

**MINUTES OF THE REGULAR VIRTUAL RETIREMENT BOARD MEETING  
HELD DECEMBER 4, 2020**

The meeting was called to order at 8:17 A.M.

PRESENT: Matthew Bartalino, Birmingham, MI  
Pierre Boutros, Birmingham, MI  
Christopher Conti, Birmingham, MI  
Bruce Johnson, Birmingham, MI  
Therese Longe, Birmingham, MI  
Joseph Valentine, Birmingham, MI  
John VanGorder, Birmingham, MI  
Jeffrey Whipple, Troy, MI

ALSO PRESENT: Mark Gerber, Finance Director/Treasurer; Thelma Golden, Treasury Consultant; Ruth Rowland, Retiree Health Care Fund Investment Committee; David Gasper, Matt Lasko, Megan Smith, Meredith Farber, and Maureen Mendoza, UBS; Frank Pisano, Library Board; Mark Buis and Richard Koch, Gabriel Roeder

29-2020

Chris Conti announced that Pete Kauffman ended his term as Non-Voting Retiree/Beneficiary member of the Retirement Board after years of service; and, John VanGorder was elected to this position for a term to expire July 1, 2022. He noted that John had previously served on the Board for many years as the Police Member and welcomed him back.

30-2020

Motion by Bartalino:  
Second by Johnson:

To approve the consent Agenda:

To approve the Retirement Board minutes of September 11, 2020;  
To approve the Birmingham Employees Retirement System Bills/Retirement Roll of \$1,967,216.51 for the period from September 1, 2020 through November 30, 2020;  
To approve the Pension Administration Expenses of \$96,162.21 for the period from July 1, 2020 to September 30, 2020;  
To grant final approval of the retirement Kenneth Cooper from the Building Department;  
To receive the Summary of Assets for the period ending October 31, 2020, with a total market value of \$96,888,829.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye  
Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

Bruce Johnson stated that Ken Cooper wanted to express his appreciation to the Board, Mark Gerber, and Jennifer Bacon for the smooth way his retirement was processed.

31-2020

Matt Lasko reviewed the third quarter market review that was distributed with the agenda. Going forward they prefer small caps over large caps, value over growth, and growth over defensive. The drivers of the market will be the vaccine rollout pace and the big pickup in consumer spending. They predict 3.9% growth in GDP and 6% global growth in 2021. They expect 4.8% unemployment in 2021 and 3.7% in 2022. Inflation remains tame but will be slightly higher in 2021 and 2022. The fund's third quarter performance was slightly over the target index. Performance over the long run was strong and slightly over the actuarial assumed rate.

Megan Smith reviewed the manager's third quarter performance. Apex continues to be on the watch list but has shown good improvement. They are comfortable with Apex's performance for the long run. Fixed income has shown continued improvement. Cavendish was liquidated due to poor performance and replaced with Graham and Whitebox who are both showing positive returns. Other funds performed quite well. All managers are showing continued positive performance.

Matt Lasko stated they would recommend rebalancing the portfolio to bring the asset allocation within the fund's target ranges by reducing small to mid-cap equities, adding to international, and adding to fixed income. They would also recommend the addition of Blackstone and Starwood REITS as replacements to the Cavendish managed futures fund that was recently liquidated.

Maureen Mendoza provided a review of Blackstone and Starwood. Both are non-listed REITS that have high collection rates. They focus on current income. It is a stable asset class with mid to high single digit returns. They concentrate in multi-family and industrial space. They are not correlated to traditional asset classes; and, they act as a hedge against inflation because they have the ability to raise rents.

BREIT focuses on income generating assets primarily in the top 50 real estate markets in the U.S. They are targeting an annual cash flow to investors of 5%. It is a core plus

type of investment with approximately 40% in multi-family units that is one of the most resilient types of real estate with over 90% occupancy.

SREIT has a similar structure to the BREIT with mid to high single digit returns and a 5% cash dividend. In addition to hotels, they invest in multi-family, industrial and office space. They also have a 20-30% focus in Europe.

Megan Smith stated UBS expects fixed income to return 1.3% over the next market cycle. Over a longer period, 10-15 years, returns may be 3.5% per year. REITS have the expectation to return over 6% over the next market cycle without taking on high risk.

Frank expressed disappointment with the investment committee making this recommendation to add new alternative investments based on past experience with managed futures that underperformed and feels alternatives could be risky. Even though fixed income is low, they beat their benchmark. He also questioned if using Comerica as custodian limits the types of investments the fund could use.

Matt Lasko stated that using Comerica as custodian would not be a hindrance to the plan because there are many good alternatives that could be custodied at Comerica. He also stated that there is a lot of room for growth in alternatives, especially REITS that would earn more than fixed income with low risk.

32-2020

Motion by Boutros:

Second by Bartalino:

To concur in the recommendation of the Retirement Investment Committee and the Investment Consultants to enter into an agreement with Blackstone Securities Partners, L.P. to invest in the Blackstone Real Estate Income Trust (BREIT) for the Retirement Fund; to authorize Secretary-Treasurer mark Gerber to execute the agreement on behalf of the Retirement Board; to direct Comerica Bank to create a new BREIT account for the Retirement Fund to be managed by Blackstone Securities Partners, L.P.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye  
Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

33-2020

Motion by Boutros:

Second by Valentine:

To concur in the recommendation of the Retirement Investment Committee and the Investment Consultant to enter into an agreement with Starwood Capital, L.L.C. to manage the Starwood Real Estate Income Trust for the Retirement Fund; to authorize Secretary-Treasurer Mark Gerber to execute the agreement on behalf of the Retirement Board; to direct Comerica Bank to create a new SREIT account for the Retirement Fund to be managed by Starwood Capital, L.L.C.

