



500 West Big Beaver
Troy, MI 48084
troymi.gov

MINUTES

Employees' Retirement System Board Meeting

November 9th, 2022 at 12:00 PM
City Hall Council Chambers
500 West Big Beaver Troy, Michigan 48084
(248) 524-3412

Roll Call

The monthly meeting for the Employees' Retirement System Board of Trustees was held on **November 9th, 2022** in the City Council Chambers.

The meeting was called to order at 12:01 PM by Administrator Maleszyk.

Trustees Present: Kurt Bovensiep
Theresa Brooks
John Foster
Thomas Gordon II
Robert C. Maleszyk
Mark F. Miller
Mark Owczarzak

Trustees Absent: Peter Dungjen

Also Present: Thomas Michaud – VanOverbeke, Michaud & Timmony P.C.
Tim Bryce – Graystone 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 September 14th, 2022 Meeting

Resolution # ER – 2022-11-01

Moved by: Bovensiep

Supported by: Miller

RESOLVED, that the Minutes of the September 14th, 2022 meeting be **APPROVED**.

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

Absent: - 1 – (Dungjen)

Motion Passes

Retirement Requests

Name	Russel M Harden	William J Huotari	Brian W LaForest
Pension Program	<i>DB</i>	<i>DC</i>	<i>DB</i>
Retirement Date	January 12, 2023	January 14, 2023	January 10, 2023
Department	Police (Command)	Engineering	Police (Patrol)
Service Time	25 Years 1 Month	27 Years 5 Months	25 Years 6 Months

Name	Scott Mercer		
Pension Program	<i>DC</i>		
Retirement Date	January 4, 2023		
Department	Parks & Rec Admin		
Service Time	23 Years 0 Months (Plus 4 years prior government service; Total service 27 years)		

Resolution # ER – 2022-11-02

Moved by: Bovensiep

Supported by: Gordon

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

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

Absent: - 1 – (Dungjen)

Motion Passes

Regular Business

- **Request for reimbursement to the City**
 - In the amount of \$6,000,000 in December 2022; \$3,000,000 each from Morgan Stanley and UBS.
 - This is done twice a year; at the May and November Board meetings.
 - The City does not contribute to this plan but the City does pay benefits out of the general fund so the Board needs to reimburse the City. Maleszyk explained that the Investment Advisors will recommend how these funds will be raised and withdrawn from the portfolio.

- **2023 Board Meeting Schedule.**

- A proposed meeting scheduled was presented for the following Wednesdays at 12:00 noon: Feb 8th, March 8th, May 10th, June 7th, Aug 9th, Sept 13th, Nov 8th, Dec 13th. Miller asked if meetings could be held in the Council Boardroom instead of Council Chambers where they were held previously. The Council Boardroom would provide a more collaborative meeting environment.

Resolution # ER – 2022-11-03

Moved by: Miller

Supported by: Gordon

RESOLVED, that the 2023 ERS Board Meeting dates shown above and to be held in the City Council Boardroom be **APPROVED**.

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

Absent: - 1 – (Dungjen)

Motion Passes

- **Public Act (PA) 314 Compliance – Code of Conduct/Education/Travel/Due Diligence Policy.**

- Controller Irby and Administrator Maleszyk reviewed the purpose of PA314, Public Employees Retirement System Investment Act.
- Attorney Michaud provided information to support the draft Policy Resolution namely full disclosure and safeguarding of public funds. High standards and expectations of fiduciary and ethical conduct, education, travel, and due diligence are components of the Policy. Discussion was held among Board members.
- Controller Irby reported that the City has rejoined MAPERS (Michigan Association of Public Employee Retirement Systems). Board members will get informative emails regarding legislative changes as well as conference/training seminars. The Code of Conduct was one of the sessions at the September MAPERS conference that she and Administrator Maleszyk attended. Education/Training/Travel is included in the proposed budget.
- Miller asked if some provisions in the Policy could reflect City processes, such as meal allowance/per diem. If so, how would the Policy be updated if the City's processes are changed. Michaud said these rules are meant to be separate from City policy/procedures.

