

**CITY OF PONTIAC
POLICE AND FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES
MEETING MINUTES
February 22, 2024**

A regular meeting of the Board of Trustees was held on Thursday, February 22, 2024, at the office of BeneSys, Troy, MI.

Trustees Present

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

Others Present

Lyndsey Bates, AsherKelly
Chris Kuhn, AndCo.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.

Chairman Storum declared that a quorum was present and called the meeting to order at 10:07 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Minutes of Regular Meeting – December 7, 2023
- B. Financial Reports
 - 1. Financial Reports – October - December 2023
 - 2. Bills for Ratification through February 22, 2024
 - 3. Pension Report
 - a. New Retirees
None
 - b. Upcoming Retirees
 - 1. Lasseigne, Edward, PPOA, 04/28/2021
 - c. Pay Status List – January 2024

RESOLUTION 24-01 By Britton, Supported by Storum
Resolved, that the Consent Agenda for February 22, 2024, be approved.

Yea – 4 Nay – 0

CONSULTANTS

- A. AndCo.

Mr. Kuhn informed the Board that AndCo. Consulting will become Mariner Institutional. Mariner is a national wealth advisory firm. Mariner is acquiring AndCo largely for its institutional consulting experience. PFRS will continue to be served by Chris Kuhn and the AndCo staff that supports the relationship. Mr. Kuhn presented the Consent for Assignment of Investment Advisory Agreement.

RESOLUTION 24-02 By Storum, Supported by Britton

Resolved, that the Consent for Assignment of Investment Advisory Agreement, be approved and executed.

Yea – 3

Nay – 0

Mayor Greimel left the meeting at 11:05 a.m.

Mr. Kuhn updated the Board that a dramatic shift occurred across the capital markets during the fourth quarter. The quarter started with investors maintaining their pessimistic view of rates and economic activity. However, after the 10-year Treasury temporarily peaked above 5% in late October, everything changed. Falling Inflation rates and weakening labor markets suggested the Federal Reserve would abandon their “higher for longer” position (which they later announced). Interest rates declined quickly, and the equity and fixed income markets surged. The S&P 500 gained 11.69% during the quarter and finished the year up over 26%. Unlike prior quarters in 2023, the rally for stocks was broad based and small cap (Russell 2000) rose 14.03% in the fourth quarter. The international equity markets also produced strong results with the MSCI EAFE rising 10.42% and the MSCI Emerging Markets adding 7.86%. Fixed income benefited from the shift in expectations as well. The Bloomberg US Aggregate gained 6.82% for the quarter, lifting the index back into positive territory and generating a return of 5.53% for 2023. It was a wild ride in fixed income as interest rates finished the year nearly unchanged; however, rates rose and fell by over 1% across the yield curve during the past twelve months. High yield bonds (Bloomberg High Yield Index) flashed some impressive results, up 7.16% for the quarter and 13.45% for the year. Real estate continued to struggle, posting losses for the fifth consecutive quarter. 2024 is greeting investors with a slowing economy and a more accommodative Federal Reserve; hopefully, the markets will continue to deliver solid results.

The Total Fund gained 6.93% during the quarter, trailing the Policy Index by 1.60% and ranking in the bottom half of the public fund universe. The Fund was hindered by relatively weak results from the fixed income allocations. Note: many of the private investments have not reported 4Q results in time for this report (approximately 10% of the Fund). The Total Fund returned 11.72% in 2023, performing in line with the Policy Index and ranking in the third quartile of the peer group. Longer-term, the Fund exceeds performance expectations. The fixed income allocation trailed the Bloomberg US Aggregate Index this quarter by over 3%. Baird and Garcia, which represents over 60% of the fixed income allocation, returned 5.81% but the other alternative fixed income strategies have not reported or significantly lagged the public markets. Longer-term, the total fixed income portfolio has outperformed expectations. Garcia handily outperformed the Bloomberg Intm G/C Index and ranked near the top of the peer group. The manager benefited from a longer duration. Longer-term, Garcia exceeds performance expectations. Real estate continued to decline in the 4th quarter (5th consecutive negative quarter). American Core has performed in line with the index during the current downturn and the Value strategy has exceed the benchmark. Longer-term, the American funds exceed 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. The Fund was in compliance with MI Act 314 at quarter end. Note: See the Asset/Manager Summary for additional comments and recommendations.

