



500 West Big Beaver  
Troy, MI 48084  
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# MINUTES

## Employees' Retirement System Board Meeting

May 10<sup>th</sup>, 2023 at 12:00 PM

City Council Boardroom

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 **May 10<sup>th</sup>, 2023** in the City Council Boardroom.

The meeting was called to order at 12:00 p.m. by Chairman Maleszyk.

**Trustees Present:** Kurt Bovensiep  
Theresa Brooks  
Peter Dungjen  
John Foster  
Robert C. Maleszyk  
Mark F. Miller  
Mark Owczarzak

**Trustees Absent:** Thomas J. Gordon II

**Also Present:** Thomas Michaud – VanOverbeke, Michaud & Timmony P.C.  
Tim Bryce - Graystone Consulting  
Amy Cole – Graystone Consulting  
Rebecca Sorensen – UBS Financial Services  
Darin McBride – UBS Financial Services  
Dee Ann Irby – Controller  
Lori Bluhm – City Attorney  
Cynthia Pavella – Administrative Assistant

### Public Comment

- None

### Minutes from the March 8<sup>th</sup>, 2023 Meeting

#### Resolution # ER – 2023-05-01

Moved by: Bovensiep

Supported by: Dungjen

**RESOLVED**, that the Minutes of the March 8<sup>th</sup>, 2023 meeting be **APPROVED**.

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

Absent: - 1– (Gordon)

**Motion Passes**

## Retirement Requests

<b>Name</b>	Thomas Gordon II	Theresa Hope	Melissa Raymer	Patricia Kitchen
<b>Pension Program</b>	DB	DC	DB	Convert DC to DB
<b>Retirement Date</b>	May 12, 2023	June 2, 2023	June 14, 2023	March 17, 2023
<b>Department</b>	Police Command	Classified	Police	AFSCME
<b>Service Time</b>	28 Years 4 Months	30 years 5 months	25 years 0 months	20 years 6 months

Controller Irby explained that Patricia Kitchen is the spouse of former Employee Guy Kitchen. According to the AFSCME collective bargaining agreement, Mrs. Kitchen is eligible for a non-duty death benefit whereby the Defined Contribution (DC) account balance offsets an actuarial calculation for a Defined Benefit (DB) pension. She said the monthly DB amount is nominal. Mrs. Kitchen retains the DC account at MissionSquare.

## Resolution # ER – 2023-05-02

Moved by: Bovensiep

Supported by: Foster

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

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

Absent: - 1– (Gordon)

**Motion Passes**

## Regular Business:

- **Pension Ordinance Review Update**

- Attorney Michaud reported that he is reviewing Section 53 Defined Contribution Plan of Chapter 10 Retirement Ordinance for compliance with the Internal Revenue Code. He is working with the City's Team to create a draft amendment that will include the DB and DC plans in one document.
- Michaud said it is the responsibility of the Pension Board to review and refer the amendment to the City Council for approval; after City Attorney Bluhm's review of the language.
- Review of the draft amendment will be on the June 7 meeting agenda.
- An Amendment for the Retiree Health Care Trust plan document will be prepared for that Board to consider in August. Controller Irby has met with Michaud regarding this plan and several IRS changes.

- **Timeline to fill Board vacancy created by retirement of Thomas Gordon.**

- Controller Irby referred to Section 2G of the Pension Ordinance which requires two Board Members to be in the Defined Benefit (DB) Plan. She noted that there is a limited pool of candidates as the majority of City employees are now Defined Contribution (DC) participants. The Pension Board cannot elect DC employees to the Board unless and until such time as the Ordinance is amended. Chairman Maleszyk stated that the Board oversees DB and DC retirement so the position(s) should be open to anyone covered by the Plan. At some point there will not be



any more DB employees to serve on the Board. Trustee Owczarzak is a retiree who is a non-voting member. Bovensiep asked if collective bargaining agreements reference the Pension Ordinance? Attorney Michaud stated that he will provide options and propose language regarding Trustee membership for the June 7 meeting. Ultimately, only City Council has the authority to approve changes to the Ordinance.

- Controller Irby indicated that the Board must select another Vice Chairman to replace recent retiree Thomas Gordon.

