

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 23, 2025

Board Attendance	Present	Absent	Term End Date
Randa Dagher – Chair, Mayor Appointed (In at 8:37)	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
Joseph Yamin, Trustee, Police Member Elected	X		06/30/29
Chad Bronson, Trustee, Fire Member Elected	X		06/30/27
James Rodgers, Trustee, Fire Member Elected		X	06/30/29
Ibrahim Mac Elabed, Trustee, Citizen Appointed	X		01/01/26

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	
Amy Cole, Graystone, Consultant	X	
Yuriy Minchuk, Lord Abbett Small Cap Growth Strategy	X	
Paul Shelton, Columbia Small Cap Growth Strategy	X	

***Roll Call Time: 8:36 A.M.**

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

1. Consider agenda as proposed

<i>Motion by:</i>	<i>Daniel Bartok</i>
<i>Support by:</i>	<i>Chad Bronson</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-68

8:30 AM - INVESTMENT CONSULTANT BUSINESS

2. Investment Manager Presentation

a. Lord Abbett – Small Cap Growth Strategy

Yuriy Minchuk presented on behalf of Lord Abbett. The firm manages \$244 billion in assets, \$36 billion of which are equities, \$15 billion of which is in the Innovation Growth Fund. The Fund is actively managed and focused on U.S. Value, Growth and international markets. The Fund focuses specifically on innovation trends, to capitalize on undervalued companies with niche competitive edges. Lord Abbett has found that the companies with larger Research and Development spending tend to have higher returns, justifying the focus on innovators such as Biotech and Generative A.I companies.

The investment selection process relies on three factors: Innovation and Business Model, Operating Momentum and Price Momentum. By analyzing these factors Lord Abbett can confirm the momentum or lack thereof and manage accordingly. The tools used to determine these factors are uptrends and downtrends, as well as, recognizing reversals.

The Innovation Growth Fund has routinely beat their benchmark, since inception in 2003 they have outperformed (net of fees) 1.6%; and over 1% YTD. Mr. Minchuk did highlight the 5-year return is only 3.62% compared to the benchmarks 8.41%, pointing to the macro-economic factors for that time period. The Fund's allocations are overweight in midcap compared to the benchmark but underweight on microcap. It has a slight overweight to small cap as well.

Chair Randa Dagher inquired about the stock selection process as it relates to A.I. from a humanitarian perspective. Mr. Minchuk explained he isn't aware of any exposure related to A.I. in defense companies, nor any significant discussions regarding A.I. and labor issues. Mr. Minchuk explained it's still early in the A.I. development cycle to know the true long term impact. Regarding turnover, Mr. Minchuk explained that when Price and/or Operating Momentum start to slip, that company is subject for re-evaluation and potential turnover.

b. Columbia – Small Cap Growth Strategy

Paul Shelton presented on behalf of Columbia Threadneedle. The firm manages about \$650 billion in assets. Mr. Shelton highlighted the level of research intensity at Columbia, which allows the portfolio managers to collaborate and work with senior and veteran managers across the entire market, not just small cap.

Mr. Shelton explained the portfolio selection process focuses on intrinsic value, specifically around innovation and cash flows; i.e. businesses with strong leadership and competitive advantages that can support the growth necessary for the fund. Additionally, selections are made by looking for entry prices at about 70% of fair value. The portfolio does not rely on cyclical trends or macro factors to make decisions, the selections are based entirely on the niche advantages of each company.

Columbia has identified 7 key indicators of growth potential, notably disruptive innovations and process domination. Mr. Shelton gave examples of disruptive innovations; e.g. Southwest Airlines removing first class seating and assigned seats giving them an advantage on pricing, or Ametek having process domination on vacuum motors. Additionally, Mr. Shelton discussed the network effects of business and the strained "switching cost" for any supplier or consumer to change from e.g. using Amazon and business software. Mr. Shelton discussed the portfolio construction relative to invested capital vs. cost of capital. The portfolio maintains 60-80% of companies that are receiving more in returns than cost, 20-30% would be companies that are pre-profitable or newly profitable, with some margin of 0-15% for short term positions and commodities.

