

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES
MEETING MINUTES
September 13, 2023**

A regular meeting of the Board of Trustees was held on Thursday, September 13, 2023, at St. John's Resort, Plymouth, MI.

Trustees Present

Craig Storum, Chairman
Lon Britton Vice-Chairman
Matt Nye, Trustee
Tim Greimel, City of Pontiac Mayor
Tim Sadowski, City of Pontiac Finance Director

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.
Danielle Winegardner, Nyhart
Karen Nasoni, Bonadio Group
Rachel Kavney, Bonadio Group

Chairman Storum declared that a quorum was present and called the meeting to order at 6:04 p.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – May 11, 2023
- B. Financial Reports
 - 1. Financial Reports – March - June 2023
 - 2. Bills for Ratification through September 13, 2023
 - 3. Pension Report
 - a. New Retirees
 - 1. MacQuarrie, Douglas, PPOA, 03/21/2023
 - 2. Miller, Adam, PPOA, 07/19/2023
 - 3. Stone, David, PPOA, 07/02/2023
 - b. Upcoming Retirees
 - 1. Lasseigne, Edward, PPOA, 04/28/2021
 - 2. Pittman, Jeremy, PPOA, 10/14/2023
 - c. Pay Status List – August 2023

CONSULTANTS

A. Nyhart

- a. GASB Nos 67 & 68 Report, December 31, 2022**

Nyhart provided the GASB Nos 67 & 68 Report for the Board.

b. Actuarial Valuation December 31, 2022, Board Summary

Ms. Winegardner reviewed the Actuarial Valuation for December 31, 2022, with the Board. These results focused on the December 2022 valuation and the January 2025 contribution

calculation. Also, to review the 20-year projections. The market value of assets returned 9.8% during 2022 with asset smoothing in place helps limit volatility. With smoothed assets the funded ratio of the plan remained steady from 89% to 88%, with unfunded liability of \$29M. The Plan is not in underfunded status for Michigan PA-202 reporting. The recommended contributions increased from \$3.1M to \$3.4M.

c. Actuarial Valuation Report, December 31, 2022

Actuarial Valuation Report for December 31, 2022, provided for the Board.

B. Bonadio Group

a. Financial Statement, December 31, 2022

Ms. Kavney began to review the Financial Statements for December 31, 2022. Bonadio Group issued an unmodified opinion for the PFRS's December 31, 2022, audit. She reviewed a condensed view of the financial information with the Board. The net Position for the PFRS as of December 31, 2022, was \$198.5M which is a decrease of \$22.1M from 2021. This decrease was due to the volatile market in 2022. She expressed concern with the Alternative Investments. It was noted that report their end of year values aren't provided until as last as June of the following year. The audits are performed beginning in February and usually finished by end of April, the delayed value information from the Alternative Investments may be reported inaccurately. Discussion took place as to a solution for this issue. It was determined that AndCo. would work with BeneSys to come up with a plan going forward and get an approval from Bonadio Group.

b. Management Letter

Ms. Kavney reviewed the Management Letter with the Board. There were deficiencies found in the internal controls some of which were considered material weaknesses. She reviewed each of these with the Board. Improvements were made by BeneSys and there were no significant challenges in the process of performing the audit and there was no delay in completion of the audit. However, there were still some deficiencies presented. The Board requested that Legal Counsel submit formal request for response to deficiencies to BeneSys.

c. Required Communication

Bonadio Group provided the required communication to the Board.

d. Management Rep Letter & Summary of Past Audit Adjustments

RESOLUTION 23-13 By Britton, Supported by Storum
Resolved, to approve and sign the management letter for the Financial Statement for December 31, 2023, as provided by Bonadio Group.

