

**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 – Conference Room 1-D**  
**16901 Michigan Avenue, Dearborn, MI, 48126**

**8:30 AM, Thursday, March 20, 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 @ 12:12pm via phone	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	X	
Jeremy Romer, Legal Counsel		X
Marie Racine, Legal Counsel (in at 9:20am )	X	
John Krakowiak, Graystone, Consultant	X	
Amy Cole, Graystone, Consultant		X
Bill Campbell, Fidelity	X	
Christopher Daniels, Fidelity – via Zoom	X	
Matt Kosara, Hudson Edge	X	
Keith Olender, Hartford Schroders	X	
Robert Armstrong, Hartford Schroders – via Google Meet	X	

**\*Roll Call Time: 8:38 A.M.**

**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>Chad Bronson</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2025-13</b>

## 8:34 AM - INVESTMENT CONSULTANT BUSINESS

The investment consultant business began by John Krakowiak informing the Board that Steve Riga had separated from Morgan Stanley in good standing and of his own accord. Mr. Krakowiak indicated that he and Amy Cole would remain on the account, with no replacement for Mr. Riga at this time.

### 2. International Investment Manager Presentation

#### a. Fidelity Presentation

Bill Campbell of Fidelity introduced himself, the company and his peer Chris Daniels to present on Fidelity's behalf via video call. Mr. Daniels began by highlighting the portfolio manager, Sammy Simnagar, and the global investment team behind him with Fidelity.

Fidelity's investment philosophy revolves around the belief that earnings drive stock prices, identifying steady growers and mega-trends, as well as finding opportunities when macro events take place. The goal is a beta of around 1.0. The portfolio fee rate is 0.87%.

The investment process includes idea generation and monitoring those mega-trends and macro events to narrow down possibilities, followed by fundamental research for further refining stock selection and portfolio construction through multiple research fronts and risk management assessments. Mr. Daniels also highlighted the portfolio's equal-active weight strategy that minimizes the reliance on overweight investments which leads to about 77% of the returns being driven by core investments of the portfolio. Investment selection also is guided by the principles of "Brands, Barriers and Best in Class," relying on luxury brands, high barrier to entry markets and best in class investments.

Regarding currency risk and allocations, 80-85% of the portfolio exists within developed markets, with the remainder being emerging markets. The maximum emerging markets exposure is limited at 35% however its usually below 20%. There is no currency hedging; Fidelity sees currency as a macro-skill that can be capitalized.

Regarding the overweight to industrials, Mr. Daniels explained there have been many great opportunities in this sector, highlighting some specific companies like an Italian cable manufacturer, a French aerospace and defense company as well as general opportunities in energy and other industrials globally.

Regarding tariffs and turnover, Fidelity is monitoring the markets closely, using any volatility presented as an opportunity which may increase turnover. Additionally, the equal active-weighted portfolio requires trimming and adjustments to maintain the 1.5% overweight over the benchmark, which also drives some of the turnover.

Lastly Mr. Daniels discussed some of the changes going on internationally that is driving growth; namely, domestic overvaluations with the big tech stocks, Chinese advancements in AI and a potential end to multiple wars that could drive rebuilding.

b. Hudson Edge Presentation

Matt Kosara presented the Hudson Edge international portfolio to the Board. Mr. Kosara began by highlighting Hudson Edge's local presence with 30 local investors including Wayne, Oakland and Macomb counties as well as various city systems like Roseville, Taylor and Shelby. The firm also hosts an Employee Stock Ownership Plan, allowing the employees to have a much higher commitment to the firm and fund.

Regarding the allocations and risk management of the portfolio, Mr. Kosara explained the target concentration of investments is at 30-35 companies, equally weighted at purchase. This comes with stipulations of no more than 30% allocation to any particular sector or country, 5% limit to any one company with a minimum of \$3bn market cap and an emerging market exposure of 11% currently, but averaging between 5-15%. Mr. Kosara also highlighted that they have a position in South Korea with their largest company, Samsung, which is technically an emerging market, however, not your stereotypical one.

