



Board of Trustees
**Police and Fire
Retirement System**
Act 345



A Pension Plan and Trust Fund
41625 Ryan Rd.
Sterling Heights, Michigan 48314-3945

John Lamerato
President
Jonathan Feil
Secretary
Randall Schwarb
Trustee
Robert Maleszyk
Trustee
Mary Chavez
City Treasurer

VanOverbeke, Michaud & Timmony, P.C.
Legal Counsel

REGULAR MEETING MINUTES OF THE
STERLING HEIGHTS
POLICE AND FIRE RETIREMENT SYSTEM, ACT 345
AUGUST 18, 2022
FIRE DEPARTMENT CONFERENCE ROOM
41625 RYAN ROAD
STERLING HEIGHTS, MI 48314
586-446-2958

1. President Lamerato called the regular meeting of the Police and Fire Retirement System to order at 3:35 pm.
2. Board Members Present: John Lamerato, Randy Schwarb, Rob Maleszyk, and Mary Chavez. Absent: Jonathan Feil (excused). Also present: Tom Michaud, Legal Counsel; Tim Brice, representing The Brice Group/Morgan Stanley Graystone Consulting; and Kerrie Dzwonkowski, Pension Administrator.
3. APPROVAL OF CONSENT AND REGULAR AGENDAS
Motion by Schwarb, supported by Maleszyk, to approve the consent agenda as presented. Absent: Feil. Ayes: Lamerato, Schwarb, Maleszyk, Chavez. The motion carried.
Motion by Schwarb, supported by Maleszyk, to approve the regular agenda as presented. Absent: Feil. Ayes: Lamerato, Schwarb, Maleszyk, Chavez. The motion carried.
4. APPROVAL OF MINUTES
No corrections were made to the draft minutes of the regular meeting of July 21, 2022.
Motion by Schwarb, supported by Maleszyk, to approve the minutes as presented. Absent: Feil. Ayes: Lamerato, Schwarb, Maleszyk, Chavez. The motion carried.
5. CITIZEN PARTICIPATION
There was no Citizen participation.
6. REPORT FROM LEGAL COUNSEL
Mr. Michaud discussed the upcoming legislative updates, which will be discussed in detail at the MAPERS Conference. He mentioned that there were law suits filed against Pension Systems regarding city taxes and what the money is being used for. He stated that the City of Sterling Heights is being used as an example how it should be used. He advised the Board members to not respond or talk to any press. If they are approached they should direct anyone to the City Manager.

CONSENT AGENDA

7. CORRESPONDENCE
 - a. Correspondence received from:
 1. Morgan Stanley – market value monthly updates
 2. Robbins Geller Rudman & Dowd LLP

CONSENT AGENDA

8. **BILLS AND EXPENDITURES**

a. **Checking Account Summary**

Beginning Balance	\$2,672.19	7/1/22
Additions (1)	\$5,000.00	
Subtractions (2)	\$442.10	
1. 7/22 Ck# 2135 \$122.10KD - Postage		
2. 7/27 Ck# 2132 \$320.00Accident Fund		
Electronic withdrawals (3)	\$3,824.24	
1. 7/7	1,866.00	Payroll (Fed and MI tax included)
2. 7/8	92.24	Contract fee – Gurin & Gurin
3. 7/21	1,866.00	Payroll (Fed and MI tax included)
Ending Balance	\$3,405.85	7/31/22

9. **FUNDS MANAGEMENT**

a. The current value of funds as of July 31, 2022 is detailed below:

Clearing account	\$	1,944,867.24
Winslow	\$	10,510,530.53
Janus	\$	9,261,999.64
Eagle	\$	7,605,076.11
Confluence	\$	7,529,291.04
Rothschild	\$	15,161,909.47
Earnest	\$	23,630,373.60
Aristotle	\$	40,545,180.07
Western	\$	22,367,500.31
Met West	\$	16,340,023.71
Hancock	\$	25,043,747.37
WCM	\$	30,225,434.68
EIP	\$	2,301,496.90
Victory	\$	6,605,892.89
American Core	\$	13,492,619.89
MS Cash	\$	2,362.91
Checking account	\$	<u>3,405.85</u>
TOTAL FUNDS	\$	232,571,712.21

