

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES
MEETING MINUTES
May 23, 2024**

A regular meeting of the Board of Trustees was held on Thursday, May 23, 2024, at the office of BeneSys, Troy, MI.

Trustees Present

Lon Britton Vice-Chairman
Matt Nye, Trustee
Tim Greimel, City of Pontiac Mayor

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.

Absent Trustee

Craig Storum

Acting Chairman Britton declared that a quorum was present and called the meeting to order at 9:43 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – February 22, 2024
- B. Financial Reports
 - 1. Financial Reports – January – March 2024
 - 2. Bills for Ratification through May 23, 2024
 - 3. Pension Report
 - a. New Retirees
 - 1. Stefani, James, PPOA, 2/17/2024
 - b. Upcoming Retirees
 - 1. Hayes, Kyle, PPOA, 08/15/2024
 - 1. Lasseigne, Edward, PPOA, 04/28/2021
 - c. Pay Status List – April 2024

RESOLUTION 24-08 By Nye, Supported by Mayor Greimel
Resolved, that the Consent Agenda for May 23, 2024, be approved.

Yea – 3 Nay – 0

CONSULTANTS

- A. Mariner

Mr. Kuhn updated the Board that investors started the year anticipating numerous rate cuts from the Federal Reserve, potentially starting during the first quarter. However, strong economic data and persistent inflation measures led the Fed to delay any action during the quarter. The continued strength of the US economy and corporate earnings growth propelled the stock market higher. The S&P 500 rose 10.6% in the 1st quarter, outperforming mid cap and small cap stocks (Russell Mid Cap = 8.6%; Russell 2000 = 5.2%). International stocks posted solid returns (MSCI ACWI ex US = 4.7%) but lagged the US markets due in part to intensifying geopolitical risks. Interest rates drifted higher

throughout the quarter as the timing of the Fed pivot was pushed into the second half of 2024. Fixed income suffered another round of losses this quarter (Bloomberg US Aggregate -0.8%). High yield was the lone bright spot in fixed income, rallying with the equity markets (Bloomberg US High Yield = 1.5%). Real estate continued to struggle with declining occupancy rates and higher borrowing costs resulting in further write downs.

The Total Fund gained 4.44% (preliminary return) during the quarter, slightly exceeding the Policy Index by 0.21% and ranking near the median plan in the Public Fund universe. Note: many of the private investments have not reported 1Q results in time for this report (approximately 10% of the Fund). The Total Fund returned 12.79% over the past year, outperforming the Policy Index by 66 basis points and ranking in the middle of the peer group. Longer-term, the Fund has generally ranked in the top half of the public fund universe and outperformed the Policy Index. Burgundy trailed the MSCI EAFE Index and ranked near the bottom of their universe this quarter. The managers under performance is partially attributed to holding less economically sensitive companies, particularly within the Consumer Staples, Health Care, and Industrials sectors. Longer-term, Burgundy trails performance expectations. Garcia lagged their benchmark and ranked near the bottom of the intermediate fixed income universe. The manager was hindered from a longer duration, as interest rates rose during the quarter. Longer-term, Garcia exceeds performance expectations. At quarter end the Fund was overweight large cap equities and underweight to core fixed income; the large cap allocation exceeds policy ranges and will be rebalanced with future cash flows. The Fund was following MI Act 314 at quarter end.

RESOLUTION 24-09 By Mayor Greimel, Supported by Nye
Resolved, to terminate the investment with Burgundy due to consistent under performance and move those funds to Fidelity International.

Yea – 3 Nay – 0

ATTORNEY’S REPORT

Litigation Audit Letter

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

2017 Audit Corrective Action Plan

Attorney Henzi addressed this matter for the Board in the Attorney Report. Upon receipt of the Michigan Department of Treasury’s request for a Corrective Action Plan by the PF VEBA, legal counsel conducted a search of the State of Michigan’s online portal which houses communications between the state and municipal governments regarding audits. Legal counsel discovered that, in 2017, the State issued a request that the PFRS prepare a Corrective Action Plan because of the Plante Moran audited financial statement, which indicated that the expenditures were greater than income for three consecutive years. It is unknown whether the 2017 communication was received.

Legal counsel prepared a draft Corrective Action Plan. AndCo reviewed and had no feedback. Since the last meeting, legal counsel filed the Corrective Action Plan.

FOIA

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

Hood River Investment Management Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Trustees previously authorized entering into this Investment Management Agreement. Once Fifth Third assumed custody services, the investment was fully funded.

Seizert Capital Partners

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Trustees previously authorized entering into this Investment Management Agreement. Once Fifth Third assumed custody services, the investment was fully funded.