Regarding investment selection Mr. Kosara highlighted the firm's "360-degree research process." During the process, the portfolio managers and analysts will travel, research and meet with any and all relevant parties to get a full understanding of the business, including employee organizations, suppliers and customers. Investments tend to be Mid and Large Cap, with exceptions for a few smaller companies.

Cash on hand at year end was 2.5% which is about average for the firm. Because the larger cap companies tend to have more liquidity, cash is not an issue. The investment vehicle is a Delaware LP comingled fund structure. The fee structure is 0.90% on funds less than 50 million, 0.80% on funds between 50 and 100 million and for funds over 100 million, the fees are 0.80% on the first 100 million and 0.70% on anything above that threshold. Mr. Kosara, noted that if both Chapter 22 & Chapter 23 were to invest, their combined total investment would be used for fee purposes; potentially allowing for lower fees.

Regarding tariffs and market outlook, Mr. Kosara explained they have been monitoring these closely. He exemplified the auto industry tariffs and their position with Porsche, which has performed negatively since their acquisition a year ago, however, they have continued to add to this position. Historically, Hudson holds investments for a period of 2 to 3 years, as the first year the position tends to follow the market, with the 2<sup>nd</sup> and 3<sup>rd</sup> years boosting the benefits of their research and earning returns.

Hudson Edge also participates in ESG research, which takes into account the risks of environmental policy, social policy and governmental policy of a company. This assessment is similar to corporate social responsibilities and helps identify areas that might cause risks; e.g., environmental damage or mistreatment of employees or consumers.

c. Hartford Schrodgers Presentation

Keith Olender introduced himself, Hartford Schrodgers and his peer Robert Armstrong to present via Zoom. Mr. Armstrong began by highlighting the massive team at Hartford Schrodgers, including over 60 different types of analysts, as well as, a team of Certified Financial Advisors, two portfolio managers and a dozen global sector specialists. The team has offices in 35 countries allowing for accurate research regarding companies, governments, markets and sectors. Similarly, the firm is supported by a large ESG team to gauge associated risks.

Hartford Schroders investment selection has a “bottom-up” approach, which allows for the portfolio to outperform the benchmark and drive alpha through only selecting the best stocks. At the core of this strategy is the “growth gap” where Hartford Schroders will identify an investment with more growth potential than is currently valued. The two typical growth gaps are core and opportunistic, with core being a flat outperformance over time, and the opportunistic allows for capturing growth during market cycles, transitional growth periods or other temporary opportunities. The general allocation is 2/3 to core and 1/3 to opportunistic investments.

The portfolio has 52 positions currently with a turnover rate of 30%, mostly driven by the opportunistic investments that have a holding period of typically 12-18 months; with core investments being 3-5+ years.

Regarding tariffs, Mr. Armstrong explained that while the tariffs have a negative impact on most markets, a lot of other good indicators are present internationally. Countries are ramping up production, defense spending, deregulating and creating new partnerships due to American instability. With these changes, more cash flows are coming into the international market, providing an optimistic outlook there.

The Fund has Net Assets of \$6.7 Billion, with the average weighted market cap being around \$151 million. The portfolio returns are driven by approximately 60% growth and 40% value, making the portfolio core in principle. The portfolio fee is 0.79%.

### 3. Graystone Consulting – Monthly Report

John Krakowiak presented the monthly market and performance reports. Mr. Krakowiak highlighted that the Systems is at capacity with their exposure to international, which is great because international has been the best performing asset class since the beginning of this year. However, even with a strong international market, Walter Scott is still underperforming; coming in about 2% under the benchmark last month; thus, the search for a replacement.

Regarding the current international managers held, Mr. Krakowiak explained the WAM portfolio is a core international holding, T Rowe Price is also core, DFA international is value with Walter Scott covering the growth portion. For this reason, the 3 invited manager’s portfolios represent a healthy core/growth hybrid to maintain coverage on the growth side.

