



**CITY OF ROYAL OAK RETIREMENT SYSTEM
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES**

A meeting of the Retirement Board of Trustees was conducted at the City Hall building in conference room # 122 on Friday, August 27, 2021, at 8:00 a.m.

The meeting was called to order at 8:03 a.m.

Attendance / Roll Call:

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

ALSO PRESENT: Julie Rudd - Bd Chief Administrative Officer/ Bd Secretary/Bd Treasurer
Lisa Genord – Financial Analyst / Pension Technician
Tom Michaud – Bd Attorney with VanOverbeke, Michaud, & Timmony
Terry Gerlich – Investment Advisor with SEI

Public Comment

There were no public attendees / comments.

Board approval of the amended agenda for the August 27, 2021 meeting

Moved by Lee Collick to approve the amended agenda for the August 27, 2021 meeting.

Supported by Paul Brake

MOTION ADOPTED UNANIMOUSLY 5/0

Board approval of the draft minutes for the July 16, 2021 meeting

Moved by Lee Collick to approve the draft minutes for the July 16, 2021 meeting.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Request that the Board approve Adjustments, Applications and Benefits as follows:

Adjustments

None

Applications

James R. Wern III of the police department, ROPOA bargaining unit, 25 years (purchased 1 year & 6.5 months of ordinance time and 1 year, 5 months and 22 days of contract time) of service credit. Requested retirement date of August 31, 2021. Eligible based on years of service/age. James R. Wern III requested an estimated pension payment in accordance with the following policy:

Effective January 1, 2020, the board will allow for payment of an estimated pension payment for certain new retirees that make the election due to hardship, the estimated calculation will be calculated by taking 75% of the straight life calculation using average base wage only (base wage that will be utilized in the in FAC excludes roll-ins), years of service and the applicable multiplier(s). Any under/overpayments will

be paid/collected. This policy will be available to those employees with a retirement date of January 1, 2020 through August 31, 2020. At the July 10, 2020 retirement board meeting, Lee Collick motioned to continue paying estimated payments from January 1st – August 31st each year, as long as the criteria is met by the applicant. The motion was adopted unanimously 5/0.

Moved by Lee Collick to approve the retirement application and estimated pension payment for James R. Wern III.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Retirement Benefits

Benjamin E. Clarke, of the fire department, Local 431 bargaining unit, 29 years and 11 months (purchased 3 years contract time) of service credit. Requested retirement date of June 27, 2021. Selected Option D 75% to surviving spouse \$7,632.99 gross monthly benefit with withdrawal of contributions / interest of \$110,115.52.

Moved by Lee Collick to approve the gross monthly benefit payment of \$7,632.99 to Benjamin E. Clarke and withdrawal of contributions / interest of \$110,115.52.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

INVESTMENTS

SEI investment report, presented by Terry Gerlich

Market value/allocation of assets as of July 31, 2021, equaled \$183,600,990

One-month performance (except core property) – total portfolio outperformed benchmark: 0.59% return vs. 0.23% index.

Three-month performance – total portfolio outperformed the benchmark: 2.78% return vs. 2.30% index.

YTD performance - total portfolio outperformed the benchmark: 9.38% return vs. 7.77% index

One-year performance – total portfolio outperformed the benchmark: 25.03% return vs. 21.54% index.

Three-year performance – total portfolio outperformed the benchmark: 12.13% return vs. 11.10% index.

Five-year performance – total portfolio outperformed the benchmark: 11.60% return vs. 10.60% index.

Inception - total portfolio outperformed the benchmark: 9.19% return vs. 8.45% index.

