

**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, January 23, 2025**

**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 (In at 8:50)	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	X		06/30/25
Ibrahim 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 (In at 8:42)	X	
Jeremy Romer, Legal Counsel		X
Marie Racine, Legal Counsel (In at 8:40)	X	
John Krakowiak, Graystone, Consultant (In at 8:47)	X	
Steve Riga, Graystone, Consultant (In at 8:46)	X	
Amy Cole, Graystone, Consultant		X
Paul Nickodemus, PIMCO	X	
Oliver Harkin, PIMCO	X	
Stephen Saph, Nickel & Saph	X	

**\*Roll Call Time: 8:39**

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

1. Consider agenda as proposed

*Motion by:*  
*Support by:*  
*Roll-Call Vote*  
*Resolution #*

*James Rodgers*  
*Chad Bronson*  
*Unanimous*  
**2025-01**

## 8:30 AM - INVESTMENT CONSULTANT BUSINESS

### 2. PIMCO – Investment Manager Presentation

Oliver Harkin presented on behalf of PIMCO. Mr. Harkin gave a brief overview of the funds, describing PFLEX as a multisector credit strategy spanning both public and private markets. The fund focuses on four primary credit verticals: Residential Credit, Commercial Real Estate, Specialty Finance and Corporate Credit. The stated goal of the fund is income first, bearing 10% annualized income paid monthly, with a secondary objective of capital appreciation. PIMCO is uniquely positioned between private and public markets, providing benefits from both sides including transparency for holdings and exposure, greater SEC oversights through public markets, but also more investment flexibility and access to the private market.

The fund allocation is approximately 40% Corporate Credit, 24% Residential Mortgage, 18% Commercial and Real Estate Credit, 9% Specialty Finance and 9% other. Mr. Harkin commented on the ongoing headwind for commercial real estate, having moved some of that allocation to Corporate Credit and Residential Mortgages. The market value of the fund is just over \$3 billion. The fund has an 11.9% yield to worst, which includes both fund goals of mandated income and capital appreciation.

Mr. Harkin discussed the duration shift, highlighting rising interest rates allowing for discounts to par on certain bonds. PIMCO has taken advantage of this market and has an average discount of 20%. These bonds are expected to pull to par as their maturity increases and rate cuts are introduced by the federal reserve.

The year-to-date performance of the fund is 15.16%; beating the two comparable public benchmarks by significant margins. Mr. Harkin discussed the market outlook, highlighting the commercial real estate stresses, the stability of the residential real estate market and the impacts of the previous year banking crisis. Lastly, Mr. Harkin discussed some of the trade examples driving the yearly performance. Mr. Harkin highlighted residential fix and flip loans, longevity assets and student loan assets.

Trustee James Rodgers inquired about the nature of PIMCO's lending, comparing international versus domestic. Mr. Harkin explained the majority of the loans are domestic, however, there is some exposure to foreign markets, e.g. the Irish residential real estate market.

Chair Randa Dagher inquired about the nature of the bank loans. Mr. Harkin explained each one is different, depending on the purpose or area. PIMCO has established networks with many regional banks and some national banks. For example, the fix and flip loans are very short duration 12-24 months. Ms. Dagher inquired about domestic vs international allocations, to which Mr. Harkin explained, roughly 90% are domestic and 10% are international.

Trustee James Rodgers inquired about the student loan investments and the impact student loan forgiveness might have. Mr. Harkin explained the student loan portfolio loans are mostly for masters and doctorate degrees, which have higher expectations of repayment compared to other student loans, and are loans more likely to have secondary guarantors.

Chair Dagher inquired about the distribution rate. Mr. Harkin explained PIMCO keeps cash on hand from interest earnings for monthly payments, not resorting to liquidating assets for their appreciation.

Paul Nickodemus lastly provided an update regarding PIMCO's market outlook, called "Uncertainty is Certain." Regarding the federal rate cuts and the soft landing, PIMCO believes the soft landing is still in play, and further expects to see 0.5 to 1.5% rate cuts in 2025 through 2026. Mr. Nickodemus highlighted multiple advisors working with PIMCO who previously were members or chairs of the federal reserve. These advisors help drive PIMCO's market expectations.

Chair Dagher inquired about any hedging the portfolio partakes in. Mr. Nickodemus explained their transition from shorter duration to 3–10-year bonds, moving up the interest rate curve. Mr. Harkin explained that PIMCO does not carry any currency risk, but furthermore does not hedge too much so as to not detract from the income mandate, as hedging would inherently lower income.

### 3. Graystone Consulting – Monthly Report

Steve Riga gave the market report by Graystone Consulting. GDP for Quarter 3 came in at 3.1%, which beat expectations; the Q4 estimate is 2.2 to 3.2%. The federal reserve is looking for 3% growth in 2025 in the U.S. and the IMF is looking for 3% growth globally. Mr. Riga briefly discussed how an end to the Ukraine war would bolster international growth during post-war rebuilding in addition to the confidence in the market that accompanies the end of a war. EAFE was down 8% in the 4<sup>th</sup> quarter which could be greatly swayed by the end of the war.