The fund has a higher turnover than most due to the nature of buying at 70% value and selling at 90-95%. On a performance basis the fund typically outperforms the Russell 2000 benchmark, with a fiscal year to date return 2.5% higher than the benchmark. Last year the fund outperformed by nearly 6%; the 10-year return also beats the benchmark by 5%.

The fund has no specific prohibition of international markets; however, those markets are not the primary focus of the fund and not typically utilized, but the option is open for specific investments that fit the portfolio.

Amy Cole inquired about A.I. and quantum computing, specifically around the views of potential investment/ownership by the federal government. Mr. Shelton explained that any sort of situation that increases the price is ultimately going to be a good thing but that would beg the nuanced question of what to do with the stock after such an investment/acquisition; e.g. maintain, trim or expand the investment based on the various factors of that specific company.

3. Peregrine Purchase of KBR in error

Pension Administrator Robert Festerman and John Krakowiak briefly explained that investment manager Peregrine had made a purchase of KBR securities in error, which was a violation of the investment (divestment) policy. Mr. Festerman noted the transaction was approximately \$1,200, and Peregrine was very fast to identify the error, and immediately liquidated the investment and reimbursed the Retirement System for all costs relating to the purchase.

4. Graystone Consulting – Monthly Report

Amy Cole provided the monthly market report for the Boards. For the quarter the S&P 500 was up 8%; NASDAQ up 11.5%; small cap up 12.5%; DOW Jones up only 5.7%. Gold up 17%, 47% year to date, pushing 55% for the year. Some rebounds for the U.S. Dollar. CPI at 2.9% for August; no federal rate cuts this month but more cuts are expected for the year. Europe is up 2.5% continuing their growth, Japan up 8% and Emerging Markets up 11%.

Eleven of the twelve sectors reported positive for the quarter, Tech is up 13%, Consumer Discretionary up 9.5%, communications up 12%. The only negative sector was Consumer Staples down 2.5%. Bond markets are performing well for the quarter at about 2%. It is still expected we will get another 0.5 to 0.75% cut from the rates by the end of 2025.

Looking forward if the markets continue to perform and earnings are up, the S&P 500 could hit 7200 on the bullish side and provide yet another 8% return for the fiscal year. Earnings are at a 4-year high and 85% of companies reported beating earnings and profit estimates.

Chair Randa Dagher inquired about the state of foreign bond markets. Ms. Cole explained that various factors including the weakening dollar have given room for European and Emerging markets to grow, including those bond markets.

John Krakowiak presented the monthly performance reports. The fiscal year to date return is already at 6.0% for the quarter. The System's portfolio is performing very well, particularly in the areas that have been reallocated and diversified; e.g. the Russell 3000 portfolio with Yousif Capital Management providing 8% for the quarter and Deroy & Devereaux delivering 9.1%.

Mr. Krakowiak discussed what many of the investment managers would refer to as a “Junk Rally” in the small and mid-cap area, where there are some companies who do not have the earnings to support their future investment in A.I., however, these companies are benefiting from the A.I. boom and thus resulting in some valuation issues, making some of the analysis by active managers more difficult.

Lastly, PIMCO is performing well on the short duration side, returning 4% for the quarter to the benchmarks 2.4%. Real Estate is still recovering but looking optimistic.

The Boards discussed the ongoing tariff policies, specifically around rare earths and China. Mr. Krakowiak explained that the rare earths issue revolves around refining the rare earths into the components we use, which China has excelled at. Other sources are beginning to catch up in this sector, notably Australia. Mr. Krakowiak added there may be price floors put into place to prevent China from saturating the market with cheaper components to drive out the new manufacturers.

Additionally, the Boards discussed the ongoing A.I. boom. Mr. Krakowiak noted one difference with the A.I. boom compared to the Tech Bubble of the early 2000s, advising that companies are investing in their growth from their balance sheet cash; much different than what was occurring during the Tech Bubble. However, a concerning projection he came across showed an expectation that 600,000 Amazon jobs would be replaced by A.I. by the year 2033. This highlights the symptom of the much larger issue at play of how much labor can be cut for the sake of profits.