Amended Rules and Regulations

Attorney Henzi addressed this matter for the Board in the Attorney Report. House Bill 4346 was signed into law in November 2023. As a result, Trustees will be able to attend Retirement System meetings remotely, for any reason. The law goes into effect on February 13, 2024. The law requires a Retirement System to draft a policy over the process for holding remote meetings. At the last meeting, the Trustees approved the provided amendment to the Rules and Regulations.

Fortin Overpayment

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees discussed an overpayment made to an Alternate Payee after her death. Legal counsel investigated the matter further and discussed it with the member. As previously reported, the Participant agreed to waive any benefit to which he may be entitled because of the overpayment. The Trustees authorized legal counsel to draft an appropriate Waiver for the Participant's signature, which would memorialize that he waives any benefit to which he may be entitled because of the overpayment. Since the last meeting, the Participant signed the Waiver, and the matter is closed.

City of Pontiac 2023 ARC Payment

Attorney Henzi addressed this matter for the Board in the Attorney Report. On December 20, 2023, the City of Pontiac issued payment totaling \$3,819,003.00 to the PFRS, representing its Annual Required Contribution due on or before January 1, 2024. Legal counsel contacted the City to inquire whether this amount was intentionally paid, since it is more than the amount due on January 1, 2024. It is the exact amount that was due as of January 1, 2023. Mr. Sadowski reported that the overpayment was intentional. Consequently, legal counsel met with the PFRS' actuary to discuss the overpayment. Legal counsel prepared a proposed, amended invoice for the ARC due on or before January 1, 2025. The actuary has confirmed that these amounts are correct. As such we amended the invoice to the City and applied the 2023 overpayment to the balance due at the end of the next fiscal year.

PA 202 Requirement for Actuary Audit

Attorney Henzi addressed this matter for the Board in the Attorney Report. In 2017, Michigan's legislature enacted Public Act 202, which relates to a local unit of government's provision of retiree health care. Among other things, the local unit of government is required to perform an actuarial experience study conducted by the plan actuary for each retirement system of the local unit of government every five years. At least every eight years, the local unit of government shall have a peer actuarial audit conducted by an actuary that is not the plan actuary or replace the plan actuary. The law became effective July 1, 2018.

The PFRS hired Nyhart as its actuarial services firm in November 2016. Thus, the PFRS must comply with PA 202. Legal counsel contacted several auditing firms to find out whether they have performed "peer audits." Obviously, Nyhart would not be able to peer review its own work. However, the Trustees should consider whether they want to select an actuarial firm to perform a peer review audit of Nyhart's work or replace Nyhart. We recommend avoiding the RFP process because it will prolong the process. This is an issue that all retirement systems must comply with, and we want to make sure we are able to obtain our peer review audit, or replace the actuary, in a timely fashion.

Since the last meeting, legal counsel spoke with AndCo, which does have an actuary on staff. AndCo is willing to have the actuary review and audit the PFRS' actuary. AndCo makes not guarantee that this process satisfies PA 202. However, the State has provided no guidance as to what level of scrutiny may satisfy PA 202. Legal counsel has no objection if AndCo performs this function.

RESOLUTION 24-10 By Nye, Supported by Mayor Greimel
Resolved, to direct Mariner to complete the Actuary Audit with the intent to satisfy PA 202.

Yea – 3 Nay – 0

Record Retention Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. Upon consultation with BeneSys, legal counsel proposes that the Board consider the attached Record Retention Policy for adoption. The purpose of the Policy is to provide BeneSys with guidance on how to retain certain documents and for how long the document should be retained. Legal counsel has drafted a similar Policy for other systems, which was approved by the State of Michigan.
WAS THIS POLICY APPROVED BY MOTION?

Portfolio Management – Labaton Keller Sucharow, LLP.

Attorney Henzi addressed this matter for the Board in the Attorney Report. An additional portfolio monitoring firm, Labaton Keller Sucharow, LLP (Labaton), approached legal counsel about its services offered. Labaton is a leading, national firm in securities litigation. Labaton's engagement partner, Guillaume Buell, may be known to the Trustees. If the Trustees are considering adding another portfolio monitoring firm, legal counsel endorses Labaton as an exemplary firm.

RESOLUTION 24-11 By Nye, Supported by Mayor Greimel
Resolved, to execute the agreement with Labaton Keller Sucharow, LLP.

Yea – 3 Nay – 0

Michigan Retiree Pension Tax Exemption

Attorney Henzi addressed this matter for the Board in the Attorney Report. Public Act 4 of 2023, effective February 13, 2024, reverts the taxation of public pension benefits back to a prior law under which retirement or pension benefits received by an individual because of employment with a governmental agency were exempt from taxation by the State of Michigan. Legal counsel recommends the System should not provide tax advice to any member. Further, the administrator should only withhold amounts subject to a signed form by the member.

