapter 23, the Present Value of Benefits is approximately \$468 million, with 27% being associated with benefit payments payable within 5 years, 49% within 10 years and 66% within 15 years. The current normal cost and liabilities for all decrements are increased by 1% to account for additional costs related to B-75 and B-100 retirement options. The Experience Study reports an approximate 2% increase in liabilities due to participants electing optional retirements, resulting in a recommendation to increase the load from 1% to 1.5%.

Mr. Pieterse recalled the Board previously approved a layered amortization once the remaining amortization period reaches 15 years. The current amortization period is 21 years. No change is recommended to the previously approved future layering approval. No change is recommended to the actuarial cost methods. Regarding Option Factors, GRS recommends all reduction factors be updated for new mortality and interest rate assumptions, effective July 1, 2025, to allow for administrative changes. GRS does not recommend any changes to the asset valuation method; the 5-year smoothing method is still good.

Mr. Pieterse presented a summary of the potential changes with two options: (1) The first option includes demographic changes (Proposal B) and (2) the second option uses an alternate discount rate of 6.75% (Proposal C). The Boards briefly discussed the proposals with Mr. Pieterse.

*Receipt & file resolution #*    **2024-86**

Motion to approve Proposal B, with updated Demographic and Wage Inflation assumptions as presented in the 5-year Experience Study.

<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>	<b>2024-87</b>

## GENERAL BUSINESS

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### 5. *CONSENT AGENDA FOR 10-24-2024*

- A. Consider 09/26/2024 Draft Board Minutes
- B. Consider Mark Moros's B-100 Retirement Application

### END OF CONSENT AGENDA

<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>	<b>2024-88</b>

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### 6. Consider 10/07/2024 Special Meeting Open Session Board Minutes

Tabled until next meeting.

## OTHER BUSINESS

7. Motion to ratify authorization for Labaton Sucharow to proceed with a 220 Demand for R1 RCM

<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>	<b>2024-89</b>

8. Any Other Business Items That Arise

## OLD BUSINESS

9. Open work items in process

- a. EDRO / DRO In Process: T. Darnall

Tabled until next meeting.

10. Discuss Fiduciary Liability Insurance Information from Segal, as presented by Marie Racine

Tabled until next meeting.

## INFORMATIONAL ITEMS

11. Any other informational items that arise – None.

## CLOSED SESSION

12. Motion to go to Closed Session at 10:30 am.

<i>Motion by:</i>	<i>Daniel Bartok</i>
<i>Support by:</i>	<i>James Rodgers</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2024-90</b>

- a. Review of 09/26/2024 Closed Session Minutes
- b. Review of 10/07/2024 Special Meeting Closed Session Minutes
- c. Legal Report regarding FOIA and Investment Policy Statement presented by Racine & Associates
- d. Legal Report regarding pending litigation presented by Racine & Associates
- e. Any Other Closed Session Items that Arise

## OPEN SESSION (cont.)

Prior to considering any action by the Board regarding the Investment Policy Statements of each of the Boards, Vice Chair Al Brzys opened the floor to the public for comments.

Eric Cullum, Onstead, Michigan, requested that any proposed Investment Policy Statement changes be read aloud. Vice Chair Brzys obliged. Mr. Cullum then inquired about the resolution adopted by City Council with regard to the divestment issue and the specific language regarding countries involved that they included in their resolutions for Chapter 21 and OPEB. Legal Counsel Marie Racine read the resolution adopted by Chapter 21 and OPEB on October 4, 2024. Mr. Cullum noted the crisis in the middle east is a terrible situation, but he is concerned that the language in the Chapter 22 and Chapter 23 resolutions is too vague and opens the System to potential bad actors. His request is that the Trustees consider narrowing the language by identifying specific companies or designating a finite time period for the new proposed divestment guidelines in the policy.

Vice Chair Brzys explained that the investment consultants and managers have reviewed the proposed language and developed a list of companies that would be identified under this proposed policy change, with examples being Raytheon and Lockheed Martin. Mr. Cullum further inquired about the use of “knowingly” within the policy – asking who is knowingly investing? – the United States government or the investment advisors? Ms. Racine explained the separate account managers would review their investments per our policy guidelines, and if any questions arise, Graystone/Morgan Stanley would be able to review and determine any relevance to the policy. If any further questions are still present, the Board of Trustees would be the final determiner as to whether the investment is acceptable or not. Mr. Cullum’s final remarks for the Board were again to reconsider the language as he believes it is too broad, and he strongly urges the Board to consider a finite time frame for the policy. John Krakowiak of Graystone pointed out that the Investment Policy Statement is reviewed every year in July at a minimum but can be reviewed by the Board for potential changes at any time.