The jobs market report beat expectations with 256,000 new jobs. Unemployment has risen slightly, average hourly earnings are up 3.9% year over year; basically the fed's desired 4%. CPI came in at 3.2% and also beat expectations, coming down a little from 3.3% in December.

PCE read will not be available until the end of the month. PCE will be looked at closely by the federal reserve. Fed rates are expected to be on hold but Mr. Riga does see a chance for another 0.25% rate cut. The projected rate cuts have strengthened the dollar, along with projections from the federal reserve of a 15% increase in profits in 2025. These factors will support equity markets.

Mr. Riga reported that about 10% of the earnings reports have come in, with a vast majority of those reporting better than expectations. Banks are performing exceptionally well, and most airlines are performing well; with American Airlines being the exception. Technology earnings will be coming out soon and expectations are shaky after poor performance by Apple; which may or may not be indicative of the overall tech market.

Mr. Riga highlighted that the equal weighted S&P 500 is outperforming the cap weighted S&P 500, indicating some catching up of the other stocks, which Mr. Riga said was good news.

Mr. Riga discussed the yield curve steepening. The 2-year is 4.29% and the 10-year is 4.62%; Mr. Riga explained this will cause the federal reserve to hold on interest rate cuts but there is still risk with things like the proposed tariffs and whether or not the tariffs come to fruition. Mr. Riga commented on NVIDIA tempering expectations regarding quantum computing.

Overall plan year is looking positive; the market is rebounded nicely after the pull back in December. EAFE is up 3%; emerging markets are up a little over 1%; and high yield is still climbing.

Chair Randa Dagher inquired about the tariffs and their impact. Mr. Riga explained that it's unknowable considering the president's own statements are contradictory; regarding how much tariff to apply and to which nations; not to mention there's no guarantee any tariffs will be imposed or whether they are simply used as a negotiation tactic. As a result, it's unpredictable but surprisingly the market has not reacted much to this threat thus far.

John Krakowiak presented the performance report by Graystone Consulting. Mr. Krakowiak advised that December performance was not the best, but the portfolios were well protected as compared to others. PRISA had a positive month, however the REITs did not perform as well as they are tied closer to interest rates. With return-to-work orders being issued, the real estate markets should be recovering more in the coming months.

The monthly performance was (-2.1%). Additionally, Mr. Krakowiak explained January should be a much better month. Year to date Chapter 23 has a return of 10.5%, even though some alternatives have not reported yet, which may have an impact.

Regarding international performance, Mr. Krakowiak discussed Walter Scott and the search for a replacement, with manager presentations to be scheduled in forthcoming meetings. Additionally, Mr. Krakowiak invited the trustees to make recommendations/requests if they have any insights from investment conferences or such and Graystone will include them in the search.

Fixed income performed well compared to the benchmarks. Mr. Krakowiak explained that Chapter 23's fixed income profile is lower duration than the core, and as such, protected well. Real Estate is also showing signs of life, with positive returns from PRISA. Regarding the alternative investments, Mr. Krakowiak discussed complications with the Entrust investment and its liquidation, more updates are forthcoming.

Trustee James Rodgers inquired about certain investment managers and their performance compared to their fees. Mr. Krakowiak explained that the investment managers return is always net of fees, so unless a performance is negative, no money is lost. Secondly, not all investments are necessarily going to carry the investment return rate themselves, and as long as, compared to the benchmark, the investments are providing alpha, they are understandable. Some investments are in limited partnerships which cannot be terminated in the same way as with a standard investment manager.

Regarding the international equity search, Mr. Krakowiak discussed with the Board the method of some of the new international managers using a rolling equity model that allows for more liquidity than other alternatives. Mr. Krakowiak reviewed Walter Scott's performance, particularly the 5-year return of 3.1%; which is much lower than the EAFE bench mark at 5.2%.

Mr. Krakowiak presented the international equity search report to the Boards. Discussion was held regarding the presented managers' risks, fees and performance. The Boards decided to invite Fidelity, Hartford and Hudson Edge to present their investment strategies for considering in the international equity search.

*Receipt & file resolution #*      **2025-02**

## GENERAL BUSINESS

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### 4. *CONSENT AGENDA FOR 01-23-2025*

- A. Consider 12/19/2024 Draft Board Minutes
- B. Consider Jamie Jent's B-100 Retirement Application
- C. Consider Jennifer Janiga's Straight Life Retirement Application

Request by Vice Chair Al Brzys to remove Item C from the Consent Agenda for further action at the next Board meeting.

### END OF CONSENT AGENDA

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>James Rodgers</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2025-03</b>

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Mr. Festerman was asked about Ms. Janiga's straight life election. Mr. Festerman explained that he had prepared an estimate for her naming her father as a beneficiary, but she ultimately decided on the Straight Life option. Mr. Festerman indicated he would reach out to Ms. Janiga again, to confirm her intentions of a Straight Life election.

## OTHER BUSINESS

- 5. Any Other Business Items That Arise – None.