COLA Audit

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, BeneSys advised that it was completing its COLA audit to determine whether any other overpayments were made, like the Fortin alternate payee. Kenneth Eggert did not remit a vital information form. Consequently, his pension was stopped in August 2021. Recently, BeneSys discovered he passed away in 2017. The System did not remit any COLA payments to this Participant but did pay his pension benefit from June 2017 to August 2021 in error. The Participant did have a power of attorney. Legal counsel will request repayment by the power of attorney.

It was agreed to direct Legal Counsel to pursue recoupment of pension overpayment to Kenneth Eggert.

Portfolio Monitoring Report

Robbins Geller

- February 23, 2024
- March 29, 2024
- April 26, 2024

RESOLUTION 24-12 By Nye, Supported by Mayor Greimel
Resolved, to discontinue action regarding Frontier Communications Parent, Inc.

Yea – 3 Nay – 0

PUBLIC COMMENT – None

UNFINISHED BUSINESS

A. Custodian Bank Transfer

Ms. Gjorgjevski updated the Board that all accounts have been opened with Fifth Third. BeneSys is currently in the testing phase of setting up the ACH process for Pension payments.

B. Vital Information Mailer

Ms. Crosby provided the Board with a list of 6 retirees who, after the third attempt, have not submitted their Vital Information Form. Extensive discussion took place.

RESOLUTION 24-13 By Mayor Greimel, Supported by Britton
Resolved, to suspend the pension of these six retirees effective June 2024 until the submit a Vital Information Form to BeneSys. If the vital information form is received by June 21, 2024, the June pension check will be released right away. If received after that date their June pension check will not be released until the July check and so on.

Yea – 3 Nay – 0

C. Pension Audit – COLA Payments – 2022

Ms. Crosby informed the Board that she has completed the audit of the 2022 COLA Payments.

D. Pension Audit – COLA Payments – 2023

Ms. Crosby informed the Board that she has completed the audit of the 2023 COLA Payments.

E. 2024 Manager Round Table

Ms. Crosby confirmed that the 2024 Manager Round table has been booked from September 11-13, 2024, at the St. John Resort.

F. Audit for December 31, 2023

Ms. Crosby updated the Board that she has completed the field work phase of the audit for December 31, 2023. Bonadio & Associates are prepared to present their results at the September 11, 2024, Board Meeting. Discussion took place and the Board would like to have them present at the August 22, 2024, meeting instead.

NEW BUSINESS

A. Comerica Invoice

Ms. Crosby provided to the Board an invoice received from Comerica for the period of October 1, 2023, to December 31, 2023. She also provided a letter from Comerica stating they were waiving the fees for this timeframe due to the Board’s dissatisfaction with their services. The Board directed her to submit the invoice along with the letter and an explanation as to why the Board will not be paying this invoice.

B. Monroe Capital Authorized Signers Update

Ms. Crosby provided an updated authorized signer’s form for Monroe Capital. Signatures were obtained.

C. Trustee Credit Cards – Fifth Third

Ms. Crosby stated that she reached out to Fifth Third to investigate moving the Trustee Credit Cards from Comerica to Fifth Third due to the custodial bank change. She informed the Board that Fifth Third would have an annual fee associated with the credit cards which Comerica didn’t have.

RESOLUTION 24-14 By Nye, Supported by Mayor Greimel

Resolved, to terminate the credit cards with Comerica Bank and not pursue other credit cards for the Trustees.

Yea – 3 Nay – 0

D. Actuary Audit PA 202

This item was discussed during the Legal Report.

CORRESPONDENCE

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

A. BeneSys DOL Cybersecurity Program Response Q1 2024

Discussion took place regarding Cybersecurity. During the MAPERS conference this issue was discussed, and a checklist was provided as a guideline. Direction was given to Mr. Henzi to request service providers provide a response regarding their Cybersecurity protocols when they respond to their political contribution disclosures.

- B. BeneSys Navigator Q1 2024**
- C. BeneSys Navigator Q4 2023**
- D. Crescent Capital Markets Insight February 2024**
- E. Robinson Capital Q1 2024 Portfolio Review**
- F. YCM – Summary of Material Changes**

NEXT MEETING DATE: August 22, 2024, 10:00 a.m.

ADJOURNMENT

RESOLUTION 24-15 By Nye, supported by Mayor Greimel
Further Resolved, that the meeting be adjourned at 12:01 p.m.

Yea – 3 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 23, 2024.

As recorded by BeneSys