



500 West Big Beaver
Troy, MI 48084
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MINUTES

Employees' Retirement System Board Meeting

August 31st, 2022 at 12:00 PM
City Hall Council Chambers
500 West Big Beaver Troy, Michigan 48084
(248) 542-3412

Roll Call

The monthly meeting for the Employees' Retirement System Board of Trustees was held on **August 31st, 2022** in the City Council Chambers.

The meeting was called to order at 12:00 PM by Administrator Maleszyk.

Trustees Present: Robert C Maleszyk
Kurt Bovensiep
Thomas Gordon II
Theresa Brooks
Mark Miller
Mark Owczarak

Trustees Absent: Peter Dungjen
John Foster

Also Present: Amy Cole – Graystone Consulting
Thomas Michaud – VanOverbeke, Michaud & Timmony P.C.
Kevin Noelke – GRS Consulting
Rebecca Sorensen – UBS Financial Services
Darin McBride – UBS Financial Services
Dee Ann Irby - Controller
Cynthia Pavella – Administrative Assistant

Public Comment

- None

Minutes from the June 8th, 2022 Meeting

Resolution # ER – 2022-08-01

Moved by: Bovensiep

Supported by: Miller

RESOLVED, that the Minutes of the June 8th, 2022 meeting be **APPROVED**.

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Yeas: - 5 – (Bovensiep, Gordon, Brooks, Maleszyk, Miller)

Absent: - 2 – (Dungjen, Foster)

Motion Passes

Retirement Requests

Name	Anita Halprin	Harvey Sawyers
Pension Program	DC	DC
Retirement Date	August 31, 2022	July 16, 2022
Department	Finance	Parks – Municipal Grounds
Service Time	29 years, 4 months	14 years, 9 months

Resolution # ER – 2022-08-02

Moved by: Miller

Supported by: Gordon

RESOLVED, that the retirement requests listed above be **APPROVED**.

Yeas: - 5 – (Gordon, Brooks, Bovensiep, Maleszyk, Miller)

Absent: - 2 – (Dungjen, Foster)

Motion Passes

Regular Business

- **Review of 12/31/2021 Actuarial Report: Kevin Noelke, GRS Consulting**
 - Noelke presented a draft report of the year end review of City of Troy Employees Retirement System as of December 31, 2021. With the System closed to new hires, costs were computed using the aggregate cost method. The Present Value of Future Benefits (PVFB) is reduced by the funding (actuarial) values of assets and the present value of future member contributions. The remainder, if any, is financed by City contributions over the expected future working lifetime of the current active members. The City's contributions have been \$0 since 2017. The 2023-2024 fiscal year City contribution requirement is \$0.
 - He noted the Funding Ratio of PVFB to funding increased to 130% (specifically 129.9%) since the last valuation of December 31, 2020 of 119.8%. This was chiefly due to greater than assumed investment return on a funding value basis.
 - The System experienced an actuarial gain of \$13.8 million due to

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recognized investment performance, a gain in connection with System liabilities which was netted with a slight loss of expected changes in present value of future contributions.

- Noelke reviewed the Funding Value of Assets report. The Ratio of Funding Value to Market Value is 85% compared to 88% In 2021. The Recognized Rate of Return is 13.61% compared to 11.83% in 2020.
- There were no changes in plan provisions or valuation assumptions for the December 31, 2021 valuation.

Trustee Gordon asked if the Board should consider changing any actuarial assumptions. Mr. Noelke stated that the mortality table was updated in the 2020 valuation and the investment rate of return at 6.5% is about right for a mature plan. He indicated that they will revisit this next year.

Resolution # ER – 2022-08-03

Moved by: Gordon

Supported by: Bovensiep

RESOLVED, that the City of Troy Employees Retirement System actuarial valuation report of December 31, 2021 be **ACCEPTED**.

Yeas: - 5 – (Gordon, Brooks, Bovensiep, Maleszyk, Miller)

Absent: - 2 – (Dungjen, Foster)

Motion Passes

• **Resolution acknowledging receipt of Domestic Relations Order for Lucas**

Controller Irby explained the need to obtain a legal review of the documents and bringing Domestic Relations Orders before the Board. She noted that this has not been done in the past. Attorney Michaud explained that it is a legal requirement to bring DROs before the Board. A reasonable actuary and legal review should not be a cost to the System. Board members discussed whether or not the actuary costs should be passed on to the retiree. Irby said the City provides one estimate and one final valuation at no cost to the retiree. Cost of an EDRO review begins at \$750. Michaud described a model order / packet of information which he will draft and present to the Board at the next meeting in September.

Resolution # ER – 2022-08-04

Moved by: Bovensiep

Supported by: Miller

RESOLVED, that the Domestic Relations order for Lucas be **APPROVED**.