Adam Ferrall, Chelsea, Michigan, inquired whether the Boards, as the elected fiduciaries of the Retirement System, have any concern about the long-term consequences of the proposed change to the Investment Policy Statement, relative to the investment rate of return. Vice Chair Brzys explained that this was the Board’s first concern. Mr. Krakowiak was also able to elaborate that during his discussions with the various investment managers, the managers explained that these types of restrictions are not uncommon, and the long-term performance of other restricted portfolios are extremely close in comparison following similar policy guidelines restrictions. The investment managers have not expressed concerns about investment returns and as such, the investment consultants and the Board developed a comfort level with the Investment Policy Statement changes proposed. Vice Chair Brzys highlighted that this issue is much more about showing the residents of Dearborn, the taxpayers and the city employees, that the System is not profiting from weapons used against them and their families in places like Lebanon. Several trustees voiced their agreement with Vice Chair Brzys’s statement, citing their fiduciary obligations are met and this is an act of solidarity with the residents, taxpayers and employees.

Ali Shamsedin, Dearborn Heights, Michigan, informed the Board that he is in support of this resolution. Mr. Shamsedin explained that he is Lebanese and has lost multiple family members to what he described as a genocide. Mr. Shamsedin further explained that he feels the resolution is a no-brainer and simply put, any Retirement System money going to the war is unacceptable to him. The Board thanked Mr. Shamsedin for speaking and offered their condolences.

Alia Ibrahim Selbini, Dearborn Heights, Michigan, informed the Board that she is in support of the proposed resolution. Ms. Selbini also expressed being thankful to the Board for taking this issue seriously and being informed on the topic.

Motion to approve the following resolution:

RESOLVED THAT, Managers using separate account vehicles for investments that are part of the System portfolio shall not invest in publicly traded companies that consistently, knowingly and directly enable or facilitate human rights violations or violations of international law as part of prolonged military occupations, apartheid, and/or genocide anywhere in the world (collectively, the "Violations"). This refers specifically to companies that manufacture "military equipment", which means weapons, arms, military supplies, radar systems, military-grade transport vehicles, as well as technology and equipment that is used for the manufacture of military equipment used for military purposes in connection with the foregoing Violations."

*Motion by:* James Rodgers  
*Support by:* Daniel Bartok  
*Roll-Call Vote:* Unanimous  
*Resolution #:* **2024-91**

Motion to approve in-kind transfer of funds from Aristotle to Deroy & Deveraux.

*Motion by:* James Rodgers  
*Support by:* Daniel Bartok  
*Roll-Call Vote:* Unanimous  
*Resolution #:* **2024-92**

Motion for Legal Counsel Marie Racine and Investment Consultant Graystone to proceed as discussed in closed session.

*Motion by:* James Rodgers  
*Support by:* Chad Bronson  
*Roll-Call Vote:* Unanimous  
*Resolution #:* **2024-93**

**13. Motion to approve 09/26/2024 Closed Session Minutes**

*Motion by:* James Rodgers  
*Support by:* Chad Bronson  
*Roll-Call Vote:* Unanimous  
*Resolution #:* **2024-94**

**14. Consider 10/07/2024 Special Meeting Closed Session Minutes**

Motion to table 10/7/2024 Special Meeting Closed Session Minutes.

*Motion by:* James Rodgers  
*Support by:* Chad Bronson  
*Roll-Call Vote:* Unanimous  
*Resolution #:* **2024-95**



Motion to table remaining Agenda items 6, 8, 9, 10, 11, 12b and 14.

<i>Motion by:</i>	<i>Daniel Bartok</i>
<i>Support by:</i>	<i>Ibrahem Mac Elabed</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2024-96</b>

## ADJOURN MEETING

Motion to adjourn meeting

***Meeting end time: 12:25 P.M.***

<i>Motion by:</i>	<i>Daniel Barton</i>
<i>Support by:</i>	<i>Alan Brzys</i>
<i>Roll-Call Vote:</i>	<i>Unanimous</i>
<i>Resolution #:</i>	<b>2024-97</b>

  
\_\_\_\_\_  
Michael Kennedy, Board Secretary

*2024-103*  
\_\_\_\_\_  
Minutes Approval Resolution

*11-19-24*  
\_\_\_\_\_  
Date

*11-21-2024*  
\_\_\_\_\_  
Minutes Approval Date