

MINUTES



500 West Big Beaver
Troy, MI 48084
troymi.gov

Employees' Retirement System Board Meeting

August 12th, 2020 at 12:00 PM

Electronic Remote Participation via GoToMeeting

(248) 524-3306

ERSPublicComments@troymi.gov

Roll Call

The monthly meeting for the Employees' Retirement System Board of Trustees was held on **August 12th, 2020** with electronic remote participation via GoToMeeting.

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

Trustees Present: Mark Calice
Thomas Gordon II
Robert C Maleszyk
Justin Novak (arrived 12:12 PM)
Kurt Bovensiep

Trustees Absent: Mark F Miller
David Hamilton
Mark Owczarzak

Also Present: Tim Brice – Graystone Consulting (arrived 12:12 PM)
Rebecca Sorensen - UBS Financial Management
Darin McBride – UBS Financial Management
Jeffrey T. Tebeau – GRS Consulting (left 1:00 PM)
Lisa Burnham
Shazia Fatima

Public Comment

- None

Minutes from the May 20th, 2020 Meeting

Resolution # ER – 2020-08-17

Moved by: Bovensiep

Seconded by: Gordon

RESOLVED, that the Minutes of the May 20th, 2020 meeting be **APPROVED**.

Yeas: - 4 -

Absent: - 3 –

Motion Passes

Retirement Requests

Name	Susan Riesterer	Sean Morse
Pension Program	DC	DB
Retirement Date	July 11, 2020	September 19, 2020
Department	City Clerk	Police
Service Time	14 years 8 months	25 years 8 months

Resolution # ER – 2020-08-18

Moved by: Gordon

Seconded by: Bovensiep

RESOLVED, that the Retirement Requests be **APPROVED**.

Yeas: - 4 -

Absent: - 3 –

Motion Passes

Regular Business

- **Review of 12/31/2019 Actuarial Report**
 - Jeffrey T. Tebeau, the Chief Actuary from Gabriel, Roeder, Smith & Co. presented the ERS Actuarial Valuation Report for period ended December 31st, 2019.
 - Jeff gave a summary and noted that the System experienced an actuarial gain of approximately \$5.2 million and explained what made up that gain.
 - He discussed the city's contribution computed for 2021 and 2022 and the reasons why the computed city contribution in the last five valuation reports has been \$0.
 - The 2019 Funded Ratio is 129.8% based on the market value of assets.
 - He gave some final comments noting that the Market Value of Assets exceeded the Funding Value of Assets by \$19.4 million as of December 31, 2019 as a result of which deferred gains will be recognized in the next valuation.
 - Recommendation:
 - Update the Mortality assumptions to an appropriate version of Pub-2010 Tables for the 2020 Valuation as it is required for State

reporting for fiscal year 2020 under Public Act 202.

- Option factors assumptions for the ERS Plan need to be updated. GRS will provide a letter memo with details and sample option factors for the Board to review before the Board decides on an effective date for the updates.

Resolution # ER – 2020-08-19

Moved by: Bovensiep

Seconded by: Gordon

RESOLVED, that the mortality assumptions be updated to the appropriate version of Pub-2010 tables for the 2020 valuation be approved and that GRS provide a letter memo with details and sample option factors for the Board to review in the next meeting and set an effective date for updated Option factors assumptions be **APPROVED**.

Yeas: - 5 -

Absent: - 2 -

Motion Passes

Investments

UBS Financial Presentation

• **Market Review – Darin McBride**

- Darin gave a market overview in light of the COVID-19 pandemic highlighting concerns with upcoming elections, social unrest, increasing unemployment and the economy shutting down indicating that the market is still volatile.
- Inflation and Interest rates are low resulting in a challenge for bonds to make positive returns and therefore to have a positive rate of return we have to add equity into asset allocation.
- On the Fixed income side UBS favors TIPS, investor grade corporate bonds and high yield and on the equity side UBS favors global and mid-cap equities.
- He concluded that a 70% equity allocation should be maintained in the portfolio in spite of concerns with COVID-19.

• **Investment Review – Rebecca Sorensen**

- The QTD Net Rate of Return Net of Fees as of June 30th, 2020 was as follows: Combined: 17.93%; ERS: 15.73% and NAIC: 26.10%
- The YTD Net Rate of Return Net of Fees as of June 30th, 2020 was as follows: Combined: -1.24%; ERS: -1.34% and NAIC: -0.89%
- The YTD Net Rate of Return Net of Fees as of July 31st, 2020 was as follows: Combined: 3.57%; ERS: 2.98% and NAIC: 5.62%

- **Recommendations:**

- ERS portfolio:

- Replace American Funds Europacific Growth Fund with Clearbridge International Growth
- Replace AB High Income Fund with Blackrock High Yield Fund (current position)

- **Resolution # ER – 2020-08-20**

Moved by: Bovensiep

Seconded by: Novak

RESOLVED, that American Funds Europacific Growth Fund be replaced with Clearbridge International Growth and AB High Income Fund be replaced with Blackrock High Yield Fund (current position) be **APPROVED**.

Yeas: - 4 - Bovensiep, Novak, Gordon, Maleszyk

Nays: - 1 – Calice

Absent: - 2 -

Motion Passes

- NAIC Portfolio:

- Varian Medical Systems (VAR) has agreed to be acquired by Siemens AG for \$177.50 per share. Investor Advisory Services (NAIC) is recommending sale and will discontinue coverage. The City owns 3000 shares held in the NAIC Account with a cost basis of \$30.76 per share.

- **Resolution # ER – 2020-08-21**

Moved by: Calice

Seconded by: Novak

RESOLVED, that Varian Medical Systems (VAR) has agreed to be acquired by Siemens AG for \$177.50 per share. Investor Advisory Services (NAIC) is recommending sale and will discontinue coverage. The City owns 3000 shares held in the NAIC Account with a cost basis of \$30.76 per share **APPROVED**.

Yeas: - 5 - Calice, Bovensiep, Novak, Gordon, Maleszyk

Nays: - 0 –

Absent: - 2 -

Motion Passes

Graystone Consulting Group Presentation

- **Market Review – Tim Brice**
 - Tim presented the Market Slides discussing Russell Style and Market Capitalization Indices and S&P 500 Sectors.

- **Investment Review – Tim Brice**
 - Tim presented the Performance Report as of June 30th, 2020 noting the
 - Net Return Net of Fees: QTD: 16.39% and YTD: -2.85%.
 - Tim gave the Updated Performance Report as of August 11th, 2020 noting the
 - Net Return Net of Fees: MTD: 2.2% and YTD: 1.5%.
 - He also presented Manager performance, Market Values, and Asset Allocation Study discussing Capital Market Assumptions, Asset Allocations and Strategic Assumptions.

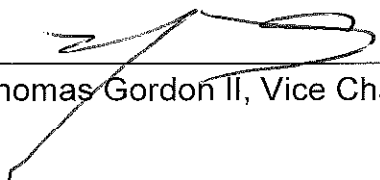
Other Business

- None

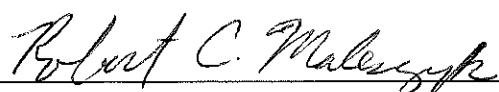
Adjourn

The meeting adjourned at 1:26 PM.

The next meeting is Wednesday, October 14th, 2020 at 12:00 PM.



Thomas Gordon II, Vice Chairman



Robert C Maleszyk, Administrator