ATTORNEY'S REPORT

2022 Audit Deficiencies

Attorney Bates addressed this matter for the Board in the Attorney Report. Bonadio recently presented its 2022 audited financial statements and audit report. The audit identified several internal controls that were labeled as deficiencies. Legal counsel sent correspondence to BeneSys asking for responses to each of the internal controls' deficiencies. BeneSys has provided responses.

2017 Audit Corrective Action Plan

Attorney Bates 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 as a result 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. Our intent is to have AndCo review the document and provide feedback. Once AndCo provides its commentary, we will file the Corrective Action Plan.

FOIA

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

Custodial Bank Transition

Attorney Bates 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. BeneSys, AndCo and legal counsel have had several meetings. Ultimately, Fifth Third Bank was selected as the replacement custodian bank as previously authorized by the Trustees. Legal counsel reviewed and revised Fifth Third's Custody Services Agreement. The plan professionals are busily working to implement the transition. The asset transfer is scheduled to occur on or before March 1, 2024.

RESOLUTION 24-03 By Britton, Supported by Mayor Greimel
Resolved, that the Fifth Third Custody Service Agreement, be approved and executed.

Yea – 4 Nay – 0

Hood River Investment Management Agreement

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

Seizert Capital Partners

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

Amended Rules and Regulations

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

RESOLUTION 24-04 By Mayor Greimel, Supported by Britton
Resolved, that the Release and Acknowledgement of Forfeiture of Benefits from the PFRS to be executed by Mr. Fortin, be approved.

Yea – 4 Nay – 0

Apogem Anti-Money Laundering Documents

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

Gilbert Garrett

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

City of Pontiac 2024 ARC Payment

Attorney Bates addressed this matter for the Board in the Attorney Report. On December 20, 2023, the City of Pontiac issued payment totaling 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 in excess of 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. We are awaiting confirmation from the actuary that these amounts are correct.

PA 202 Requirement for Actuary Audit

Attorney Bates addressed this matter for the Board in the Attorney Report. The PFRS hired Nyhart as its actuarial services firm in November 2016. Thus, the PFRS must comply with PA 202. This is an issue that all retirement systems have to 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.

Portfolio Monitoring Report

Robbins Geller December 29, 2023
Robbins Geller January 26, 2024
MotleyRice 4th Quarter 2023 Monitoring Report

The Board moved to closed session at 9:26 a.m.

RESOLUTION 24-05 By Britton, Supported by Storum
Resolved, to go into closed session to discuss pending litigation in the following matters:
September 13, 2023, Closed Session Minutes, Southwest Airlines Co., Winter Storm Elliott:
SWA's System Collapse, Norfolk Southern Corporation, Frontier Communications Parent,
Inc., Bank of Nova Scotia.

Roll Call Vote:	Craig Storum	Yea
	Mayor Greimel	Yea
	Lon Britton	Yea
	Matt Nye	Yea

The Board returned from closed session at 9:40 a.m.

RESOLUTION 24-06 By Britton, Supported by Nye
Resolved, to ratify the Chairman’s action to execute the necessary paperwork to initiate the books and records demand.

Yea – 4 Nay – 0

RESOLUTION 24-07 By Britton, Supported by Nye
Resolved, to approve closed session minutes from September 13, 2023 Trustee meeting.

Yea – 4 Nay – 0

PUBLIC COMMENT – None

UNFINISHED BUSINESS

A. Custodian Bank Transfer

This matter was discussed during the Legal Report.

B. Vital Information Mailer

Ms. Crosby presented the Board with the letter that was mailed to all retirees requesting the completion of the Vital Information Form. This letter was mailed to all retirees on February 1, 2024, per the Board’s request.

NEW BUSINESS

A. ARC Payment FY 23/24

This matter was discussed during the Legal Report

B. Pension Audit – COLA Payments

Ms. Crosby informed the Board that she is working on the audit of the COLA payments made in 2022 and 2023 and will complete as soon as possible.

C. Reimbursement from Managers for Round Table 2023

Ms. Crosby updated the Board that all reimbursement has been received from the Managers for the 2023 Round Table.

D. 2024 Manager Round Table

The Board discussed dates and location for the 2024 Manager Round Table.

CORRESPONDENCE

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

A. MAPERS Spring Conference Preliminary Agenda

NEXT MEETING DATE: May 23, 2024, 10:00 a.m.

ADJOURNMENT

RESOLUTION 24-07 By Britton, supported by Storum
Further Resolved, that the meeting be adjourned at 11:22 a.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 February 22, 2024.

As recorded by BeneSys