- b. The Board received a copy of the Summary of Employer Contributions to the Police and Fire Retirement System for the 2023 tax year as of 8/11/22. The System has received \$1,639,200.00 of the 2022/23 budget of \$13,520,242.00.
- c. Benefit Register Listing as of August 1, 2022 from Comerica Bank showing 409 retirees/beneficiaries with a payout for August of \$1,787,524.92 and a total year-to-date of \$16,656,081.13.
- d. The current Merrill Lynch Bond index for July 2022 is 3.42%. The current Bloomberg Barclay’s Government/Credit index for July 2022 is 3.43%.

REGULAR AGENDA

8. **BILLS AND EXPENDITURES**

a. **Disbursements other than retiree benefit payments (bills)**

- 1. Disbursement to Morgan Stanley in the total amount of \$162,119.11 for investment management fees for the quarter ending 6/30/22 for all accounts.
- 2. Disbursement to Eagle Capital Management in the amount of \$17,857.37 for investment management fees for the quarter ending 6/30/22.
- 3. Disbursement to Metropolitan West Asset Management in the total amount of \$13,882.31 for investment management fees for the quarter ending 6/30/22.
- 4. Disbursement to WCM in the amount of \$58,532.36 for investment management fees for the quarter ending 6/30/22.
- 5. Disbursement to Comerica in the amount of \$4,828.42 for services rendered to the Clearing account for the period ending 6/30/22.

REGULAR AGENDA

8. **BILLS AND EXPENDITURES**

- a. Disbursements other than retiree benefit payments (bills) – cont.
 6. Disbursement to VanOverbeke, Michaud, & Timmony, P.C. for legal services in the total amount of \$2,204.00 for the period of 1/1/2022 through 6/30/2022. Motion by Schwarb, supported by Maleszyk, to approve the bills as presented. Absent: Feil. Ayes: Lamerato, Schwarb, Maleszyk, Chavez. The motion carried.
- b. Disbursements to retirees/members other than monthly benefit payments
 1. Jeffrey Valken – partial DROP disbursement - discussion
Jeffrey Valken of the Police Department terminated his DROP retirement effective June 16, 2016. He is requesting a partial disbursement from his DROP account. All paperwork is on file in the Pension Office.
 2. Robert Kovalcik – Annuity withdrawal disbursement – discussion
Sgt. Robert Kovalcik of the Police Department entered EROP retirement effective June 27, 2022. He is requesting a lump sum of his annuity withdrawal. All paperwork is on file in the Pension Office.
Motion by Schwarb, supported by Maleszyk, to approve the disbursements as presented. Absent: Feil. Ayes: Lamerato, Schwarb, Maleszyk, Chavez. The motion carried.

9. **FUNDS MANAGEMENT**

- a. Quarterly Performance Report
 1. The Brice Group
Mr. Brice reviewed the summary report of manager performance. Enclosed in this report was the Board’s summary of investment policies and objectives second quarter 2022 AIM Market Focus report.
Also included was an executive summary of the Composite: MetWest, Western, Intercontinental, John Hancock, Confluence, Eagle, Rothschild, Winslow, Janus, Earnest, WCM, Aristotle, Fidelity, Victory, Harding Loevner and Energy Income, Cohen & Steers, Lazard, Millenium, and SEG reports. The following manager specific comments were discussed:
MetWest
 - a. The total portfolio return in the second quarter was -5.21%, ranking in the 79th percentile of the IM U.S. Broad Market Fixed Sample. It trailed the BC Aggregate Bond index (-4.69%).
 - b. Their total portfolio return was 2.00% since inception (4/1/15). This exceeded the BC Aggregate Bond index (1.13%).
 - c. The market value as of June 30, 2022 as \$15,883,683.66; which represented 7.27% of the total portfolio.Western
 - a. The total portfolio return in the second quarter was -7.27%, ranking in the 100th percentile of the IM U.S. Bond Market Fixed Sample. It trailed the BC Aggregate Bond Index (-4.69%).
 - b. Their total portfolio return was 2.70% since inception (7/1/11). This exceeded the BC Aggregate Bond index (2.07%).
 - c. The market value as of June 30, 2022 was \$22,062,196.98; which represented 10.10% of the total portfolio.Intercontinental
 - a. The total portfolio return in the second quarter was 2.54%.
 - b. Their total portfolio return was 12.75% since inception (7/1/04).
 - c. The market value as of June 30, 2022 was \$5,552,985.00; which represented 2.54% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

a. Quarterly Performance Report – cont.

