

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES
MEETING MINUTES
September 18, 2020**

A regular meeting of the Board of Trustees was held on Friday, September 18, 2020 via Conference Call at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

Lon Britton
Matt Nye
Craig Storum
Deirdre Waterman, Mayor

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Evan Scussel, AndCo.
Duane Menter, BeneSys, Inc.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.

Chairman Storum declared that a quorum was present and called the meeting to order at 1:04 p.m.

AGENDA CHANGES

Plan professionals from AndCo. were requested to make their presentations for the Pension and VEBA simultaneously for this meeting.

CONSENT AGENDA

A. Minutes of Regular Meeting – August 27, 2020

RESOLUTION 20-24 By Britton, Supported by Storm

Resolved, That the items on the Consent Agenda for September 18, 2020 be approved.

Yeas: 4 - Nays: 0

CONSULTANTS

A. AndCo.

Christopher Kuhn of AndCo. provided a Market Update as of June 30, 2020. He discussed that the first half of 2020 has brought about seemingly insurmountable challenges and unpredictability on a global basis. Economic activity resumed in many countries despite the continued spread of the coronavirus.

After stocks nosedived in the first quarter, the S&P 500 Index had its best quarter in over 20 years, returning 20.54% in the second quarter and erasing the bulk of the losses suffered in the first quarter. Year-to-date the S&P 500 is now only down 3.08%. Small cap stocks were the best performers, rising 25.42% for the quarter. However, smaller companies were hit harder in Q1 and are still down 12.98% YTD. International developed markets also rebounded strongly in the quarter, returning 14.88% for the quarter but are still down -11.34% in 2020. Value stocks have significantly underperformed growth stocks; in the first half of this year the Russell 1000 Value Index is down 16.26% and the Russell 1000 Growth Index is up 9.81%. Value indices contain many more businesses negatively affected by COVID-19. Corporate bonds rallied after a difficult first quarter and interest rates fell slightly with the

10-year U.S. Treasury yield declining from 0.68% to 0.65%. The Bloomberg Barclays U.S. Aggregate Bond Index increased 2.90% for the quarter and 6.14% for the first half of 2020. High yield bonds rallied 9.61% during the quarter, cutting the year-to-date loss to -4.78%.

Mr. Kuhn reported that as of August 19, 2020, the PFRS had a portfolio balance of \$213M. Mr. Kuhn and Mr. Scussel presented an asset allocation analysis. They concluded that 1 year returns will be greater than long term returns. They recommended considering alternative fixed income to diversify the Systems core fixed income. They also suggested adding private equity into the portfolio.

They recommended no changes to the domestic equity allocation but suggested to balance the growth/value exposure in the future.

Ms. Scussel presented an in depth growth/value analysis. AndCo believes equal weighted structures will outperform half weighted structures in the next couple of years.

There was significant discussion by the Trustees about whether the System was using the correct policy index. Mr. Kuhn reported that he will amend the policy index. He stated that, due to the fact that the Systems have large equal weighted investment in LSIA and the Systems use half weighted indices, the performance has been biased.

AndCo reported no changes to international equity or real estate. They recommended reviewing a credit oriented global fixed income manager to diversify the core fixed income.

Mr. Kuhn and Mr. Scussel made an in depth multisector fixed income manager analysis and presented information on the following comparative managers in this investment space: Apollo Total Return Fund, Loomis Sayles Bond Fund, Oaktree Global Credit Fund, OHA Diversified Credit Strategies Fund, and PIMCO Diversified Income Fund.

Mr. Kuhn recommended transferring 3% of System's allocation from the Franklin Templeton investment into one of these Funds. It was ultimately decided to transfer the funds to PIMCO.

Mr. Kuhn reported that he will construct a revised portfolio monitor to more accurately compare performance versus benchmark.

Mr. Kuhn continued and discussed the Asset/Manager Summary as of August 31, 2020.

Mr. Kuhn additionally gave a presentation regarding Asset Allocation and Manager Structure Analysis.

Lastly, Mr. Kuhn discussed Multisector Fixed Income Manager Analysis.

RESOLUTION 20-25 By Britton, Supported by Storm

Resolved, to transfer 3%, or \$6, of the PFRS portfolio to PIMCO. This amount shall be transferred from Franklin Templeton to PIMCO, at the recommendation of the consultant.

Yeas: 3 - Nays: 0

ATTORNEY'S REPORT – None

UNFINISHED BUSINESS - None

NEW BUSINESS

A. 2021 Meeting Schedule Draft

The Board will move forward with the 2021 Meeting Schedule.

CORRESPONDENCE

BeneSys provided the Board with the correspondence below for informational purposes.

A. IFEBP Virtual Conferences

B. Request for Census Information from City of Pontiac/Volte Strategy

C. Municipal Fiduciary Policy

NEXT MEETING DATE: December 3, 2020 at 10:00 a.m.

ADJOURNMENT

RESOLUTION 20-26 by Mayor Waterman, Supported by Britton
Further Resolved, That the meeting be adjourned at 3:53 p.m.

Yeas: 4 – Nays: 0

I certify that the foregoing are the true and correct minutes of the meeting of the Police and Fire Retirement System held on September 18, 2020.

As recorded by BeneSys