Yea – 4 Nay - 0

C. AndCo.

a. Investment Performance Review Period Ending June 30, 2023

Mr. Kuhn updated the Board Central banks remained vigilant in their fight against inflation with the Fed, the Bank of England, and the European Central Bank foreshadowing the potential for further tightening with additional rate hikes in the coming months. The US Federal Reserve Bank (the Fed) increased interest rates again by 0.25% in May and paused in June, prioritizing their fight against inflation. Both US and international equity markets continued to recover from last year's declines on expectations that inflation will moderate, and central banks are approaching the end of their current monetary tightening cycles. The S&P 500 Index rose 8.7% for the quarter, its best performing quarter since Q4 2021. In the US, large cap growth was the best performing category and small cap value was the weakest (although positive). International stocks experienced modest returns during the quarter. Short-term interest rates rose in the second quarter in many of the developed markets in response to the central banks' actions; fixed income investors suffered losses due to the shift in yields (Bloomberg US Aggregate Index -1.4%). Despite previous concerns about the potential for slowing economic growth credit spreads narrowed; corporate and mortgage-backed bonds outperformed government bonds. Echoing the equity market's positive sentiment during the quarter, high yield was the best performer in the domestic bond market and posted the only positive return among major fixed income indexes.

The Total Fund gained 3.48% during the quarter, outperforming the Policy Index by 1.02% and ranking in the top third of the public fund universe. The Fund's relative performance was aided by strong relative results from the international equity and fixed income allocations. The Total Fund returned 11.69% over the past year, handily outperforming the Policy Index and ranking in the top decile of the peer group. Longer-term, the Fund has mixed results, generally outperforming the Policy Index but ranking in the bottom half of the universe. Burgundy outperformed the MSC EAFE Index by 0.64% this quarter and ranked in the top half of their peer group. The manager's out performance is partially attributed to a strong stock selection within the consumer discretionary sector. Long-term, Burgundy trails performance expectations and was placed on Watch (as of 6/30/22). The alternative fixed income strategies have provided some positive returns over the past year, helping offset the weak results from traditional fixed income. The Bloomfield and PIMCO funds are meeting performance expectations currently. At quarter end the Fund was overweight domestic equities and underweight to fixed income; all allocations are within policy ranges. The Fund followed all investment guidelines and MI Act 314 at quarter end. AndCo does not have any recommendations currently.

b. Market Update August 31, 2023

c. Investment Policy Statement Draft

RESOLUTION 23-14 By Nye, Supported by Britton

Resolved, to approve the updated Investment Policy Statement, as revised and recommended by AndCo.

Yea – 5

Nay – 0

ATTORNEY'S REPORT

PFRS Audit

Attorney Henzi addressed this matter for the Board in the Attorney Report.

FOIA Requests

Attorney Henzi addressed this matter for the Board in the Attorney Report.

PA 314 Disclosures

Attorney Henzi addressed this matter for the Board in the Attorney Report.

Deferred Vested Benefits

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, Chairman Nye asked legal counsel for an analysis of whether a surviving spouse of a deferred vested PFRS member, who dies before retirement, would be entitled to retiree health care or a pension benefit.

In summary, the spouse of any deferred vested member of the PFRS who had 10 years of credited service when he/she withdrew from service will be eligible for a surviving spouse pension benefit. The spouse of the deferred vested PFRS member who had 10 years of credited service as of December 22, 2011, will be eligible for retiree health care.

Custodian Bank Transition to Comerica

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Trustees previously transitioned custodian bank services from Northern Trust to Comerica, effective February 28, 2023. The Custodian Bank Agreement was executed by Comerica and the PFRS. As directed at the last meeting, legal counsel sent correspondence to Comerica memorializing its complaints about its new computer system.

Fiduciary Liability Insurance Renewal

Attorney Henzi addressed this matter for the Board in the Attorney Report.

ARC Invoice

Attorney Henzi addressed this matter for the Board in the Attorney Report.