ROLL CALL VOTE:

Bartalino: Aye

Boutros: Aye

Conti: Aye

Johnson: Aye

Longe: Aye

Valentine: Aye

Whipple: Aye

34-2020

Motion by Boutros:

Second by Whipple:

To concur in the recommendation of the Retirement Investment Committee and the Investment Consultant to reduce the Vanguard Mid-Cap Index (VO) by \$2,923,400; to reduce the allocation to Fiera Capital by \$2,923,400, to increase the allocation to the MFS International Diversified Fund by \$4,821,100; to increase the allocation to Ducenta Squared by \$1,025,700; to transfer the funds from the account formerly managed by Cavendish equally between the SREIT and the BREIT accounts.

ROLL CALL VOTE:

Bartalino: Aye

Boutros: Aye

Conti: Aye

Johnson: Aye

Longe: Aye

Valentine: Aye

Whipple: Aye

35-2020

Mark Buis commented that COVID 19 has had an impact on retirement systems. Investment income is the biggest driver of liabilities. At June 30, 2020, investments were down and have since rebounded. Mortality has been affected. City and state revenues have also been struggling.

There are three different actuarial valuations. This valuation determines the recommended employer contribution and uses the actuarial assumed 6.75% rate of return. The funding status for accounting purposes uses the market value rate of return not the smoothed value rate of return. The Michigan State report under Public Act 202 uses a funding methodology that is similar to this valuation.

Rich Koch reviewed the actuarial valuation. He stated that the actuarial determined contribution is made up of the normal cost of continuing actives and the unfunded actuarial accrued liability. The contribution went up in this valuation because the normal cost decreased due to the plan being fully closed to general employees and open to new hires in police and fire for death and disability benefits only. Liabilities stayed level but assets decreased which drove the unfunded accrued liability up, resulting in a higher recommended contribution. The funding level for the plan at June 30, 2020 was 83.5%. Investment losses and gains are smoothed over four years. Investment losses drive up increased contributions. Accounting reports do not use a smoothing method. The funding level of 83.5% is better than many plans across the country and Michigan.

Joe Valentine reported that, with the most recent audit, Plante and Moran did a benchmark with the State of Michigan and other plans in Oakland County to get an assessment of how our plan compared. Both the Retirement and OPEB plans were better funded than the state plan and Oakland County plans.

36-2020

Motion by Valentine:  
Second by Johnson:

To receive the 76th Annual Actuarial Valuation of the Birmingham Employees Retirement System for the fiscal year ended June 30, 2020; to concur in the recommendation contained in the actuarial valuation to transfer \$3,408,642 from the Reserve for Employer Contributions to the Reserve for Retired Benefit Payments as of July 1, 2020.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye

Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

37-2020

Mark Buis reviewed Gabriel Roeder's communication regarding the discontinuation of the PBGC Rate and requested direction from the Board regarding a replacement interest rate in order for them to continue processing benefit calculations with dates of retirement on or after January 2021.

38-2020

Motion by Valentine:  
Second by Longe:

To approve the final published PBGC rate as the interest rate to be used when calculating a retiree's annuity withdraw until such a time as when a negotiated rate can be established.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye  
Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

39-2020

Motion by Boutros:  
Second by Conti:

To approve the fiduciary liability insurance policy from Cincinnati Companies for the period from January 2, 2021 through January 2, 2022 with a \$3,000,000 limit of liability and a \$10,000 deductible with a premium of \$11,930 for the Retirement Fund.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye

Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

40-2020

Mark Gerber reviewed proposed budget. Management fees are projected to be lower because some active managers have been replaced with index funds that charge lower fees.

Motion by Johnson:  
Second by Whipple:

To approve the 2021-2022 Pension Administration budget as submitted.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye  
Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

41-2020

There was discussion regarding the participation of Retirement Board members who would work with the Investment Committee to narrow down the applicants for investment consultant. Some Board members may work with the Committee to review the RFP's. Because of the large number of anticipated responses to the RFP, the Investment Committee will review the responses and recommend the top five (5) candidates to the Retirement Board.

42-2020

Motion by Boutros:  
Second by Bartalino:

To concur in the recommendation of the Retirement Investment Committee and approve the Retirement Investment Consultant RFP; and to authorize the Retirement Investment Committee to begin the RFP process as outlined in the RFP.

And

To authorize the Retirement Investment Committee to conduct the entire evaluation process and recommend its top five (5) candidates which will be further evaluated by the Retirement Board at a special meeting for the purpose of selecting a retirement investment consultant.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye  
Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

44-2020

Motion by Valentine:

Second by Boutros:

To declare that the Domestic Relations Order 2017-855819-DO issued by Judge Lisa Gorcyca on May 12, 2020 for Ronald Shindorf and Judith Shindorf be qualified as an Eligible Domestic Relations Order; to authorize the change of the beneficiary status of Mr. Shindorf's retirement benefit to the straight life benefit; to adjust the benefit payment retroactive to the date of the Domestic Relations Order.

ROLL CALL VOTE:

Bartalino: Aye  
Boutros: Aye  
Conti: Aye  
Johnson: Aye  
Longe: Aye  
Valentine: Aye  
Whipple: Aye

45-2020

Jeff Whipple has been approached by police members of the retirement system re: their concern that, as police members retire, there will be fewer police members who would be eligible to serve on the Retirement Board. This would also be true for fire, and general members.



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Joe Valentine stated that this is the result of closing the retirement plan to new members.

Mark Gerber will consult with the city's legal advisor for a recommendation as to what can be done going forward.

46-2020

Chris Conti and those present thanked Joe Valentine for his service to the City and to the Retirement Board and wished him good luck in his future endeavors.

The meeting was adjourned at 10:13 A.M.

Respectfully submitted,

Thelma Golden  
Treasury Consultant