

CITY OF DEARBORN
CHAPTER 22 - GENERAL EMPLOYEES RETIREMENT SYSTEM
(System Close date: 07/01/2002)
NOTICE of BOARD OF TRUSTEES MEETING & AGENDA
Dearborn Administrative Center – Council Chambers
16901 Michigan Avenue, Dearborn, MI, 48126

8:30 AM, Thursday, February 20, 2025
Open Session Minutes

Board Attendance	Present	Absent	Term End Date
Randa Dagher – Chair, Mayor Appointed	X		01/01/26
Alan Brzys, Vice Chair, City Council Appointed	X		01/01/26
Robert Guerin, Trustee, Member Elected	X		06/30/27
Wisam Fakhoury, Trustee, CSC Appointed	X		06/30/28
Michael Timiney, Trustee, Member Elected	X		06/30/25

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
Rene LeFevre, Loomis Sayles	X	
Cheryl Stober, Loomis Sayles	X	
David Zielinski, Loomis Sayles – via phone	X	
Roger Ackerman, Loomis Sayles – via phone	X	
Francois Pieterse, Senior Consultant, Gabriel, Roeder, Smith & Co.	X	
Jason Skoczylas, President of the L&S Police Union	X	

***Roll Call Time: 8:30am**

Quorum Met (Needs 3 attending members for a quorum): Yes

1. Consider agenda as proposed

Motion by:

Support by:

Roll-Call Vote

Resolution #

Robert Guerin

Michael Timiney

Unanimous

2025-05

8:30 AM - INVESTMENT CONSULTANT BUSINESS

2. Loomis Sayles – Investment Manager Presentation

Mr. Rene LeFevre introduced himself, his team and the firm. Mr. LeFevre briefly discussed the firms' positions, highlighting the firms' overall assets of \$390 billion, as well as updates to the joint venture project with Loomis Sayles parent company, Natixis Investment Holdings.

David Zielinski presented the overall team assets and the performance of the strategic alpha portfolio. Mr. Zielinski explained the full discretion team assets under management rose from \$69 billion to \$77 billion in 2024. The strategic alpha portfolio had a 2024 return of 7.93%, far outpacing the treasury bill bench marks. Mr. Zielinski discussed the interest rate changes in 2024, as well as, the election/new administration policies which have had positive impacts on corporate debt and high yield. The primary contributors to this return were securitized, high yield corporate and investment grade corporate bonds. Mr. Zielinski attributed a lot of the return to the firm's security selection process, driving the return alpha compared to the bench mark.

Mr. Zielinski explained the yearly yield to worst is at 5.58%. Effective duration is 2.52 years with maturity at 4.05 years. The average quality of investments is BAA1. Mr. Zielinski finally highlighted the short position on high yield of (-7%); indicating tight spreads. This has resulted in Loomis Sayles tactically hedging against credit risk in the portfolio through the use of short CDS.

Trustee Robert Guerin inquired about the 3-year and 5-year returns compared to the 1-year and which type of performance is expected in 2025. Mr. Zielinski explained that in 2022 the return was drastically lower due to COVID related economic issues. John Krakowiak added that the Aggregate benchmark was also heavily down in 2022. Regarding the future, Mr. Zielinski presented a positive outlook based upon their recent performance in addition to some new diversification.

Chair Randa Dagher inquired about the portfolio allocation to Emerging Markets of 7.96% and how Loomis Sayles rates these investments? Mr. Zielinski explained that when selecting emerging market investments, they consider the underlying fundamentals as well as the yield, which tends to be much higher for emerging markets, driving some income generation. Additionally, they use these investments to diversify through foreign currency risk. Mr. Zielinski also highlighted the use of their corporate research team and macro strategy team to help determine the security of the different types of investments Mr. Zielinski explained that some of the 7.96% allocation is not truly representative of emerging markets. For example, they may invest in a Canadian mining company that has mines in South America and Africa which would categorize them as emerging markets even though the parent company is Canadian. Lastly, Mr. Zielinski commented on currency exposure at year end 2024 was less than 2%. He explained they have the ability to increase this allocation but given the current economic climate, specifically the strengthening of the U.S. Dollar post-election, foreign currency exposure is not a large target currently.

Roger Ackerman presented the performance of the credit asset portfolio which has a goal to analyze the credit cycle and capitalize on those analyses. Loomis Sayles considers the economy to be in a credit expansion phase of the cycle with tightening valuations. The credit asset portfolio has consistently outperformed the benchmark since inception, with a yearly return of 5.41% compared to the benchmark of 5.34%. The 10-year return is 4.08% compared to the benchmark with 3.84%.