1. The Brice Group

American Core Realty

- a. The total portfolio return in the second quarter was 4.84%.
- b. Their total portfolio return was 30.69% since inception (7/1/04).
- c. The market value as of June 30, 2022 was \$5,170,198.88; which represented 2.37% of the total portfolio.

John Hancock

- a. The total portfolio return in the second quarter was -18.04%, ranking in the 96th percentile of the IM U.S. Large Cap Core Equity. It trailed the S & P 500 Index (-16.10%).
- b. Their total portfolio return was 9.23% since inception (4/1/18). This trailed the S & P 500 Index (10.76%).
- c. The market value as of June 30, 2022 was \$14,198,858.71; which represented 6.50% of the total portfolio.

iShares Core S&P 500 ETF

- a. The total portfolio return in the second quarter was -16.10%, ranking in the 70th percentile of the IM U.S. Large Cap Core Equity. It equaled the S & P 500 Index (-16.10%).
- b. Their total portfolio return was 10.66% since inception (4/1/18). This trailed the S & P 500 Index (10.77%).
- c. The market value as of June 30, 2022 was \$8,533,908.20; which represented 3.91% of the total portfolio.

Confluence

- a. The total portfolio return in the second quarter was -14.41%, ranking in the 81st percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value Index (-12.21%).
- b. Their total portfolio return was 10.77% since inception (4/1/16). This exceeded the Russell 1000 Value Index (8.94%).
- c. The market value as of June 30, 2022 was \$7,139,716.53; which represented 3.27% of the total portfolio.

Eagle

- a. The total portfolio return in the second quarter was -19.80%, ranking in the 98th percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value Index (-12.21%).
- b. Their total portfolio return was 12.18% since inception (10/1/12). This exceeded the Russell 1000 Value Index (10.06%).
- c. The market value as of June 30, 2022 was \$6,980,238.02; which represented 3.19% of the total portfolio.

Rothschild

- a. The total portfolio return in the second quarter was -13.32%, ranking in the 71st percentile of the IM U.S. Large Cap Value Equity. It trailed the Russell 1000 Value Index (-12.21%).
- b. Their total portfolio return was 9.88% since inception (4/1/16). This exceeded the Russell 1000 Value Index (8.94%).
- c. The market value as of June 30, 2022 was \$6,576,931.36; which represented 3.01% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

a. Quarterly Performance Report – cont.

1. The Brice Group

Winslow Investment Counsel

- a. The total portfolio return in the second quarter was -21.34%, ranking in the 62nd percentile of the IM U.S. Large Cap Growth Equity. It trailed the Russell 1000 Growth Index (-20.92%).
- b. Their total portfolio return was 12.73% since inception (4/1/12). This trailed the Russell 1000 Growth Index (13.94%).
- c. The market value as of June 30, 2022 was \$3,519,103.47; which represented 1.61% of the total portfolio.

Janus Investment Counsel

- a. The total portfolio return in the second quarter was -26.21%, ranking in the 91st percentile of the IM U.S. Large Cap Growth Equity. It trailed the Russell 1000 Growth Index (-20.92%).
- b. Their total portfolio return was 13.24% since inception (1/1/10). This trailed the Russell 1000 Growth Index (14.17%).
- c. The market value as of June 30, 2022 was \$8,413,015.02; which represented 3.85% of the total portfolio.

Vanguard Russell 1000 Growth

- b. The total portfolio return in the second quarter was -21.13, ranking in the 60th percentile of the IM U.S. Large Cap Growth Equity. It exceeded the Russell 1000 Growth Index (-20.92%).
- b. Their total portfolio return was 18.78% since inception (4/1/20). This trailed the Russell 1000 Growth Index (19.03%).
- c. The market value as of June 30, 2022 was \$5,903,434.32; which represented 2.70% of the total portfolio.

