



**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, March 25, 2022, at 8:00 a.m.

The meeting was called to order at 8:06 a.m.

Attendance

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

ALSO PRESENT: Julie Rudd – Fiscal Manager – Director of Finance (retired)
Tony DeCamp - Bd Chief Administrative Officer/ Bd Secretary/Bd Treasurer (Interim Finance Director)
Lisa Genord – Financial Analyst / Pension Technician
Tom Michaud – Bd Attorney with VanOverbeke, Michaud, & Timmony
Terry Gerlich – Investment Advisor with SEI

ABSENT: Kyle DuBuc, Trustee

Public Comment

There were no public attendees / comments.

Board approval of the Amended agenda for the March 25, 2022 meeting

Moved by Lee Collick to approve the Amended agenda for the March 25, 2022 meeting.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Board approval of the draft minutes for the January 21, 2022 meeting

Moved by Lee Collick to approve the draft minutes for the January 21, 2022 meeting.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

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

Amended Agenda Item – Steven Sprankle – Retirement Form 8

Julie Rudd advised the retirement board that Steven Sprankle requested his annuity withdrawal without written acknowledgement that he understands he is making this selection without knowing the amount of the reduction to his monthly pension benefit. Julie requested whether the board would like his annuity withdrawal processed.

Moved by Paul Brake to pay the annuity withdrawal without Steven Sprankle’s written acknowledgement that the amount of the reduction of this annuity withdrawal on his final monthly pension benefit is unknown at the time of his selection to take an annuity withdrawal.

Supported by Lee Collick

MOTION ADOPTED UNANIMOUSLY 4/0

Adjustments

Jeffrey J. Carlson, of the DPS, SEIU bargaining unit, 34 years and 5 months of service credit. Letter of Understanding was signed between Jeff and the city to change his retirement date from July 1, 2021 to June 30, 2021.

Moved by Lee Collick to approve Jeffrey J. Carlson's change in retirement date from July 1, 2021 to June 30, 2021.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Emmanuel Ambrose, former officer with the police department – requests withdrawal of employee non-vested contributions and interest from the plan amounting to \$2,466.44. Separation from service was effective April 5, 2021.

Moved by Lee Collick to approve the withdrawal of non-vested contributions / interest of \$2,466.44 to Emmanuel Ambrose.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Noah R. Cockroft of the fire department, Fire bargaining unit, requests to purchase 4 years of service credit in the amount of \$91,658.

Moved by Lee Collick to approve the service purchase of 4 years by Noah R. Cockroft in the amount of \$91,658.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Applications

Matthew W. Murray of the police department, detective bargaining unit, 26 years and 10 months of service credit. Requested retirement date of May 1, 2022. Eligible based on years of service/age.

Moved by Lee Collick to approve the retirement application for Matthew W. Murray.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Retirement Benefits

Jeffrey J. Carlson, of the DPS, SEIU bargaining unit, 34 years and 5 months of service credit. Requested retirement date was July 1, 2021, however, it changed to June 30, 2021 per Letter of Understanding between Jeff and the city (see above). Selected Option D 75% to surviving spouse \$3,686.97 gross monthly benefit with withdrawal of contributions / interest of \$108,963.83.

Moved by Lee Collick to approve the gross monthly benefit payment of \$3,686.97 to Jeffrey J. Carlson and withdrawal of contributions / interest of \$108,963.83.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

INVESTMENTS

SEI Request for Consent to Amend the Agreement of Limited Partnership of SEI Core Property Fund, LP – letter dated November 1, 2021.

Rodney Lumpkin, of SEI, joined the meeting via conference call to discuss the SEI Core Property Fund and the impact of incentive fees on performance. Rodney reported that the SEI core property fund currently has two of the eight core property managers that charge incentives fees based on performance, and that historically, the incentive fees are nominal relative to the overall asset value of the core property fund. One manager's incentive fee is for a 5-year rolling period and the second manager is on a 1-year period. Rodney stated that historically many managers charge incentive fees, however, SEI has been absorbing that extra cost, and as of April 1, 2022, SEI will be passing this cost on to its investors. Rodney reported on what criteria SEI uses to review and select fund managers and also explained the due diligence process at SEI. Rodney also reported that market will typically govern the incentive fee percentage that fund managers can reasonably charge their investors. Paul Brake requested additional details on the incentive fee split structure and stated that the board was seeking greater transparency and understanding of these incentive fees. Bret Nelson stated that he wanted to ensure that the city was not paying more fees than was necessary and was also seeking greater

transparency. Terry Gerlich of SEI stated that when the fund was started, incentive fees were an exception, so SEI would absorb those fees. Terry reported that SEI has already been passing through the cost of incentive fees within the city's equity and bond portfolios, and as of April 1, 2022, will also be passing along the incentive fees costs for the core property fund as well. Terry reported that these additional fees will be deducted from the city's net returns. Lee Collick asked Terry if there was a timeframe for the board to resolve to consent to amend the agreement of the Limited Partnership of SEI Core Property Fund, LP, and Terry stated that if the retirement board is dissatisfied with the added incentive fees, then the board can opt to divest from these fund managers and instead invest in vehicles without incentive fees. Paul Brake stated that the SEI Core Property Fund is a solid investment and does not want to divest. Paul also suggested that the board review the SEI incentive fee structure annually.

SEI investment report, presented by Terry Gerlich of SEI

Market value/allocation of assets as of February 28, 2022, equaled \$172,398,057

One-month performance (except core property) – total portfolio outperformed benchmark: -1.98% return vs. -1.99% index.

Three-month performance – total portfolio outperformed the benchmark: -2.14% return vs. -3.00% index.