Resolution # ER – 2022-11-04

Moved by: Miller

Supported by: Foster

RESOLVED, that adoption of the draft Policy Resolution be postponed to the December meeting to allow Members time to thoroughly review policy and revise meal allowance to match City policies.

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

Absent:- 1 – (Dungjen)

Motion Passes

- **Public Act (PA) 314 Compliance – Proposed Budget.**
 - Controller Irby and Administrator Maleszyk presented the FY 23 budget, which included prior year actuals for 2021 and 2022. They noted that the budget was prepared with estimates for investment income and retirement benefit payments, since it is difficult to predict the financial market and the number of new retirees.
 - Revenue totals \$12,800,000 compared to prior year (\$29,770,735.02)
 - Estimates of Income (interest, dividend, and investment income) total \$12,750,000 compared to prior year (\$29,926,969.67)
 - Expenses total \$13,263,000 compared to prior year \$12,759,928.38.
 - Expenses comprised of Professional Services, Consultant Services, and Retirement Allowances, Education & Training, and Other.
 - Education & Training expense was budgeted for the first time.
 - Employee's Retirement System Net Gain (Loss) is (\$463,000) compared to prior year (\$42,530,663.40).

Resolution # ER – 2022-11-05

Moved by: Bovensiep

Supported by: Gordon

RESOLVED, that the July 1, 2022 – June 30, 2023 budget for Employee's Retirement System be **APPROVED**.

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

Absent: - 1 – (Dungjen)

Motion Passes

Investments

Graystone Consulting Group Presentation- Tim Brice

- **Market Overview / Market Slides**
 - Brice gave a brief market overview referencing *On the Markets* article. He noted that aggressive interest rate hike of 75 basis-points by the

Federal Reserve in mid-August was an attempt to battle inflation. He anticipates the Fed will raise rates 50 basis-points in the next quarter and 25 basis-points next year.

- The just-completed mid-term elections creates anxiety among investors. It takes time, but the market will recover.
- Historically after the Fed raises rates it takes about five months before rates will decrease.

○ **Investment Review**

- Brice reviewed Capital Markets Performance and discussed how asset classes fare over time. Commodities and MLPs are up.
- The S&P 500 Sector Total Return 3Q22 showed Discretionary and Energy sections in the positive.
- Brice presented the Total Fund Performance Report as of September 30, 2022.
 - Ending Market Value was QTD: \$189,358,546
 - Asset Allocation – Total Fund: 55% is Domestic Equity followed by Global Fixed Income at 29%; International Equity 11%, Real Estate 3%, REITs 1% and just under 1% in Alternatives.
 - Asset Allocation – Morgan Stanley/Graystone: 48.1% is Domestic Equity followed by Global Fixed Income at 24.9%; International Equity 18.3%, Real Estate 8.3%, and 0.5% in Cash
 - Manager Performance – Morgan Stanley/Graystone is (21.71%) Gross YTD compared to Year 1 (17.92%).
- Brice reviewed the City of Troy Employees' Retirement System asset class report as of 10/31/2022.
 - The portfolio is overweight in Equities; Global is 68.0% and Domestic 49.8%, well above the targets of 59.0% and 40.0% respectively. Aristotle is under review.
 - Fixed Income is 23.6% of the Portfolio outside the 29.0% Target. Western Core Plus is one of the best performing managers; the longer duration results in higher yields.
 - International Equities are at 18.1% outside the 19.0% target.
 - Cash is 0.4%, far below the 5.0% target
 - Real Estate at 8.0% is above the 7.0% target and has been helpful to the portfolio.
- Gordon asked if our investment policy allows for alternative investments. Brice noted that the policy does allow for alternatives, however he would not recommend selling from a down asset class to purchase alternatives. Due to the lengthy meeting, Brice said he hold off until February 2023 to discuss Private Equity; Commodities, MLP and Private Real Estate.