James Tate Request for Alteration of Pension Reduction

Attorney Henzi addressed this matter for the Board in the Attorney Report. Mr. Tate is retired member in pay status. The Friend of the Court issued an Income Withholding Order to the PFRS. Mr. Tate's pension has been accordingly reduced. Mr. Tate sent the correspondence to BeneSys and requested that his benefit be restored to its full amount. However, the correspondence is not an Order of the Friend of the Court. Rather, it is a receipt exhibiting the status of his child support matter. It also indicates that Mr. Tate still has a minor child under age 18 for whom he is responsible to support. Legal counsel directed BeneSys to advise Mr. Tate that the correspondence provides no basis to revise his monthly benefit.

Summary Annual Report

Attorney Henzi addressed this matter for the Board in the Attorney Report.

Legislative Update

Attorney Henzi addressed this matter for the Board in the Attorney Report.

Portfolio Monitoring Report

Robbins Geller May 26, 2023

Robbins Geller June 30, 2023

Robbins Geller July 28, 2023

Motley Rice 2nd Quarter 2023

Bliechmar, Fonti & Auld, LLP 2nd Quarter 2023

The Board moved to closed session at 5:47 p.m.

RESOLUTION 23-15 By Sadowski, Supported by Mayor Greimel

Resolved, to go into closed session to discuss pending litigation in the matters of Norfolk Southern Corporation, Frontier Communications Parent, Inc., and bank of Nova Scotia, New York Agency et al (In re: Treasuries Securities Auction Anti-Trust Litigation. .

| | | |
|-----------------|--------------|-----|
| Roll Call Vote: | Lon Britton | Yea |
| | Matt Nye | Yea |
| | Craig Storum | Yea |
| | Tim Sadowski | Yea |
| | Tim Greimel | Yea |

The Board returned from closed session at 5:52 p.m.

Need a resolution here This will affect the numbering of resolutions at the 9/15 meeting

RESOLUTION 23-16 By Nye, Supported by Britton

Resolved to ratify action taken by Chairman Storum and Trustees Nye and Britton in the Norfolk Southern Corporation and Frontier Communications Parent, Inc. matters since the last meeting.

| | | |
|-----------------|--------------|-----|
| Roll Call Vote: | Lon Britton | Yea |
| | Matt Nye | Yea |
| | Craig Storum | Yea |
| | Tim Sadowski | Yea |
| | Tim Greimel | Yea |

PUBLIC COMMENT – None.

UNFINISHED BUSINESS

A. BeneSys 2021 Audit Deficiencies Response

Ms. Gjorgjevski provided the BeneSys Accounting response to the identified seven deficiencies that were provided by Bonadio Group related to internal controls per the Board's request.

NEW BUSINESS

A. Invoice to City for ARC Payment Due 1/1/2024

B. IFEBP Membership Renewal 2023 – 2024

C. Election of Officers

RESOLUTION 23-17 By Britton, Supported by Nye
Resolved, to elect Craig Storum as Chairman of the Board and
to elect Lon Britton as Vice-Chairman of the Board

Yea – 5 Nay – 0

CORRESPONDENCE

The following correspondence were presented in advance and reviewed by the Board:

- A. BeneSys DOL Cybersecurity Program Response Q2-2023**
- B. BeneSys DOL Cybersecurity Program Response Q3-2023**
- C. BeneSys Navigator Q2-2023**
- D. BeneSys Navigator Q3-2023**
- E. Garcia Hamilton Cybersecurity Notice**
- F. INCORE Fixed Income Strategy Quarterly Commentary 2 Q 2023**
- G. MAPERS 2023 Case Update**
- H. MAPERS Fall Conference 2023 Agenda**
- I. Marathon General Letter to Investors 2**
- J. Robinson SPAC Portfolio Q2 2023**

NEXT MEETING DATE: December 7, 2023, 10:00 a.m.

ADJOURNMENT

RESOLUTION 23-18 By Mayor Greimel, supported by Britton
Further Resolved, that the meeting be adjourned at 6:10 p.m.

Yea – 5 Nay – 0

I certify that the foregoing are the true and correct
minutes of the meeting of the Police and Fire
Retirement System held on May 11, 2023.

As recorded by BeneSys