CITY OF ROYAL OAK RETIREMENT SYSTEM
MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES

A meeting of the Retirement Board of Trustees was conducted in the city call conference room 309, Royal Oak MI, Monday – January 6, 2020 at 8:00 a.m.

The meeting was called to order at 8:06 a.m.

Attendance

PRESENT: Lee Collick- Chairperson
Bret Nelson- Vice Chairperson
Kim Gibbs- Trustee
Kyle DuBuc - Trustee
David Gillam – City Attorney / Interim City Manager

ALSO PRESENT: Julie Rudd - Bd Chief Administrative Officer/ Bd Secretary/Bd Treasurer
Lisa Genord - Administrative Assistant / Pension Technician
Tom Michaud – Bd attorney with VanOverbeke Michaud and Timmony
Terry Gerlich – Investment Advisor with SEI
Shawn Lambouris – Fire Department

Public Comment
Shawn Lambouris of the Fire Department stated that he was concerned about the funding level of the pension system. Mr. Lambouris feels that there are flaws with the city’s current actuarial assumptions and suggested the following solutions:

1. Lower the city’s assumed rate of return from our current rate of 7.25% to possibly 7%.
2. Increase the city’s assumed wage inflation from 3% to 3.5%.
3. Lower the city’s amortization schedule from 24 years to 20 years.

The board discussed, in length and detail, Mr. Lambouris’s concerns. The board also discussed the long-term funding goals of the city’s pension system, as well as, potential future challenges. The board will continue to evaluate the city’s funding level to decide if/when the actuarial assumptions need to be changed based upon the continuation of evaluating the results of experience study conducted every 5 years.

Shawn Lambouris left the meeting at 8:55am

Board approval of the agenda for the January 6, 2020 meeting
Moved by Bret Nelson to approve the meeting agenda for January 6, 2020
Supported by Kim Gibbs
MOTION ADOPTED UNANIMOUSLY 5/0

Board approval of the amended draft minutes for the December 9, 2019 meeting
Bret Nelson requested that the 2nd occurrence of the word “certain” be removed from first paragraph in the “Other Business” section of the December 9, 2019 meeting minutes
Moved by Bret Nelson to approve the December 9, 2019 amended draft meeting minutes
Supported by Dave Gillam
MOTION ADOPTED UNANIMOUSLY 5/0
Request that the Board approve Adjustments, Applications and Benefits as follows:

Adjustments
None

Applications
Todd Blair, of the DPS, SEIU bargaining unit, 20 years of service credit. Department Head requested to rescind his retirement date of January 31, 2020 and for a revised retirement date of February 1, 2020. Eligible based on years of service and age.
Moved by Bret Nelson to approve rescinding the January 31, 2020 retirement date and approve the revised service retirement application for retirement effective February 1, 2020 for Todd Blair.
Supported by Kim Gibbs
MOTION APPROVED UNANIMOUSLY 5/0

Retirement Benefits
Robert J. Reilly, of the police department, ADMDH bargaining unit, 25 years of service credit. Retirement date of August 24, 2019. Selected Option SL Straight Life - $6,248.29 gross monthly benefit with withdrawal of contributions / interest of $99,450.18.
Moved by Bret Nelson to approve the gross monthly benefit payment of $6,248.29 to Robert J. Reilly and withdrawal of contributions / interest of $99,450.18.
Supported by Kim Gibbs
MOTION APPROVED UNANIMOUSLY 5/0

Laura S. Pizzuti (f.k.a Laura S. Reilly), alternate payee of Robert J. Reilly of the police department, ADMDH bargaining unit, 25 years of service credit with a retirement date of August 24, 2019. Laura S. Pizzuti’s gross monthly benefit payment as the alternate payee of Robert J. Reilly is $961.68.
Moved by Bret Nelson to approve the gross monthly benefit payment of $961.68 to Laura S. Pizzuti, as the alternate payee of Robert J. Reilly.
Supported by Kim Gibbs
MOTION APPROVED UNANIMOUSLY 5/0