Board Secretary Michael Kennedy recalled the previously adopted divestment resolution that requires divesting from certain defense and munitions investments; noting that mutual funds typically cannot make these divestments; but the spirit of the resolution should be kept in mind. Mr. Krakowiak explained he would reach out to Fidelity and Hartford Schroders regarding their aerospace and defense holdings, in order to present this information to the Board before final selections for the investment manager are made.

Mr. Krakowiak continued with the performance update, noting February performance was not great, losing 0.5% for the month on the portfolio as a whole. Regarding the market, the federal reserve is indicating 2 rate cuts this year, with a goal of 2% in 2026. Mr. Krakowiak explained there are conflicting opinions on the tariff discussions and the impact on the market. 10-year treasury is down to about 4.2%. Due to the great performance of the international portfolios, benefits will be paid mostly using these funds – not including Walter Scott – as Graystone’s rebalancing and benefit payments tend to use the winners and not the losers, to ensure capturing the gains from the winners.

*Receipt & file resolution #*      **2025-14**

## GENERAL BUSINESS

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### 4. **CONSENT AGENDA FOR 03-20-2025**

A. Consider 02/20/2025 Draft Board Minutes

#### **END OF CONSENT AGENDA**

<i>Motion by:</i>	<i>Ibrahim Elabed</i>
<i>Support by:</i>	<i>Madou Bazzi</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2025-15</b>

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## OTHER BUSINESS

### 5. Fiscal Year 2026 Budget Presentation

Pension Administrator Robert Festerman presented the FY2026 proposed budget which included budgeted information for FY 2026 through FY 2028.

Mr. Festerman noted the projected revenues were made up primarily of the City's required contributions, presented at the February meeting during the Actuary's presentation, and investment returns budgeted at the assumed rate of return of 7%. He continued noting that the expenditures consist of three main categories [Professional & Contractual Services, Pension Benefits, and Other/Miscellaneous line items].

Mr. Festerman discussed the Professional & Contractual Service line items in detail, including the internal Administrative and Legal fees charged by the City. Mr. Festerman then discussed the Pension Benefit expense line items, indicating the budgeted amounts were based on recent trends

Trustee Michael Timiney of Chapter 22 inquired about the "Estimated Financing Sources Over (Under) Uses" line item. Mr. Festerman explained this is the estimated net results for each year, which accounts for all the previously mentioned revenues and expenditures and is subject to certain changes in market performance and benefit payments. Mr. Festerman noted, the negative net results projected for Chapter 22 were again due to the spike in retirements driving up pension benefit related expenses; however, Chapter 23 had not experienced this to the same degree, and the budgeted net results for Chapter 23 were positive for each year presented.

Trustee James Rodgers inquired about the increase in employee contributions, indicating it should theoretically decrease as people retire since the System is closed. Mr. Festerman agreed, but noted the Class and Compensation Study, along with the recently settled labor contracts resulted in larger pay increases than normal for active employees, driving an increase in employee contributions for FY2026, which is then budgeted to decrease in Fiscal Years 2027 and 2028.

Mr. Festerman discussed the other remaining expense line items such as Travel & Training and Insurance expense, noting that if time allowed, the Insurance line item would be updated based on the Board's decision for the Fiduciary Insurance Renewal to be discussed next. With no further questions, Mr. Festerman concluded his presentation.

Motion to approve FY2026 Budget as presented.

<i>Motion by:</i>	<i>Madou Bazzi</i>
<i>Support by:</i>	<i>Chad Bronson</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2025-16</b>

6. Any Other Business Items That Arise – None.

## OLD BUSINESS

7. Fiduciary Liability Insurance Renewal Discussion

The Board received copies of the following materials:

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

The Board continued discussion regarding the upcoming renewal of the Fiduciary Liability Insurance. The Board discussed the letter from former Mayor O'Reilly, indicating the City of Dearborn's willingness to pay any liability insurance deductible on behalf of the pension Board, with reservations to recoup this amount if any trustees are found criminally liable. Mr. Festerman noted this was an annual commitment that the former Mayor would sign each year, however, this commitment was not extended in the final year of Mayor O'Reilly's term; nor was it provided by the current Mayor.

