

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, April 24, 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 (Out @ 10:56)	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	
Amy Cole, Graystone, Consultant	X	
Dan Crowley, Dimensional Fund Advisors	X	

***Roll Call Time: 8:34 A.M.**

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

1. Consider agenda as proposed

<i>Motion by:</i>	<i>Michael Timiney</i>
<i>Support by:</i>	<i>Wisam Fakhoury</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-17

8:30 AM - INVESTMENT CONSULTANT BUSINESS

2. Dimensional Fund Advisors - Manager Update

Dan Crowley presented the investment manager update for Dimensional Fund Advisors (“DFA”) regarding the International Core Equity 2 Portfolio (the “Fund”) which was developed 20 years ago. Mr. Crowley highlighted that the Fund has a current balance of \$31.7 billion in assets. The Fund operates in developed markets (excluding the United States) and with a range of investments, the largest holdings of which are mega cap corporations and down to \$50 Million companies. Mr. Crowley explained DFA will invest in smaller companies than many indexes will hold due to their proprietary investment strategy. This strategy includes holding slightly underweight investments for the mega cap companies and being overweight in those smaller, more profitable companies than the benchmark. Mr. Crowley further explained the portfolio as having very similar allocations as an index but with lower turnover, lower cost and greater diversification due to the Fund’s investment strategy, allowing them to outperform the benchmark reliably.

The Fund turnover was just under 10% for the last 12-month period. The Fund has an expense ratio of 23 basis point, which is competitive to similar products in the market. The standard benchmark is the MSCI World ex USA Index. Alternatively the MSCI World ex USA IMI may be used which has a lower average market cap and a more comparable number of companies owned than the standard benchmark. Compared to both benchmarks the DFA Fund has far more diversity, less weighted average market cap and a slightly higher weighted average profitability of 0.31.

The Fund has overweighted allocations in sectors like industrials, consumer discretionary sectors, materials and energy but is underweight in larger cap companies compared to the benchmark. Mr. Crowley explained the allocations not as a goal or a guideline, but a by-product of the investment strategy and day to day management of the fund.

Regarding Fund performance, Mr. Crowley highlighted the last 10 years of performance, in which the Fund performs on par with the benchmark. Since inception (October 2005); performance shows a 5.48% return over the benchmark’s 4.88%.

John Krakowiak asked Mr. Crowley to please discuss the China tariffs and market impact. Mr. Crowley explained that while the Fund has no exposure to emerging markets (China) or the United States, they are such large markets that they inherently have an impact on the Fund. DFA and Mr. Crowley agree that any trade impacts because of the China and U.S. tariffs will open availability for trade with other markets, namely international developed markets which provide a lot of opportunity. Mr. Crowley explained their position is to diversify and reduce risk, and not chase the volatility in the market.

Lastly, Chair Randa Dagher inquired about the international markets in relation to inflation in the United States. Mr. Crowley explained the markets have a tailwind based on overvaluations in the U.S. markets that are not present in international/emerging markets. Additionally, the U.S. has more volatility and uncertainty with the Trump administration which gives more opportunity for international to outperform and the U.S. to underperform.

3. Graystone Consulting – Monthly Report

Amy Cole presented the monthly market report. The S&P 500 is down 8.6% after the recent tariff discussions and many other factors like inflation and interest rates. Graystone expectations are that the S&P will still reach 6,500 – currently 5,300. The 10-year treasury is expected to be down to 4% this year. Ms. Cole described the bond market as being a safe haven for this year.

Regarding market performance, Ms. Cole pointed out that tariffs can be undone and are not inherently systemic or structural changes that have long-term impacts. Ms. Cole briefly discussed the tariffs implemented in 2018 as a reference. She highlighted the impact the current tariffs would have on the GDP of many nations, with the U.S., China, Canada and Mexico being the most prominent. The GDP effect of a 10% world tariff and 60% China tariff would impact Mexico the most; followed by China and The United States. The respective losses are (-1.2%) (-\$20 billion) for Mexico, (-1.0%) (-\$170 billion) for China, and (-0.9%) (-\$243 billion) for The United States. Ms. Cole also explained there is a belief in the industry that the tariffs could narrow from country wide scopes to sector specific scopes.

Ms. Cole recapped the 2018 tariff escalation between Trump and China, which lasted for many months and a period of reciprocal tariffs. Graystone believes the markets can survive escalating trade wars with China. Regarding U.S. Treasuries, Chair Randa Dagher inquired about China selling U.S. Treasuries. Ms. Cole explained that Japan is now the largest holder of U.S. Treasuries, followed by China. Ms. Cole explained that fears regarding China selling off their U.S. Treasuries could be a problem, however, Graystone believes the rest of the world will buy those Treasuries; but as a further backstop, the U.S. could buy back those Treasuries.

John Krakowiak presented the portfolio performance report. The monthly return was (-2.5%) on the month compared to the policy index of (-1.8%.) Mr. Krakowiak explained that international investments were the top underperformers, specifically the Walter Scott International Equity Fund. Mr. Krakowiak again highlighted some positive movement with Real Estate investments relative to office spaces and return to work orders. However, the sector as a whole is still more dependent on the interest rates in effect.