Earnest Partners

- a. The total portfolio return in the second quarter was -13.84%, ranking in the 31st percentile of the IM U.S. SMID Cap Core Equity. It exceeded the Russell 2500 Index (-16.85%).
- b. Their total portfolio return was 10.46% since inception (10/1/06). This exceeded the Russell 2500 Index (8.53%).
- c. The market value as of June 30, 2022 was \$21,531,215.07; which represented 9.86% of the total portfolio.

WCM

- a. The total portfolio return in the second quarter was -16.95%, ranking in the 84th percentile of the IM International Equity. It trailed the MSCI AC World ex US net (-13.73%).
- b. Their total portfolio return was 9.06% since inception (7/1/17). This exceeded the MSCI AC World x US net (2.50%).
- c. The market value as of June 30, 2022 was \$27,572,466.34, which represented 12.62% of the total portfolio.

Aristotle

- a. The total portfolio return in the second quarter was -13.77%, ranking in the 13th percentile of the IM International Equity. It trailed the MSCI AC World ex US net (13.73%).
- b. Their total portfolio return was 2.32% since inception (10/1/19). This exceeded the MSCI AC World x US net (2.15%).
- c. The market value as of June 30, 2022 was \$23,477,742.31, which represented 10.75% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

a. Quarterly Performance Report – cont.

1. The Brice Group

Fidelity

- a. The total portfolio return in the second quarter was -12.60%, ranking in the 10th percentile of the IM International Equity. It exceeded the MSCI AC World ex US net (-17.55%).
- b. Their total portfolio return was 16.29% since inception (4/1/20). This exceeded the MSCI AC World x US net (16.16%).
- c. The market value as of June 30, 2022 was \$3,229,089.89, which represented 1.48% of the total portfolio.

Victory

- a. The total portfolio return in the second quarter was -17.08%, ranking in the 53rd percentile of the IM International Equity. It exceeded the MSCI AC World ex US net (-17.69%).
- b. Their total portfolio return was 13.81% since inception (4/1/20). This exceeded the MSCI AC World x US net (11.79%).
- c. The market value as of June 30, 2022 was \$3,016,863.77, which represented 1.38% of the total portfolio.

Harding Loevner

- a. The total portfolio return in the second quarter was -10.82%, ranking in the 28th percentile of the IM Emerging Markets Equity. It exceeded the MSCI EM Net (-11.45).
- b. Their total portfolio return was -4.28% since inception (1/1/18). This trailed the MSCI EM net (-0.88%).
- c. The market value as of June 30, 2022 was \$8,935,267.79, which represented 4.09% of the total portfolio.

EIP

- a. The total portfolio return in the second quarter was -6.03%, ranking in the 7th percentile of the IM US Other Equity. It exceeded the Alerian MLP Index (-7.38%).
- b. Their total portfolio return was 25.16% since inception (4/1/20). This trailed the Alerian MLP Index (52.12%).
- c. The market value as of June 30, 2022 was \$2,128,605.50; which represented 0.97% of the total portfolio.

Cohen & Steers

- a. The total portfolio return in the second quarter was -6.88%, ranking in the 31st percentile of the IM Global Infrastructure. It exceeded the DJ Brookfield Infrastructure (-7.11%).
- b. Their total portfolio return was -6.88 since inception (4/1/22). It exceeded the DJ Brookfield Infrastructure (-7.11%).
- c. The market value as of June 30, 2022 was \$3,853,848.31 which represented 1.76% of the total portfolio.

Lazard

- a. The total portfolio return in the second quarter was -2.02%, ranking in the 2nd percentile of the IM Global Infrastructure. It exceeded the DJ Brookfield Infrastructure (-7.11%).
- b. Their total portfolio return was -2.02% since inception (4/1/22). It exceeded the DJ Brookfield Infrastructure (-7.11%).
- c. The market value as of June 30, 2022 was \$2,494,003.58, which represented 1.14% of the total portfolio.