The Boards also discussed the impacts of the vetting process for legal counsel and outstanding litigation. Legal Counsel Marie Racine indicated she has not been vetted by Markel American Insurance but has no reservations about that process. It was also explained that any previous litigations will continue to be handled by the former insurer, and the any new policy would only cover what transpires during the new coverage period.

The Trustees agreed to increase their coverage from \$1 million to \$5 million. After reviewing the estimates prepared by both Nickel & Saph and Segal, the Board agreed to keep Nickel & Saph Inc, as the Board's insurance broker and to switch carriers from Hudson Insurance Co. to Markel American Insurance Co. which included a lower deductible (reducing from \$25,000 to \$10,000) and a premium of \$24,675.

Motion to approve Nickel & Saph as broker with Markel American Insurance Co. as the insurance underwriter for fiduciary liability insurance with coverage of \$5,000,000 and a deductible of \$10,000.

<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>	<b>2025-17</b>

8. Open work items in process

a. EDRO / DRO In Process: T. Darnall

Pension Administrator Festerman provided an update regarding the Ted Darnall EDRO. Mr. Darnall retired in July 2022 and had his benefits suspended in September 2022 due to issues with the language in his EDRO, and remained suspended currently. Mr. Festerman confirmed that the EDRO language issue has been resolved, and the Board's Legal Counsel Marie Racine has approved the amended documents provided. Mr. Darnall's benefits can now be restored with retro back to the date of suspension.

The Boards discussed this further, given the extended period of time these issues persisted, and the process that will be followed to reinstate Mr. Darnall. The stipulations consist of requiring Mr. Darnall providing the appropriate updated direct deposit and tax withholding forms to the System. As a security measure the System will also withhold the retroactive payment amount until the 2<sup>nd</sup> month post reinstatement, so as to avoid issues with Mr. Darnall's bank deposit information – considering the substantial sum he is owed in retroactive benefits. Additionally, with the long delay, Mr. Darnall must provide written and verbal confirmation of his receipt of his first month's reinstated benefit. Lastly, the Board discussed requiring that Mr. Darnall provide his annual affidavit prior to sending payment to the designated account, in light of the fact that he has not provided an affidavit in prior years.

Motion to approve reinstatement of Ted Darnall subject to the following preconditions: Mr. Darnall must provide updated tax and direct deposit information. Mr. Darnall must provide his annual affidavit. Mr. Darnall will receive his monthly benefit only, until he has confirmed by both email and phone call that the benefit was received; at which time, Mr. Darnall will be paid his retroactive benefits in the month following completion of the foregoing conditions.

*Motion by:*

*Support by:*

*Roll-Call Vote*

*Resolution #*

*James Rodgers*

*Ibrahim Elabed*

*Unanimous*

**2025-18**

## INFORMATIONAL ITEMS

9. Any other informational items that arise

Legal Counsel Marie Racine informed the Board and staff of a golf event and social gathering prior to the MAPERS Spring Conference in May, being held in Detroit. Any interested parties should let Marie know.

Trustee Bronson of Chapter 23 informed the Boards of an upcoming social event related to the Detroit Tigers opening day being hosted by the system's securities monitoring firms, Wolf Popper. More details will follow.

## CLOSED SESSION

### 10. Motion to go to Closed Session

<i>Time:</i>	<i>12:19 P.M.</i>
<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>	<b>2025-19</b>

- Review of 01/23/2025 Closed Session Minutes
- Legal Reports regarding pending litigation presented by Racine & Associates
- Any Other Closed Session Items that Arise

## OPEN SESSION (cont.)


### 11. Motion to approve 01/23/2025 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>2025-20</b>

## ADJOURN MEETING

### Motion to adjourn meeting

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>Ibrahim Elabed</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	<b>2025-21</b>

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

**2025-24**  
\_\_\_\_\_  
Minutes Approval Resolution

**6-18-25**  
\_\_\_\_\_  
Date

**4-24-2025**  
\_\_\_\_\_  
Minutes Approval Date