Regarding the manager search for a replacement to Walter Scott, Mr. Krakowiak recapped the 3 presentations from the previous meeting. Mr. Krakowiak also followed up with military and defense spending exposure due to the Board's policy to divest from such investments. Due to the nature of international funds being typically mutual funds, the allocations and investments cannot be modified as they were for the Board's domestic and actively managed portfolios. Hartford Schroders has zero exposure to the companies identified in the amendment to the Investment Policy regarding divestment. Fidelity has about 5% allocated to 3 companies that provide components and materials for defense contracts. Hudson Edge has about 10% allocated to adjacent companies that provide materials to divested companies, making the true allocation less than 10%.

Regarding the 3 investment managers that presented, Mr. Krakowiak presented their most recent performances. For the first quarter Hartford Schroders was up 6.41%; Fidelity was up 2.3%; Hudson Edge was up 9.25%. The relative fee structures are 79 basis points for Hartford Schroders, 87 basis points for Fidelity and 80 basis points for Hudson Edge.

GENERAL BUSINESS

4. *CONSENT AGENDA FOR 04-24-2025*

- A. Consider 03/20/2025 Draft Board Minutes
- B. Consider Deferred Member Wendy McEachern's B-50 Retirement Application

END OF CONSENT AGENDA

<i>Motion by:</i>	<i>Robert Guerin</i>
<i>Support by:</i>	<i>Michael Timiney</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-19

OTHER BUSINESS

5. Outstanding Annual Affidavits

- a. Preston Allison
- b. Maria Haddad
- c. John Pantoya
- d. Raymond Powers

Pension Administrator Festerman presented an update regarding the retirees listed above and their outstanding affidavits. Mr. Festerman indicated that information has been received which suggests that Preston Allison died in approximately November 2023. Mr. Festerman has inquired with the local county of last known residence to receive a copy of the death certificate. Mr. Allison's benefits were suspended in April 2023 due to failure to comply with the affidavit procedure. Mr. Festerman also explained upon receipt of the death certificate any benefits from the point of suspension to the day of death will be paid out to the estate of Mr. Allison.

Maria Haddad's benefits were previously suspended in 2021 for failing to return her affidavit. She has continued to fail to do so every year since; with no affidavit being received this year thus far.

Staff has not been able to connect or make contact with Mr. Pantoya and Mr. Powers.

Suspension of benefits for the above named individuals is requested until affidavits are returned, at which time benefits would be reinstated retroactively.

Motion to suspend the pension benefits effective 5/30/2025, for those individuals who have failed to submit their Annual Affidavit; with benefits to be reinstated upon receipt of affidavit.

<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>	2025-20

6. Upcoming Trustee Election

Pension Administrator Festerman provided a copy of a tentative timeline for the upcoming Trustee election process for the seat currently held by Trustee Michael Timiney, whose term ends 6/30/25.

The tentative timeline is for a notice of vacancy being mailed to members on Wednesday, April 30th. A notice of intent must be filed with the Clerk's office by 5 p.m. on May 16th. Ballots will be prepared and mailed the week of May 19th. Voting will take place from 8 a.m. May 27th through 5 p.m. June 13th. Results will be available by close of business on June 14th.

7. Insurable Interest Discussion

Pension Administrator Festerman briefly discussed the notion of insurable interest as stated in the ordinance regarding a member naming a beneficiary other than a spouse. Typically, non-spousal beneficiaries are the member's children which fall under the umbrella of insurable interest. However, a member has indicated interest in naming a nephew/niece as beneficiary which may or may not pass the insurable interest test.

Mr. Festerman noted that it appeared the naming of a nephew/niece had been considered previously on several occasions years ago. For one case, a questionnaire was sent to the retiring member to obtain more information regarding the relationship of the retiree and their nephew/niece.

The Board discussed the mortality reduction factors that take into account the age of the participant and the age of the beneficiary, resulting in no difference in cost to the System from an actuarial standpoint. As such, age should not be considered as part of the insurable interest definition and the naming of a beneficiary.

The Board instructed Mr. Festerman to reach out to the Board's insurance broker, Nickel and Saph, for their terms/guidelines for defining an insurable interest as the ordinance does not define this term.

8. Any Other Business Items That Arise

OLD BUSINESS

9. Open work items in process

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

No Update.

INFORMATIONAL ITEMS

10. Any other informational items that arise

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

CLOSED SESSION - 9:50 A.M.

11. Motion to go to Closed Session

<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>	2025-21

- a. Review of 10/07/2024 Special Meeting Closed Session Minutes
- b. Review of 10/24/2024 Closed Session Minutes
- c. Legal Report presented by Racine & Associates
- d. Any Other Closed Session Items that Arise

OPEN SESSION (cont.) - 10:25 A.M.

12. Consider 10/07/2024 Closed Session Minutes

<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>	2025-22

13. Consider 10/24/2024 Closed Session Minutes

<i>Motion by:</i>	<i>Robert Guerin</i>
<i>Support by:</i>	<i>Michael Timiney</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-23

14. Motion for Legal Counsel Marie Racine to proceed as discussed in Closed Session

<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>	2024-24

ADJOURN MEETING

Motion to adjourn meeting

<i>Meeting end time:</i>	<i>11:44 A.M</i>
<i>Motion by:</i>	<i>Robert Guerin</i>
<i>Support by:</i>	<i>Michael Timiney</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-25



Michael Kennedy, Board Secretary

2025-29

Minutes Approval Resolution

5-16-25

Date

5-29-2025

Minutes Approval Date