



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 the City Commission Chambers on Friday July 22, 2022, at 8:30 a.m.

The meeting was called to order at 8:30 a.m.

Attendance

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

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

ATTENDED VIA CONFERENCE CALL:
Debra Peck Lichtenberg – Director of Finance
Paul Brake – Trustee

Public Comment

There were no public attendees / comments.

Board approval of the agenda for the July 22, 2022 meeting

Moved by Lee Collick to approve the agenda for the July 22, 2022 meeting

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Board approval of the draft minutes for the June 10, 2022 meeting

Moved by Lee Collick to approve the draft minutes for the June 10, 2022 meeting

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

INVESTMENTS

Investment performance review presented by Brian Green of AndCo.

Market value/allocation of assets as of June 30, 2022, is \$137,306,327.

Current month – total portfolio outperformed the benchmark: -5.67% vs. -6.16% index.

3-month performance – total portfolio outperformed the benchmark: -9.95% vs. -11.41% index.

Year-to date performance – total portfolio outperformed the benchmark: -12.91% vs. -14.86% index.

1-year performance – total portfolio outperformed the benchmark: -8.54% vs. -10.75% index.

3-year performance – total portfolio outperformed the benchmark: 6.18% vs. 5.70% index.

5-year performance – total portfolio underperformed the benchmark: 5.84% vs. 6.14% index.

Inception – total portfolio underperformed the benchmark: 5.77% vs. 6.06% index.

Brian reported that for the month of June, almost all investment categories yielded negative returns, with the exception of real estate. Brian also reported that on a trailing one year basis, the city’s portfolio is down 8.5% in comparison to the policy index which is down 10.75%, which is ahead 2.2% on a relative basis. Brian reported that the international equity market has held up better than the domestic equity market, and that real estate has not priced yet for the month and quarter but anticipates anywhere from

a 4-5% return. Brian reported that AndCo has entered a redemption request for \$5 million from the Prisa II fund (currently overweight to allocation) that will occur in mid-October 2022 and will utilize those funds to reevaluate and rebalance the portfolio. Brian also provided and briefly discussed an informational handout on inflation.

The complete AndCo Investment Performance Review report dated June 30, 2022 is on file in Finance office.

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

PGIM Real Estate Prisa II LP – Distribution Letter dated June 27, 2022

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

PGIM Real Estate Prisa II LP – Advisory Council Meeting Agenda & Minutes dated May 18, 2022

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

PGIM Real Estate Prisa II LP – Supplement to the Private Placement Memorandum dated June 15, 2022

Moved by Lee Collick to receive and file.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

LEGAL

Tom Michaud, board attorney, advised the board that the State of Michigan recently adopted the fiscal year 2023 budget, which included \$750 million allocated toward municipal pension systems. Tom advised the board that this allocation is geared towards shoring up significantly underfunded retirement (under 60%) and health care systems (under 40%) and that the details are yet to be determined through the State Treasury department. Tom also reported that there are still ongoing discussions at the state level regarding tax breaks for public pension system retirees and he hopes to have more clarity from the State in the next couple months.

OTHER

Fiduciary Liability Insurance Coverage Quotations – Euclid Specialty and Ullico. Debra Peck Lichtenberg, Finance Director, stated that each year the retirement system administration solicits quotes for fiduciary liability insurance coverage for both the retirement board and retiree health care board trustees and administrative staff. Debbie reported that the city received two quotes this year – one from our current carrier, Euclid Specialty, and the second from Ullico. Debbie stated the quotation from Ullico was the lower of the two. Lee Collick asked if there was any benefit to staying with Euclid Specialty vs. switching to Ullico and asked if cost should be the deciding factor. Tom Michaud, board attorney, stated that he is familiar with both underwriters (Euclid & Ullico), and that there are not many providers of this type of fiduciary liability coverage therefore, cost should be the deciding factor.

Moved by Lee Collick to switch the fiduciary liability insurance coverage from Euclid Specialty to Ullico

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

Annual advisor and consultant review for actuarial services. RFI for actuarial services completed on July 12, 2022. Debbie stated that there were 3 respondents to the RFI for actuarial services and related fee structures, one of which was our current actuary, Gabriel, Roeder, Smith & Co. (GRS). Debbie reported that GRS came in with the lowest quote for services which was also a reduction from our current fees.

Moved by Lee Collick to continue to utilize Gabriel, Roeder, Smith & Co. (GRS) for the retiree health care trust's actuarial services.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0

NEXT MEETING AND ADJOURNMENT

Next regular meeting is scheduled immediately following the retirement system board meeting at approximately 8:30 a.m. on Friday, August 19, 2022 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 (8:48 a.m.) and confirm the next meeting for Friday, August 19, 2022, immediately following retirement system board meeting at approximately 8:30 a.m.

Supported by Bret Nelson

MOTION ADOPTED UNANIMOUSLY 4/0