## OLD BUSINESS

- 6. Fiduciary Liability Insurance - Policy Overview by Nickel & Saph

Stephen Saph presented Nickel & Saph's fiduciary liability insurance services to the Boards. Mr. Saph discussed the coverage, terms and conditions of the fiduciary liability insurance policies. Mr. Saph also discussed the necessity of fiduciary liability for pension systems for purposes of defense and indemnity. Further, Mr. Saph reviewed the historic and ongoing claims within the systems, as they impact insurance premiums. He notes the various municipalities and multi-employer plans, like brewers' and plumbers' unions, that Nickel & Saph provides fiduciary liability insurance for.

Trustee James Rodgers inquired with Mr. Saph about the pricing of policy premiums. Mr. Saph explained that valuating premiums was first based on the asset balance of the system, but things like claims history, system funding and participant population can impact the premiums as well. Trustee Rodgers followed up by asking Mr. Saph if having separate policies for each system was still recommended. Mr. Saph explained that yes, Nickel & Saph recommends having separate policies. Systems that share a policy can end up being underinsured if multiple claims happen in the same plan year.

Trustee Rodgers further inquired about whether the coverage amount the plans have is sufficient. Mr. Saph confirmed the \$1 million policy is still the appropriate coverage; it has been satisfactory for the life of the plan given the previous claims.

Chair Randa Dagher asked Mr. Saph what the highest cost of a claim has been. Mr. Saph explained it was approximately \$5 million in legal defenses and damages. The case was a class action. Most claims were settled or found not liable though and had an average defense cost of about \$250,000.

Mr. Saph presented a draft of his Fiduciary Insurance Renewal memo, currently presenting two vetted and approved policies from Hudson Insurance Co. (the systems current insurer) and Markel American Insurance Co. Mr. Saph explained more information will follow with the full memo, outlining more coverage options and including Nickel and Saph's recommendations.

Trustee Rodgers inquired about legal defense and the Board's legal counsel. Mr. Saph explained that, yes, the System's legal counsel can serve as insured legal counsel after a vetting process conducted by the insurance carrier.

Legal Counsel Marie Racine asked Mr. Saph to explain why the claims history is retroactive to 1999. Mr. Saph explained that, firstly, this date is necessary for the purposes of advocating for legal defense against claims that may be false, misconstrued or simply beyond a statute of limitations. Mr. Saph expressed his concern for coverage to be denied based on a plaintiff making a claim based on some period retroactively. This type of retroactive coverage would be negligible to the annual premium for coverage. Ms. Racine also inquired about the difference in premium as between Chapter 21, 22 and 23. Mr. Saph said he would provide more information on that but explained that it would most likely relate to claims history and activity of membership of each system.

Chapter 22 Trustee Michael Timiney inquired about the history with the pension systems and Hudson Insurance. Mr. Saph answered that the pension system has been under coverage with Hudson since 2013.

Mr. Saph and the Board discussed premium prices regarding the three pension systems. Mr. Saph reiterated points regarding the system assets, participant demographics and other factors. Mr. Saph also informed the board these calculations for premiums are protected by the insurance carriers through proprietary rights.

Chapter 22 Trustee Robert Guerin inquired about the compensation of Nickel and Saph. Mr. Saph explained they are paid based on a commission from the insurance carrier after a contract is enacted.

Mr. Saph then concluded his presentation, thanked the Board for their time, and exited the meeting, at which point, the Board discussed the liability insurance reports from both Segal and Nickel & Saph. Consensus is to wait for Mr. Saph to provide the final renewal memo with his recommendations, at which point the Boards can compare the memo and the estimates provided by Segal.

The Boards also discussed previous memos signed by former Mayor O'Reilly regarding liability insurance and coverage. Vice Chair Alan Brzys requested the Pension Administrator to please provide a copy of that letter for the Boards.

Ms. Racine also highlighted a correction that needed to be made regarding Mr. Saph's understanding of the ongoing Chapter 23 litigation. Ms. Racine will reach out to correct the understanding for purposes of Mr. Saph representing the Boards as the insurance broker.

7. Open work items in process

a. EDRO / DRO In Process: T. Darnall - No updates.

## INFORMATIONAL ITEMS

8. Any other informational items that arise – None.

## CLOSED SESSION – 11:32am

9. Motion to go to Closed Session

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>James Rodgers</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2025-04</b>

- a. Review of 11/21/2024 Closed Session Minutes (No action taken at December meeting)
- b. Review of 12/19/2024 Closed Session Minutes
- c. Legal Reports regarding pending litigation presented by Racine & Associates
- d. Any Other Closed Session Items that Arise

## OPEN SESSION (cont.) – 11:58am

10. Consider 11/21/2024 Closed Session Minutes

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>James Rodgers</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2025-05</b>

11. Consider 12/19/2024 Closed Session Minutes

<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>2025-06</b>

12. Legal counsel was directed to proceed as discussed in closed session regarding any pending litigation.

## ADJOURN MEETING

Motion to adjourn meeting

<i>Meeting end time:</i>	<i>11:59 A.M</i>
<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>2025-07</b>

  
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Michael Kennedy, Board Secretary

*2025-11*  
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Minutes Approval Resolution

*2-21-25*  
\_\_\_\_\_  
Date

*2-20-2025*  
\_\_\_\_\_  
Minutes Approval Date