- **Recommendation: Rebalance the Portfolio for Cash Raise of \$3,000,000.**
 - Graystone Consulting recommends selling \$2,601,057 from Global Equities –JP Morgan Equity Income, Aristotle and Thompson Siegel; \$95,558 from ClearBridge International Growth and the remaining balance from cash.

Resolution # ER – 2022-11-06

Moved by: Bovensiep

Supported by: Miller

RESOLVED to rebalance the portfolio by selling \$2,601,057 from Global Equities –JP Morgan Equity Income, Aristotle and Thompson Siegel; \$95,558 from ClearBridge International Growth and the remaining balance from cash be **APPROVED**.

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

Absent: - 1 – (Dungjen)

Motion Passes

UBS Financial Services – Rebecca Sorensen and Darin McBride

- Sorensen and McBride gave an overview of projected inflation, lower energy prices, job openings, and overall economic slowdown.
- Sources of portfolio value as of September 30, 2022 shows net time-weighted ROR at (7.62%) MTD, (4.60%) QTD and (22.28%) YTD.
- Asset Allocation Review as of September 30, 2022 shows 32% in Fixed Income and 67% in Equity.
- Sources of portfolio value as of October 31, 2022 shows net time-weighted ROR at 5.24% MTD and (18.21%) YTD.
- Asset Allocation Review as of October 31, 2022 shows 30.59% in Fixed Income and 68.78% in Equity.
- UBS November 2022 white paper, US Economic Perspectives / Outlook 1023-2024 was distributed to the Board.
- 3rd Quarter 2022 discussion noted that Emerging Market Fixed Income and High Yield Fixed Income are investment categories that maybe more adversely affected than others in the months and years ahead. Loomis Sayles Large Cap Growth is being monitored, however Blackrock is doing well.
- To meet the \$3,000,000 year-end distribution request, Sorensen recommends raising funds by liquidating TCW Emerging Market Fixed Income Fund, approximate value of \$2,075,000, and raise balance of funds needed from Blackrock Strategic Income Fund.

Resolution # ER – 2022-11-07

Moved by: Gordon

Supported by: Owczarzak

RESOLVED, to rebalance the portfolio by liquidating TCW Emerging Market Fixed Income Fund and raise balance of funds needed from Blackrock Strategic Income Fund to meet the \$3,000,000 year-end distribution request.

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

Absent: - 1 – (Dungjen)

Motion Passes

Other Business

• **Term Expiration**

- Controller Irby advised the board that terms will be ending 12/31/2022 for non-voting retiree member Mark Owczarzak and employee representative Thomas J. Gordon II. She said defined benefit employees who are interested in serving on the Board should contact the City Clerk's office.

• **Professional Service and Actuarial Fees for the City of Troy Employees Retirement System.**

- Controller Irby presented an offer to renew the Agreement with Gabriel, Roeder, Smith & Company (GRS) for the year beginning January 1, 2023.
- The current Retainer Fee to prepare actuarial valuations and associated consulting is \$16,500. The proposal increases fees to \$16,900.
- The cost to prepare Governmental Accounting Standards Board (GASB) Statements is increasing from \$8,000 to \$8,100.
- Standard EDRO Fees begin at \$1,200.

Resolution # ER – 2022-11-08

Moved by: Bovensiep

Supported by: Foster

RESOLVED, to renew Professional Services Agreement and Actuarial Fees charged by Gabriel, Roeder, Smith & Company (GRS) for the year beginning January 1, 2023 be **APPROVED**.

Yeas: - 6 – (Bovensiep, Brooks, Foster, Gordon, Maleszyk, Miller)

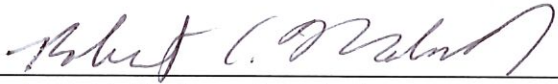
Absent: - 1 – (Dungjen)

Motion Passes

Adjourn

The meeting adjourned at 1:25 PM.

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



Robert C. Maleszyk, Administrator



Mark F. Miller, Trustee