Mr. Ackerman explained that the duration for the benchmark is about 4.25 years and the portfolio has a duration of about 4.0 years, which is ideal given the current economic environment where we want to be slightly under duration. The coupons are also advantaged compared to the benchmark, returning about 6.5% compared to the 5% coupons on the benchmark.

Cheryl Stober presented the Bank Loan portfolio; a senior floating rate fund which exclusively invests in leveraged loans. She further explained that these loans are made to major corporations that are insured by the collateral of the company; and as a senior loan the portfolio has priority in the event of any bankruptcies. The floating rates also make these investments great diversification options for the portfolios, as they adjust with the market.

Ms. Stober described the portfolio as conservatively positioned; holding an average credit quality of BB- compared to the benchmark's B+. Ms. Stober discussed the decrease in overall credit quality in the market and the impacts this has on defaults, resulting in an average default rate of 3%, however the Bank Loan portfolio has a lower default rate than this. Ms. Dagher inquired about defaults in emerging markets vs. U. S. markets. Ms. Stober explained this portfolio does not operate in emerging markets, however, regarding the other portfolios and the emerging markets, it would be much harder to recoup the losses through default by nature of the risks in developing nations. This portfolio has only sustained 14 defaults total since inception in 2004; 3 of these defaults have been since 2019 – with their research team boasting a 77% rejection rate on inevitable defaults.

The current yield of the fund is 6.87%; prices are at par (99.98) with a weighted average spread of +280. The fund is allocated 92.5% U.S., 2.5% Canada and 5% other. The current returns for the portfolio are in line with the benchmark, showing a since inception return of 4.53% compared to the benchmark's 4.26; and a 1-year return of 8.40% compared to the benchmark's 8.17%. Ms. Stober explained the returns for the previous 3 years are not indicative of the returns expected from the portfolio and the since inception return is much more appropriate as they expect an average of 4% to 5% for the portfolio. Lastly, Ms. Stober briefly discussed the chances of another rate increase, which of course would impact this portfolio. They are watching for a tailwind of risk related to tariffs and potential employment shortages due to immigration policy. However, she did add that the current loans have been performing well at the higher rates and defaults have not increased because of the higher rates.

3. Graystone Consulting – Monthly Report

Steve Riga presented the market report on behalf of Graystone Consulting. Mr. Riga explained the PMIs are holding up and the GDP final read was 2.3% in the 4th quarter 2024. The estimates for GDP in 2025 1st quarter are 3.0%. The IMF has a 3% growth rate for 2025. Mr. Riga explained we have entered a bull market which tends to last 3 to 5 years. Valuations are currently at 22x earnings.

Jobs market is settling; the average growth is below 200,000. Unemployment is down slightly to 4.0%; average hourly earnings were 3.9% in December; and January was 4.1% year over year, coming in over expectations. The CPI headline was at 2.9% year over year; the CPI core rate went up 0.1%; PPIs went up 0.2%. These readings are also higher than expectations.

Mr. Riga explained that there were no rate hikes by the Federal Reserve in January and no hikes are expected at Fed's next meeting in March. Mr. Riga highlighted a rising rate of delinquency on mortgages and credit cards, however, this has not yet translated into more defaults.

Earnings grew 10% year over year and revenues grew 5%. 7 of 11 sectors were positive on earnings and 70% of companies beat their expectations. Rates have stabilized; 6-month treasury is 4.38%; 2-year is 4.27% and 10-year is 4.58%; indicating a 0.2% spread on the 2 to 10-year treasuries. This indicates a slowing economy and will stifle the Federal Reserve's actions toward the tightening cycle.

Mr. Riga briefly discussed the international markets, highlighting key indicators of growth and certainty, likely indicating anticipation for an end to the Russia/Ukraine war. Mr. Riga discussed the yearly outlook, highlighting the tightening of the spread between the equal weighted returns and cap weighted returns, indicating that the magnificent 7 tech stocks are not driving as much of the return. This is a positive sign, however Mr. Riga does not believe 2025 will bring about returns as high as they have been during the previous 2 years.