Yeas: - 5 – (Gordon, Brooks, Bovensiep, Maleszyk, Miller)

Absent: - 2 – (Dungjen, Foster)

Motion Passes

- **Resolution acknowledging IRC 402(f) Safe Harbor written notice requirements**

Attorney Michaud described the IRS legal requirement of the System to provide information to retirees/members regarding lump sum distributions from the Defined Contribution Plan. He explained that the Trustees need to know the legal requirements and operations/administration of the System performed by City Staff. Controller Irby said the City has not done this in the past. Irby explained there are options for a lump sum withdrawal when an employee leaves employment. The City is neither endorsing nor encouraging lump sum distributions but educating the employee on taxability. Michaud will include a description and rule explanation in the packet of information he is drafting as described above. This information will be in addition to the revisions that the Finance Department is making to the *How Do I Retire?* document.

Resolution # ER – 2022-08-05

Moved by: Gordon

Supported by: Miller

RESOLVED, that the Resolution acknowledging Section 402(f) IRC “Safe Harbor Notice” written requirements be **ADOPTED**.

Yeas: - 5 – (Gordon, Brooks, Bovensiep, Maleszyk, Miller)

Absent: - 2 – (Dungjen, Foster)

Motion Passes

Investments

- **Graystone Consulting – Amy Cole**

- Cole reviewed the Investment Performance Analysis of the System for quarter ending June 30, 2022 beginning with a review of the markets. In 2022 through June, there was a severe reaction to the equity market. Recently, the Federal Reserve reported inflation of 8.5% which is good for stocks, but not good for overall investments. A global concern is the Russia/Ukraine war. Other issues, such as COVID and the labor market, continue to impact the market. Despite Federal Reserve efforts, it is not mission accomplished. The Federal Reserve did not meet in August however we can expect a rate hike at the September meeting. By December 2022, she suggests a rate decrease, maybe 4% or a soft

- landing at 3.6%.
- Cole presented the Total Fund Performance report as of June 30, 2022 noting a year to date loss of 17.7% for combined accounts.
- Cole presented the Performance Report as of June 30, 2022.
 - Net Return Net of Fees was QTD: (11.79%) and YTD (16.96%)
- Cole presented the Performance Report as of July 31, 2022.
 - Net Return Net of Fees was QTD: 5.83% and YTD (11.92%)
- The Asset Allocation – Total Fund report shows 66% in Global Equities.
- Cole reviewed Manager Performance for Global Fixed Income and Private Real Estate Performance. There is no recommendation for changes at this time.

Investments

- **UBS Financial Services – Rebecca Sorensen and Darin McBride**

- Sorensen and McBride gave an overview of the Portfolio Management Reports, 2nd Quarter, 2022.
- Sorensen and McBride presented the sources of portfolio value and asset allocation reports noting Net Returns Net of Fees as of June 30, 2022 was: MTD (6.55%), QTD (13.07%) and YTD (18.56%).
- Expect a 2-3 rate increase. Bottom line is that report shows where they like to be in the portfolio although not happy with some funds. Small cap growth did not perform well this past quarter.
- UBS echoed the same market expectations as Graystone Consulting. They favor large cap value to capture a 2% dividend. They see an issue with bonds and stocks going in the same direction; down 10% in eight months.
- Sorensen and McBride presented the sources of portfolio value and asset allocation reports noting Net Returns Net of Fees as of July 31, 2022 was: MTD 6.78%, QTD (13.01%) and YTD (8.52%). Since inception the rate of return is 8.17%.
- UBS likes value more than growth. They do not make short term decisions; rather, look at a long-term approach. The portfolio is where they would like it therefore no recommendations for change.

Other Business

- Controller Irby asked the Board to consider authorizing a legal review of the Pension Ordinance, especially the Section related to Defined Contribution. Attorney Michaud has the expertise to perform such a review. Michaud will be able to provide a status update at the November Board meeting. City Attorney

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Griggs Bluhm will review any proposed Ordinance Amendments prior to seeking final approval of City Council.

Resolution # ER – 2022-08-06

Moved by: Miller

Supported by: Bovensiep

RESOLVED, to authorize Thomas Michaud of VanOverbeke, Michaud & Timmony P.C. to review City Charter Chapter 10 – Employee Retirement System with attention given to Section 53 Defined Contribution Plan (DCP) be **APPROVED**.

Yeas: - 5 – (Gordon, Brooks, Bovensiep, Maleszyk, Miller)

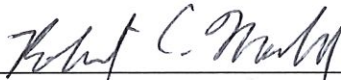
Absent: - 2 – (Dungjen, Foster)

Motion Passes

Adjourn

The meeting adjourned at 1:06 PM.

The next meeting is Wednesday, September 14th, 2022 at 12:00 PM.



Robert C Maleszyk, Administrator



Mark Miller, Trustee