



## CITY OF ROYAL OAK RETIREE HEALTH CARE INVESTMENT BOARD MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES

A meeting of the Retiree Health Care Investment Board of Trustees was conducted at the City Hall building in conference room # 122 on Friday February 17, 2023, at 9:30 a.m.

The meeting was called to order at 9:33 a.m.

### Attendance

PRESENT: Lee Collick – Chairperson  
Bret Nelson - Vice Chairperson  
Monica Hunt – Trustee  
Paul Brake – Trustee  
Kyle DuBuc - Trustee

ALSO PRESENT: Debra Peck Lichtenberg – Director of Finance  
Lisa Genord – Financial Analyst / Pension Technician  
Tom Michaud – Board Attorney with VanOverbeke, Michaud, & Timmony P.C.  
Brian Green – Investment Advisor with AndCo

### Public Comment

There were no public attendees / comments.

### Board approval of the agenda for the February 17, 2023 meeting

*Moved by Lee Collick to approve the agenda for the February 17, 2023 meeting*

*Supported by Bret Nelson*

*MOTION ADOPTED UNANIMOUSLY 5/0*

### Board approval of the draft minutes for the January 20, 2023 meeting

*Moved by Lee Collick to approve the draft minutes for the January 20, 2023 meeting*

*Supported by Bret Nelson*

*MOTION ADOPTED UNANIMOUSLY 5/0*

### INVESTMENTS

Investment performance review presented by Brian Green of AndCo.

Market value/allocation of assets as of January 31, 2023 is \$144,037,538

Current month – total portfolio underperformed the benchmark: 5.40% vs. 5.63% index.

3-month performance – total portfolio underperformed the benchmark: 7.04% vs. 7.24% index.

Year-to date performance – total portfolio underperformed the benchmark: 5.40% vs. 5.63% index.

1-year performance – total portfolio outperformed the benchmark: -3.76% vs. -3.97% index.

3-year performance – total portfolio outperformed the benchmark: 6.73% vs. 6.53% index.

5-year performance – total portfolio underperformed the benchmark: 5.57% vs. 5.73% index.

Inception – total portfolio underperformed the benchmark: 6.43% vs. 6.85% index.

Brian provided an illustrative multiple-page handout at the meeting and reviewed the following:

Page 1 - Fed Funds Rate Increases – Historical Policy Rate Tightening Cycles from January 1990 – January 2023, which depicted that from March – January 2023 we had eight Federal Fund rate hikes.

Brian stated that AndCo anticipates 3 more Fed rate hikes in 2023, but they will be of smaller increments.

Page 2 – Domestic Equity and Bond Annual Return Matrix – S&P 500 vs. Bloomberg U.S. Aggregate Bond Calendar Year Index Returns from 1976 through 2002, which depicted that 2022 was the worst

year for high-quality fixed income in the history of the capital markets due to the fastest and most aggressive tightening cycle we have experienced, as illustrated by the graph on Page 1.

Page 3 – How does 2022's Daily Trading Volatility Stack Up To History? S&P 500 Daily Price Index Data, which depicted that negative market days happen much more frequently than we think, the difference is that when the skew is more than 50% negative, that is when you experience a down year.

Page 4 – U.S. Treasury Yield Curve - 1-Month to 30-Year Year-Over-Year Yield Change 12/31/2021 – 12/31/2022

Brian reviewed the city's portfolio performance as of January 31, 2023 and stated that January was a strong month, due to the Fed indicating that they will be slowing the rate hikes, solid unemployment numbers, and slowing inflation. Brian reported that the city's portfolio was up 5.40% for January, with Seizert, Reinhart, and several of the fixed income managers contributing to the favorable performance. Brian reported that he will be adding performance results on a fiscal year-to-date basis to future presentation booklets, stating that the city's portfolio is up 7.1% on a fiscal year-to-date basis. Brian reported that he is currently working on an asset allocation review of the city's portfolio.

The complete AndCo Investment Performance Review report dated January 31, 2023 is on file in Finance office.

*Moved by Lee Collick to receive and file.*

*Supported by Kyle DuBuc*

**MOTION ADOPTED UNANIMOUSLY 5/0**

PGIM Real Estate Prisa II LP– Investor Statement for Period Ending 4Q 2022

*Moved by Lee Collick to receive and file.*

*Supported by Kyle DuBuc*

**MOTION ADOPTED UNANIMOUSLY 5/0**

PGIM Real Estate Prisa II LP – Detailed Management Fee Report for Quarter Ending December 31, 2022

*Moved by Lee Collick to receive and file.*

*Supported by Kyle DuBuc*

**MOTION ADOPTED UNANIMOUSLY 5/0**

PGIM Real Estate Prisa II - Performance Report 4Q 2022

*Moved by Lee Collick to receive and file.*

*Supported by Kyle DuBuc*

**MOTION ADOPTED UNANIMOUSLY 5/0**

## **LEGAL**

None

## **OTHER**

Debra Peck-Lichtenberg, Finance Director, provided a copy of a draft email to the board trustees regarding a possible change in the retirement board and retiree health care investment meeting frequency, as discussed at the January 20, 2023 retirement board meeting as part of the city-wide review of Boards and Committee conducted by Susan Barkman, Assistant to the City Manager. The board discussed frequency options and the consensus was to change the meeting frequency from monthly to quarterly for both the retirement board and retiree health care investment meeting. Tom Michaud, board attorney, asked Florence Mwaura from SEI when the quarterly performance reports would be available, to determine what week / month the board should meet. Florence stated that to ensure that all performance materials are available, that the best time to meet would be the first week following the quarter end. Debra advised the board the retirement ordinance and bargaining agreements drive the administration of all pension benefit payments, so the Finance department would proceed with normal retirements administratively and changing to a quarterly meeting frequency would not delay the process. Debra assured the board that if any retirement-related concerns arose in the interim that required board approval, a special non-quarterly retirement board meeting would be called. Lee Collick requested that the Finance department continue to provide the retirement board with the monthly PBGC rates, as previously requested. The board agreed upon the following dates for future retirement board and retiree health care board meetings: 5/5/2023, 8/4/2023, 11/3/2023 & 2/2/2024 beginning at 9:00 a.m.

*Moved by Lee Collick to change from monthly to quarterly retirement board and retiree health care investment meetings for a one-year trial period, with the following meeting dates: 5/5/2023, 8/4/2023, 11/3/2023 & 2/2/2024 beginning at 9:00 a.m.*

*Supported by Bret Nelson*

*MOTION ADOPTED UNANIMOUSLY 5/0*

### **NEXT MEETING AND ADJOURNMENT**

Next quarterly meeting is scheduled immediately following the retirement system board meeting at approximately 9:30 a.m. on Friday, May 5, 2023 at the City Hall Building at 203 South Troy Street, in the first floor conference room # 122.

*Moved by Lee Collick to adjourn the meeting (9:47 a.m.) and confirm the next meeting for Friday, May 5, 2023, immediately following retirement system board meeting at approximately 9:30 a.m.*

*Supported by Kyle DuBuc*

*MOTION ADOPTED UNANIMOUSLY 5/0*