John Krakowiak presented the performance reports to the Board. Mr. Krakowiak noted that Chapter 23 is near their record high market value before the negative performances in 2022; back to \$350 million. Chapter 22 is at \$165 million in market value. Both systems had a monthly return of just over 2% with fiscal year to date returns being 6.9% and 6.0% for Chapters 22 and 23 respectively. Mr. Krakowiak discussed the real estate market, highlighting the stabilization of valuations which have been rocky, and the benefits of corporations having employees return to offices.

Mr. Krakowiak discussed the detraction from the international portfolios and the upcoming investment manager search for a replacement to Walter Scott who has fiscal year returns of (-2.0%) and (-0.8%) for Chapters 22 and 23 respectively. Their benchmark was 3.9% during that same period.

Mr. Krakowiak highlighted the great returns from Yousif Capital Management after the merger of three individual portfolios into the Russell 3000 portfolio. The new Chapter 22 portfolio returned 29.7% and Chapter 23 returned 31.6% in one year. The benchmark was 26.3% during that same period. Mr. Krakowiak explained that he believes the Systems are on track to meet the 7% target return for the year.

Trustee James Rodgers of Chapter 23 inquired about Loomis Sayles returns and fee structure. Mr. Krakowiak explained the fixed income aspect of the investments and their cash benchmarks, highlighting their positive returns compared to their benchmarks and then comparing those returns to the fee structure. He further explained that the 1-year return for fixed income as a whole is 4% over the benchmark, and as such, the fees pay for themselves and the Systems' fixed income portfolio is in a great position and Loomis Sayles is a strong investment.

Chair Dagher asked Mr. Krakowiak about his views on the private equity market and its growth in recent years. Mr. Krakowiak explained that he feels multiple things are impacting this. Firstly, that the private equity market is much more developed with access to more capital as confidence grows. Secondly, entrepreneurs might avoid the public market to avoid pressures from things like a Board of Directors or other stakeholders. The Board discussed this further, with Mr. Krakowiak adding that they will continue to monitor the sector and some recommendations may be forthcoming in the future.

Mr. Krakowiak reported that he has been told by Entrust that they should have everything wrapped up in approximately thirty days.

9:30 AM – PRESENTATION OF ANNUAL ACTUARIAL REPORT

4. Gabriel Roeder Smith & Company (GRS) – Presentation of 06/30/2024 Actuarial Report

Francois Pieterse presented the Chapter 22 Annual Actuarial Valuation Report. Mr. Pieterse explained the valuation is based on information collected from the System as of the valuation date of June 30, 2024, specifically investment and demographic data.

Mr. Pieterse explained the total contribution requirement went up from \$2.76 million to \$2.83 million. Mr. Pieterse highlighted higher than expected wages driving this slight increase, however there were more retiree deaths than expected which reduced liabilities and the contribution requirements. Trustee Robert Guerin inquired about the wage increases, referencing the actuarial assumptions for wage increases. Mr. Pieterse explained the new assumptions are closer to 3 to 4%, and the wage data provided by the City related to the Compensation Study included wage increases as high as 10%, which is much higher than the assumption.

Chapter 22 has a funded ratio of 84.6%; slightly down from the previous year's 84.9%. There was a slight decrease in liabilities due to updates to the mortality assumptions. It was determined that the mortality assumptions were too high and people were not living as long as expected.

Mr. Pieterse discussed the 5-year smoothing method that the System uses to reduce volatility in the market by spreading any given year's gains or losses over a 5-year period. Due to smoothing, there were asset losses reported for this valuation, mostly due to heavy losses in 2022 which are being smoothed forward.

Mr. Pieterse also reported the ratio of funding value to market value is at 100.5%. Mr. Pieterse explained that some retirement systems transition to market value over the funding value and eliminate the 5-year smoothing method. He recommends discussing this option in fiscal year 2026.

The Board discussed funding ratios. Mr. Pieterse explained that Chapter 22 is better funded than most systems. The ratio has been typically growing, except for the slight decrease this year due to the unanticipated wage increases.

Receipt & file resolution # **2025-07**

GENERAL BUSINESS

5. *CONSENT AGENDA FOR 02-20-2025*

A. Consider 01/23/2025 Draft Board Minutes

B. Consider Charles Richmond's Straight Life Retirement Application

END OF CONSENT AGENDA

<i>Motion by:</i>	<i>Michael Timiney</i>
<i>Support by:</i>	<i>Alan Brzys</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-08

OTHER BUSINESS

6. Paycom Discussion

The Board discussed at length the issues pertaining to PAYCOM for active employees and the anticipated transition of the retirement system members and staff to the PAYCOM system. Pension Administrator Robert Festerman gave a brief update as to the timeline he has been told for the transition. There is no confirmed date for transitioning the pensioners to PAYCOM, however meetings have been scheduled to discuss this.