Mr. Krakowiak discussed the Lord Abbett and Columbia presentations with the Board, as well as, the underperformance of Peregrine and PHOCAS. For immediate recommendations, Graystone believes moving \$4.5 million each from Peregrine and PHOCAS and funding a Vanguard Extended Markets portfolio with the \$9 million will help diversify the fund and get some returns coming in from small cap growth. The remaining Peregrine funds, approximately \$10 million, would then be used to fund whichever firm the Board selects between Lord Abbett and Columbia.

The Boards discussed any potential exposure from either of the presenting firms regarding A.I. and defense spending, specifically as it pertains to the divestment policy enacted in October 2024. Mr. Krakowiak explained that these portfolios are mutual funds, which do not allow for individual securities to be excluded; however, Mr. Krakowiak indicated he would inquire with the firms to get a figure for the exposure for the Board’s consideration. Additionally, Mr. Krakowiak will inquire about the possibility of utilizing a separate account and not the mutual fund that can be independently managed.

Receipt & file resolution # **2025-69**

Motion to approve the recommendations by Graystone to reallocate approximately \$4,500,000 from PHOCAS and \$4,500,000 from Peregrine to Vanguard Extended Markets.

<i>Motion by:</i>	<i>Alan Brzys</i>
<i>Support by:</i>	<i>Chad Bronson</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-70

GENERAL BUSINESS

5. *CONSENT AGENDA FOR 10-23-2025*

- A. Consider 09/25/2025 Open Session Draft Board Minutes

END OF CONSENT AGENDA

<i>Motion by:</i>	<i>Joseph Yamin</i>
<i>Support by:</i>	<i>Alan Brzys</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-717

OTHER BUSINESS

6. Consider 2026 Meeting Schedule – Trustees to review proposed dates and consider at the November meeting.
7. Any Other Business Items That Arise – None.

OLD BUSINESS

8. Open work items in process
- a. EDRO / DRO In Process: Andrew, M
9. Update on Mark Andrew's B-50 EDRO and Retirement Application

Motion to un-table the discussion regarding Mark Andrews B-50 EDRO and Retirement Application.

<i>Motion by:</i>	<i>Alan Brzys</i>
<i>Support by:</i>	<i>Daniel Bartok</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-72

Mr. Festerman informed the Board that the pending EDRO issue for Mr. Andrew has been resolved and his application is now ready for consideration. Vice Chair Alan Brzys inquired with Administrator Festerman regarding the pension estimate provided for review. Mr. Festerman explained it's recent but did not account for a language change in the final version of the EDRO (Straight Life vs. Joint Survivor form of payment for the Alternate Payee); however, the actuary would be completing an EDRO calculation which will account for this, as is standard practice when there is an EDRO in place.

Motion to approve Mark Andrew's B-50 EDRO and Retirement Application.

<i>Motion by:</i>	<i>Chad Bronson</i>
<i>Support by:</i>	<i>Randa Dagher</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-73

INFORMATIONAL ITEMS

10. DeRoy & Devereaux Holiday Lunch & Portfolio Update Invitation

Vice Chair Alan Brzys briefly informed the Boards of the yearly portfolio update with DeRoy & Devereaux and requested RSVPs for the luncheon.

11. Any other informational items that arise – None.

ADJOURN MEETING

Motion to adjourn meeting

<i>Meeting End Time:</i>	<i>11:05 A.M.</i>
<i>Motion by:</i>	<i>Alan Brzys</i>
<i>Support by:</i>	<i>Randa Dagher</i>
<i>Roll-Call Vote</i>	<i>Unanimous</i>
<i>Resolution #</i>	2025-74



Michael Kennedy, Board Secretary

11-18-25

Date

2025-76

Minutes Approval Resolution

11-20-2025

Minutes Approval Date