YTD performance - total portfolio outperformed the benchmark: -4.86% return vs. -5.33% index

One-year performance – total portfolio outperformed the benchmark: 5.26% return vs. 3.06% index.

Three-year performance – total portfolio outperformed the benchmark: 11.38% return vs. 9.82% index.

Five-year performance – total portfolio outperformed the benchmark: 9.71% return vs. 8.63% index.

Inception - total portfolio outperformed the benchmark: 8.10% return vs. 7.26% index.

Terry reported that global equities saw their 2022 losses deepen during February, although they fell by less than in January. Among major equity markets, the UK was the best performer with a small gain. Russia was the worst-performing country by a wide margin, with the MSCI Russia Index plunging by 52.75%. Japan declined by less than Europe and the U.S., while Hong Kong and China had steeper selloffs. Emerging-market equities underperformed developed markets during the month. Russia's inclusion in emerging markets weighed on the group's equity performance. U.S. equities retreated by 2.74% in February (as represented by the Russell 1000 Index). Within U.S. equities, energy companies registered strong returns. Meanwhile, telecommunications and information technology companies underperformed other sectors. Small-cap stocks beat large-cap stocks and value stocks outperformed growth stocks. Government bond rates increased across all maturities in the U.S., UK and eurozone for the full month of February. Long-term U.S. Treasury yields fell significantly in late February, flattening the Treasury yield curve. The Federal Open Market Committee (FOMC) did not hold a meeting in February. Federal Reserve (Fed) Chair Jerome Powell stated at the beginning of March that he believed a 0.25% increase in the fed funds rate would be appropriate at the FOMC's mid-March meeting. Terry reported that February reflected negative returns due to inflation, the war in Ukraine, and the Fed rate increase. Terry reported that he did not recommend any changes in the city's portfolio at this time.

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Amended Agenda Item – SEI International Investments – Russian holdings

Paul Brake asked Terry Gerlich how much of the city's international portfolio with SEI has Russian holdings / exposure. Paul Brake stated that in light of the Russian invasion of Ukraine, that he would prefer that the SEI, on the city's behalf, divest from all investment vehicles with exposure to Russian holdings. Terry reported that that there is approximately 10 – 20 basis points worth of investments in emerging market debt and structured credit with exposure to Russian holdings, and that currently the Russian market is closed to all trading with foreign investors, and that the SEI fund managers will divest from these holdings when possible. Tom Michaud, board attorney, described the pension board's fiduciary responsibility to members of the city's retirement plan.

Moved by Paul Brake that the Investment Consultant send notice to its investment advisers that the Board of Trustees of the Retirement System support the efforts to divest the Retirement System's assets from investments in Russian securities and that the Board encourages its investment advisers to prudently take steps necessary to meaningfully promote that objective and act in the best interest of the Plan.

Supported by Lee Collick

MOTION ADOPTED UNANIMOUSLY 4/0

SEI Global Private Assets V, L.P. Capital Call Letter dated March 1, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

LEGAL

VanOverbeke, Michaud & Timmony P.C. Memorandum Re: Michigan Attorney General Opinion #7318 – recent amendments to the Michigan Open Meetings Act, 1976 - dated March 3, 2022.

Tom Michaud, board attorney, provided an update on the recent amendments to the Michigan Open Meetings Act (OMA) of 1976 with regards to how public bodies must comply with the requirements of OMA while also following the requirements imposed by the Americans with Disabilities Act (the “ADA”). Tom Michaud stated that his office recommended that the board consider what accommodations, if any, can be offered to a member of the public or board who cannot attend a meeting in person due to a disability under the ADA. Tom also stated that the retirement board meeting notices should have some language included (specific recommended verbiage included in the memorandum) regarding requests for ADA accommodations.

Robbins Geller Rudman & Dowd Portfolio Monitoring Report dated February 25, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Robbins Geller Rudman & Dowd Portfolio Monitoring Report dated January 28, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Robbins Geller Rudman & Dowd International Portfolio Monitoring Report dated February 25, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Robbins Geller Rudman & Dowd International Portfolio Monitoring Report dated January 28, 2022

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Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Robbins Geller Rudman & Dowd Portfolio Settlement Report dated February 25, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

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Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Robbins Geller Rudman & Dowd Portfolio Q4 2021 Repose Report dated February 25, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Robbins Geller Rudman & Dowd Portfolio Q4 2021 Repose Report dated January 28, 2022

Moved by Lee Collick to receive and file report.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

OTHER

Discussion of a temporary replacement rate for the Pension Benefit Guaranty Corporation (PBGC) rate. Lee Collick confirmed that the retirement system will continue to utilize a temporary rate of 0.00% to pay an estimated pension payment until the city and labor bargaining units agree upon a replacement rate. Monthly payments will be estimated until retroactive calculations are performed to make corrections to the monthly payment based upon the new rate.

Moved by Lee Collick to extend the previously adopted motion until the April 22, 2022 retirement board meeting: that for those that retired since July 2021, the retirement system will continue to utilize the PBGC rate that was last used in June 2021 as an estimate payment only since the city & bargaining units have not agreed upon a replacement rate, until retroactive calculation can be performed..

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

FY 2022-2023 training budget request

Julie Rudd requested that the trustees establish the training budget for FY 2022-23.

Moved by Lee Collick to set the FY 2022-23 training budget at the same amount as the FY 2021-22 training budget, which is \$1,250.00.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

NEXT MEETING AND ADJOURNMENT

Next regular meeting is scheduled for 8:00 am Friday, April 15, 2022 (holiday) at the City Hall Building at 203 South Troy Street, in the 1st floor conference room # 122, however the proposed meeting date is Friday, April 22, 2022.

Moved by Lee Collick to adjourn the meeting (9:19 a.m.) and confirmed the meeting for April 22, 2022, at 8:00 am.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0