Chapter 23 Trustee James Rodgers added that his previous discussions with finance staff indicated a start date of March or April 2025 for pensioners. Due to this timeline and the ongoing issues that active employees are having with PAYCOM, Trustee Rodgers would like Legal Counsel Marie Racine to draft a letter on behalf of Chapter 23, and Chapter 22 if they so choose. This letter would be addressed to City leaders and request a delay in moving pensioners from AS400 to PAYCOM until the issues with PAYCOM have been resolved. Trustee Rodgers also expressed his concerns not only with the PAYCOM issues but the nature of the PAYCOM system as an entirely online/electronic system which might be a burden for some retirees.

The Board further discussed the issues experienced thus far by active employees and managers, including errors in pay, errors in leave and comp banks, errors in contributions, and unnecessary managerial hurdles when managing their employees because of the PAYCOM system.

Trustee Michael Timiney discussed the lack of crossover between PAYCOM and the City's general ledger in AS400. The two systems have not been married together yet. As such, Mr. Timiney cannot see the wage data for his department in a singular place when he works on budgeting matters.

Pension Accountant Robert Benak addressed the issue of PAYCOM's impact on payroll contributions. The contributions have been captured in the PAYCOM system, but they have not yet been processed in the accounting general ledger (AS400) since the transition to PAYCOM. As a result, when processing the monthly pension payroll, additional investments are being liquidated to cover the lack of incoming contributions that have been collected but not reported to the general ledger.

Trustee Wisam Fakhoury inquired about the current payroll system for the pension systems and whether they are running both systems concurrently as a check and balance. Mr. Festerman explained that the pension systems are still on the old system; however, when the active employees were transitioned to PAYCOM, there was no concurrent testing of the systems. Mr. Festerman noted that pension payroll should be much simpler compared to active payroll. He also explained that pension staff performs calculations each month to ensure accuracy of the pension payroll.

Chair Randa Dagher and Trustee Timiney inquired about the RFP process to acquire PAYCOM and the identity of the other vendors considered. Lieutenant Jason Skoczylas, President of the Police Lieutenant & Sergeants Union, was given the floor to discuss this topic, among other PAYCOM related issues. According to Lt. Skoczylas, he requested information regarding the RFP process and was informed there was no RFP process and that the Human Resources Department designated PAYCOM as a "Best Source" and as such, PAYCOM did not need to bid or be selected through an RFP process.

Mr. Skoczylas went on to explain that when his organization inquired about which municipalities use PAYCOM, they were directed to organizations across the country outside of Michigan. They later learned that they were not told about Dearborn Heights and Taylor, which both use the PAYCOM system. Those cities have expressed very similar issues and grievances with PAYCOM.

The Boards further discussed the ongoing issues and associated costs these issues present to the pension systems. Additionally, the Boards and Legal Counsel Racine discussed the requested format and content of the letter of inquiry and request for action that Ms. Racine would draft for the review and comment by the Trustees and for distribution under signature of the Board of Trustees.

Motion for Legal Counsel to draft a letter of inquiry and request for information and action to the City of Dearborn leadership and relevant department heads regarding the concerns about PAYCOM and the request that any transition to pensioners be postponed until issues can be resolved.

<i>Motion by:</i>	<i>Wisam Fakhoury</i>
<i>Support by:</i>	<i>Michael Timiney</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-09

Items 7 thru 10 were tabled through unanimous consent of the Trustees.

7. Any Other Business Items That Arise Tabled

OLD BUSINESS

8. Fiduciary Liability Insurance - Tabled

- a. Nickel & Saph Quote Comparison
- b. Segal - Quote Indication
- c. 04/09/2019 memo regarding City's commitment to pay insurance deductible

9. Open work items in process - Tabled

- a. EDRO / DRO In Process: P. Frank, R. Smith

INFORMATIONAL ITEMS

10. Any other informational items that arise - Tabled

ADJOURN MEETING

Motion to adjourn meeting

<i>Meeting end time:</i>	<i>11:28 A.M.</i>
<i>Motion by:</i>	<i>Robert Guerin</i>
<i>Support by:</i>	<i>Wisam Fakhoury</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-10



Michael Kennedy, Board Secretary

2025-13

Minutes Approval Resolution

3-20-25

Date

3-20-2025

Minutes Approval Date