#### **Resolution # ER – 2023-05-03**

Moved by: Miller

Supported by: Owczarzak

**RESOLVED**, to designate Trustee Kurt Bovensiep as Vice Chairman be **APPROVED**.

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

Absent: - 1– (Gordon)

**Motion Passes**

- **Request for reimbursement to the City in June 2023 from Morgan Stanley**

- Chairman Maleszyk is seeking a transfer of \$8 Million dollars from the Pension Fund to the City's General Fund to cover retiree payroll. That request is for \$4 Million from each Morgan Stanley and UBS.
- Bryce reviewed the City of Troy Employees' Retirement System report of 5/2/2023 to show how Global Equities, can be rebalanced to achieve \$4 million cash to transfer to the City's General Fund. He directed the Board's attention to review the Rebalance Column of the Asset Class report which details his movement of \$4 million.

#### **Resolution # ER – 2023-05-04**

Moved by: Bovensiep

Supported by: Dungjen

**RESOLVED**, that the portfolio be rebalanced in the amount of \$4,000,000 which is comprised of \$500,000 in ClearBridge International Growth and \$3,500,000 in Domestic Equities, specifically from these investment managers: \$500,000 each Winslow and JP Morgan Equity Income, \$500,000 Thompson Siegel, and \$2,000,000 Vanguard Total Market (VTI) whereby the \$4,000,000 be deposited the City's General Fund be **APPROVED**.

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

Absent: - 1– (Gordon)

**Motion Passes**

- **Request for reimbursement to the City in June 2023 from UBS**

- Sorensen reviewed their recommendation for May 2023 distribution of

\$4,000,000 whereby \$3,000,000 has been set aside and is now available for distribution. She suggests withdrawing an additional \$1,000,000 from Small and Mid-Cap Value (Allspring Small Cap Value and John Hancock Disciplined Value) and from Loomis Large Cap Growth. Sorensen suggests utilizing an allocation of 30% of the requirement amount from both the small and mid-cap value funds and taking the remaining 40% needed from the Loomis portfolio. She will use the distribution as a form of rebalancing equity growth the value holdings.

**Resolution # ER – 2023-05-05**

Moved by: Dungjen

Supported by: Brooks

**RESOLVED**, that the portfolio be rebalanced in the amount of \$4,000,000 with a withdrawal and distribution of \$1 Million from Small and Mid-Cap Value (Allspring Small Cap Value and John Hancock Disciplined Value) and from Loomis Large Cap Growth and \$3 Million from cash; whereby the \$4,000,000 be deposited the City's General Fund be **APPROVED**.

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

Absent: - 1– (Gordon)

**Motion Passes**

- UBS also recommends liquidating the TIPS Bond Portfolio valued at approximately \$6,000,000. Sorensen suggests adding the fixed income separately managed account FCI-All Corporate Bond to the portfolio as a replacement – utilizing all proceeds from the TIPS liquidation. This will require opening a new account for ERS since FCI-All Corporate Bond is in UBS's separately managed account program. This manager strategy is currently utilized in the Retiree Health Care Trust portfolio.

**Resolution # ER – 2023-05-06**

Moved by: Dungjen

Supported by: Brooks

**RESOLVED**, that the TIPS Bond Portfolio be liquidated and add to the portfolio a separately managed fixed income account with FCI-All Corporate Bond be **APPROVED**.

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

Absent: - 1– (Gordon)

**Motion Passes**

**Investments**

- **Graystone Consulting – Tim Bryce & Amy Cole**
  - Bryce reviewed the Morgan Stanley *On the Markets* document which began with the section titled Denouement. The word means the final part of the end of a



chain of events when all things come together. In the past year, we have seen the worst bond market, equity market was down and the Federal Reserve continually raised interest rates. There was a rally at 2022 year-end and beginning of 2023 but it is a “sticky” economy in which factors caused a rise in the inflation rate and rising prices but also lead to lower spending and economic growth. Unintended consequences included bank failures. The future looks for inflation to slowly go down, bonds will look good, and one more bout of volatility in equity markets is expected. Once done with reset in equities, looking to end the Bull Market.