Terry reported that the reflation and market rotation themes were called into question by a surprisingly hawkish shift in the Federal Reserve's policy outlook. Despite this, financial assets still managed to post broadly positive returns. Equity performance was strong over the full quarter despite some turbulence. Leadership rotated back to U.S. megacaps from cyclical stocks. In stark contrast to the prior quarter, bond yields fell sharply on "peak growth" concerns and a more hawkish Fed. Credit markets performed reasonably well, including emerging markets debt, which was an encouraging sign that the global recovery / reflation theme may have further to run despite the worries that cropped up in the second quarter. In another encouraging sign that the global recover / reflation theme remains intact, commodities were up by the double digits over the quarter. Returns were broad based, led by key energy benchmarks, industrial metals and a wide range of agricultural goods. Terry reported that inflation is the central theme driving the markets and will likely continue in the short-term, but the latest U.S. Fed economic projections indicate that inflation will lower in the long-term (2022-2023). Terry also reported that job openings in the U.S. are now soaring and once again, the U.S. economy is approaching the point of having nearly the same number of available jobs as there are officially unemployed people – with the ratio quickly moving toward the previous pre-pandemic high. Terry reported that SEI anticipates labor-force participation to rise in the months ahead, but also suspects that the labor market will nonetheless tighten further in the near term. Terry also reported that when the U.S. Fed raises interest rates, the market will likely move higher, if history is a guide. Terry reported that July resulted in positive returns for the city's portfolio – both absolute and relative-to-the-benchmark returns. Terry also reported briefly on the U.S. property market landscape and the core property fund, stating that the industrial sector was the clear forerunner in returns. Kyle DuBuc asked Terry about the leasing of less office space due to the pandemic and remote working. Terry stated that there may be a modest reduction in the amount and size of office space leases but that this still remains to be seen.

The complete report is on file in the finance office.

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

SEI Global Private Assets V, L.P Capital Call letter dated July, 14, 2021

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

LEGAL

Robbins Geller Rudman & Dowd Portfolio Monitoring Report dated July 30, 2021

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Robbins Geller Rudman & Dowd International Portfolio Monitoring Report dated July 30, 2021

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Robbins Geller Rudman & Dowd Portfolio Settlement Report dated July 30, 2021

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

Robbins Geller Rudman & Dowd Portfolio Q2 2021 Repose Report

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0

OTHER

MAPERS 2021 Fall Conference (September 18 – 21, 2021) Preliminary Agenda & Registration Form – there are no retirement board trustees attending this conference.

2021 Renewal of Fiduciary Liability Insurance coverage dated July 30, 2021. Tom Michaud, board attorney, suggested that the fiduciary insurance representative attend a future meeting to inform the board what the policy does and does not cover. Julie Rudd will contact the representative to arrange their attendance at possibly the next retirement board meeting in September 2021.

Discussion of a temporary replacement rate for the Pension Benefit Guaranty Corporation (PBGC) rate. Julie Rudd reminded the board that the city received a letter on December 3, 2020 from our actuary, Gabriel, Roeder, Smith & Company (GRS), stating that the PBGC had at that time announced that it will discontinue publishing the PBGC rate at the end of December 2020. Julie provided background information on the PBGC rate and how it has been used in calculating the monthly pension benefit payments for retirees per city labor contract language. The city and labor bargaining units have been in negotiations to decide on what the new rate will be, but Julie stated we still have employees that have retired as of July 1, 2021 therefore, a temporary / interim rate is needed to calculate monthly pension benefit payments for those retirees or another determination on how to proceed. Bret Nelson asked for historical data on the PBGC rate and Lee Collick asked for written examples of pension benefit calculations utilizing the PBGC rate, which Julie Rudd stated she will email the information to the board members after the meeting. Paul Brake stated that the city's labor attorney and the labor bargaining units are still in negotiation on this item, that a more thorough written evaluation is needed to determine the correct rate and impact of that rate on the retirement system, and that this item should be tabled until next month's meeting. Tom Michaud, board attorney, stated that the replacement rate for the PBGC rate will be decided by the city and labor bargaining units, not the retirement system board, but that until such time, the board needs to agree upon an interim process for calculating monthly pension benefit payments for employees that retired on or after July 1, 2021.

Moved by Bret Nelson that for those that retired in July 2021, the retirement system will continue to utilize the PBGC rate that was last used in June 2021 as an estimate only since the city & bargaining units have not agreed upon a replacement rate.

Supported by Lee Collick

MOTION ADOPTED UNANIMOUSLY 5/0

NEXT MEETING AND ADJOURNMENT

Next regular meeting is scheduled for 8:00 am Friday, September 24, 2021 at the City Hall Building at 203 South Troy Street, in the 1st floor conference room # 122.

Moved by Lee Collick to adjourn the meeting (9:08 a.m.) and confirmed the meeting for September 24, 2021, at 8:00 am.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 5/0