INVESTMENTS
SEI investment report dated January 6, 2020 presented by Terry Gerlich
Market value/allocation of assets as of November 30, 2019 equaled $156,156,077.
One-month performance (except core property) – total portfolio outperformed benchmark: 1.45% return vs. 1.41% index.
Three-month performance – total portfolio underperformed the benchmark: 4.30% return vs. 4.55% index.
YTD performance - total portfolio outperformed the benchmark: 16.24% return vs. 16.01% index
One-year performance – total portfolio underperformed the benchmark: 11.42% return vs. 11.52% index.
Three-year performance – total portfolio outperformed the benchmark: 9.48% return vs. 9.12% index.
Inception - total portfolio outperformed the benchmark: 6.56% return vs. 6.26% index.
Terry reported that equities continued to climb around the globe during November as volatility trended lower. U.S. stocks underwent a sharp advance, with small-cap stocks edging out large-caps and growth outperforming value. Information technology, financials and healthcare were the best-performing U.S. sectors, while utilities had the only negative performance. The U.S. Federal Open Market Committee did not meet during November after announcing an expected 0.25% decrease in the federal-funds rate in late October. Minutes from the October meeting suggested committee members would be returning to a data-dependent posture. Markets have interpreted this stance as unlikely to produce another cut at the FOMC’s final meeting of the year in December. Government bond rates increased in the U.S., U.K. and eurozone during November. The U.S. Treasury yield curve returned to its “normal” upward slope across all points besides those with maturities shorter than one year. High-yield bonds led the fixed-income universe in November, followed closely by U.S. investment-grade corporates, while local-currency emerging-market bonds lagged.
The complete report is on file in finance office.
Moved by Bret Nelson to receive and file report
Discussion of alternative private investment options and fee structure comparison. Terry Gerlich, SEI, will prepare a summary report on the proposed SEI alternative private investment option, to be voted on by the board at the February meeting. Terry will also provide Tom Michaud, the retirement board attorney, with the investment documents for his review prior to the February meeting.

LEGAL
None

OTHER BUSINESS
Review draft of disability medical re-examination policy – request to table until February retirement board meeting
Moved by Bret Nelson to table review draft of the disability medical re-examination policy to the February retirement board meeting.
Supported by Kyle DuBuc
MOTION ADOPTED UNANIMOUSLY 5/0

Reviewed the draft of a trust external disbursement policy.
Moved by Bret Nelson to accept and approve the draft of the trust external disbursement policy
Supported by Kyle DuBuc
MOTION ADOPTED UNANIMOUSLY 5/0

Revenue and expenditure (audited) variance report for year-ending June 30, 2019. This report is provided in accordance with board policy that allows finance director to approve trust payments without the board’s specific approval of each payment.
Moved by Bret Nelson to receive and file report
Supported by Kyle DuBuc
MOTION ADOPTED UNANIMOUSLY 5/0

Estimated pension benefit payment discussion (continued). The board discussed the administration of estimated pension benefit payments with respect to an employee’s retirement date in relation to the timing of their first estimated benefit payment. The board also discussed revisions to the verbiage on the retirement application (Form 2), as well as creating a second form (Form 2a) to be completed by the retiree if they elect to receive an estimated benefit payment on their retirement application (Form 2).
Moved by Bret Nelson to begin making estimated pension benefit payments, when elected by the retiree based upon certain alleged circumstances, and with the discussed retirement form application revisions.
Supported by Kim Gibbs
MOTION ADOPTED UNANIMOUSLY 5/0

Form 5572 State of Michigan pension report
Moved by Bret Nelson to receive and file report
Supported by Dave Gillam
MOTION ADOPTED UNANIMOUSLY 5/0

NEXT MEETING AND ADJOURNMENT
Next regular meeting is scheduled for 8:00 am Monday, February 3, 2020 at city hall room 309.
Moved by Lee Collick to adjourn the meeting (9:33 a.m.) and confirmed the meeting for February 3, 2020 at 8:00 am.
Supported by Bret Nelson
MOTION ADOPTED UNANIMOUSLY 5/0