- Cole presented the *Total Fund Performance* report as of March 31, 2023 noting a year to date gain of \$11 million which is up about 5.62% over one year. However, 3 years ago there was a gain of \$71 million for combined accounts.
- The report of Asset Allocation – Morgan Stanley/Graystone as of March 31, 2023 was reviewed. The Manager Performance report shows a 5.02% net increase for the quarter but the one year is (6.20%). Bryce said not every investment carries the same weight. For example, there was some double-digit growth such as ClearBridge International however JP Morgan Large Cap shows a slight loss. He said last year we changed Global Fixed Income duration to longer maturity. Western Asset had the longest maturity duration since inception date. His advice was not to abandon our policy.
  - Cole presented Graystone’s Performance Update as of April 30<sup>th</sup>, 2023.
    - Net Return Net of Fees was MTD: 0.97% and YTD 5.97%.
- Asset Allocation as of May 2, 2023 shows Global Equities at 67%, a bit over the target of 59%. Fixed Income at 25.5% of portfolio is just under the target of 29%.
- Last year, Private Real Estate was added to the portfolio when it was at an all-time high. JLL office exposure is down but industries that contribute to occupancy rates, such as family, industrial, health care/medical campus, self-storage, and parking garages still make JLL a good choice. Since JLL does not invest in malls and hotels, it is an income player.
- Private Credit is an asset class to talk about in the future. Private Credit companies invest in and restructure private companies rather than using traditional banks and loan companies.
- Bryce reviewed the Annual Update of GIC Capital Market Assumptions showing the Strategic (seven year) and Secular (twenty year) Return and Volatility Estimates for 2023. He directed the Board’s attention to Fixed Income and Preferreds section which described the following:
  - High Yield Fixed Income Strategic annualized return estimate is 7.1% and Emerging Market Fixed Income is 7.8%.
  - Private Credit has a Strategic annualized return estimate of 9.3%. He noted that the estimate assumes bank foreclosures and other issues still going on. These firms can originate a loan or buy up loans. Wal-Mart uses private credit for their line of credit and Apollo pays 50 cents on the dollar to absorb good loans from banks.

- Overall, the expectation is for the Feds to bring rates down by the end of the year.
- **UBS Financial Services – Rebecca Sorensen**
  - Sorensen provided an overview of the market mentioning the looming June 1 debt ceiling issue, banking crisis with failure of some banks to be absorbed by others, and continual market volatility. UBS Holdings is looking at treasury bills, money markets, and bonds.
  - Sorensen reviewed the portfolio performance as of March 31<sup>st</sup>, 2023 noting:
    - The MTD Net Rate of Return Net of Fees Combined: 2.00%
    - The YTD Net Rate of Return Net of Fees Combined: 5.96%
  - She also reviewed the portfolio performance as of April 30<sup>th</sup>, 2023 noting:
    - The MTD Net Rate of Return Net of Fees Combined: 0.58%
    - The 1-Yr Net Rate of Return Net of Fees Combined: 2.24%
  - Sorensen presented the Asset Allocation Review report as of March 31, 2023 which shows Total Portfolio of \$116,357,706.22. Cash is 3.17% of the portfolio, while Fixed Income is 26.68%, and Equity at 70.15%. The report as of April 30, 2023 shows Total Portfolio of \$117,072,972.30 comprised of 3.10% Cash while Fixed Income is 26.70%, and Equity at 70.20%.

#### **Other Business**

- **Annual review Statement of Investment Objectives and Investment Policy Guidelines.**

Irby said this item was on last year's May agenda. It was decided to review at the August 9, 2023 meeting.
- **Michigan Association of Public Employee Retirement Systems (MAPERS)** The Annual Fall Conference will be held Sunday September 9 through Tuesday, September 12 at Shanty Creek Resort in Bellaire. Training for trustees is in the budget. Maleszyk highly encourages attendance. He will provide registration information to the Board members when it becomes available.

#### **Adjourn**

The meeting adjourned at 1:18 p.m.

The next meeting is Wednesday, June 7<sup>th</sup>, 2023 at 12:00 p.m. in City Council Boardroom.

  
Robert C. Maleszyk, Chairman

  
Kurt Bovensiepe, Vice Chairman