REGULAR AGENDA

9. FUNDS MANAGEMENT

a. Quarterly Performance Report – cont.

1. The Brice Group

Millenium

- a. The total portfolio return in the second quarter was 1.34%. It exceeded the HFRI RV (-2.78%).
- b. Their total portfolio return was 4.78% since inception (1/1/22). It exceeded the HFRI RV (-2.12%).
- c. The market value as of June 30, 2022 was \$890,807.00, which represented 0.41% of the total portfolio.

SEG

- a. The total portfolio return in the first quarter was -7.27%. It exceeded the HFRI Equity Hedge (-7.75%).
- b. Their total portfolio return was -15.58% since inception (1/1/22). It trailed the HFRI Equity Hedge (-11.75%).
- c. The market value as of June 30, 2022 was \$3,644,891.12, which represented 1.67% of the total portfolio.

The following table details the Investment Performance Review for the second quarter ending June 30, 2022. Market value of the funds under management as of June 30, 2022 was \$218,475,424.56.

The total fund return for the second quarter was -13.01%, ranking in the 96th percentile of Public Plans < \$250 million, as summarized below:

	3/22	6/21	6/19	6/17	6/12	1/92
	<u>To 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
<u>Total fund*</u>	-13.01/96	-14.78/92	6.59/18	7.68/7	8.59/8	7.40/45

*Ranked against Public Plans < \$250 million

The following manager specific return information is detailed separately from the other long-term data:

	3/22	6/21	6/19	6/17	4/15
	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
MetWest					
<u>Total Fund*</u>	-5.21/79	-10.46/64	0.34/16	1.97/11	2.00/16

*Ranked against the IM U.S. Broad Market Fixed

	3/22	6/21	6/19	6/17	6/12	7/11
	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
Western						
<u>Total Fund*</u>	-7.27/100	-14.70/100	-1.89/100	0.64/99	2.28/30	2.70/39

*Ranked against the IM U.S. Broad Market Fixed

	3/22	6/21	6/19	4/18
	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
John Hancock				
<u>Total Fund*</u>	-18.04/96	-16.87/93	10.33/37	9.23/65

*Ranked against the IM U.S. Large Cap Core Equity

	3/22	6/21	6/19	6/17	4/16
	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
Confluence					
<u>Total Fund*</u>	-14.41/81	-8.47/73	8.80/56	10.40/20	10.77/37

*Ranked against the IM U.S. Large Cap Value Equity

	3/22	6/21	6/19	6/17	10/12
	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
Eagle					
<u>Total Fund*</u>	-19.80/98	-22.13/98	6.38/92	9.04/46	12.18/20

*Ranked against the IM U.S. Large Cap Value Equity

	3/22	6/21	6/19	6/17	4/16
	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
Rothschild					
<u>Total Fund*</u>	-13.32/71	-4.13/37	8.92/54	9.04/46	9.88/63

*Ranked against the IM U.S. Large Cap Value Equity

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report – cont.

	The Brice Group					
	3/22	6/21	6/19	6/17	6/12	4/12
Winslow	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
Total Fund*	-21.34/62	-24.55/69	8.76/66	13.15/35	13.93/48	12.73/57
*Ranked against the IM U.S. Large Cap Growth Equity						
	3/22	6/21	6/19	6/17	6/12	1/10
Janus	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
Total Fund*	-25.21/91	-28.55/80	8.33/71	11.82/62	14.08/43	13.24/51
*Ranked against the IM U.S. Large Cap Growth Equity						
	3/22	6/21	6/19	6/17	6/12	10/06
Earnest Part.	<u>To 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>
Total Fund*	-13.84/31	-8.36/24	11.26/7	11.90/9	13.71/12	10.46/24
*Ranked against the IM U.S. SMID Cap Core Equity						
	3/22	6/21	6/19	6/17	7/17	
WCM	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	
Total Fund*	-16.95/84	-25.95/75	5.78/15	9.06/4	9.06/4	
*Ranked against the IM International Equity						
	3/22	6/21	10/19			
Aristotle	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>			
Total Fund*	-13.77/44	-18.75/43	2.32/63			
*Ranked against the IM International Equity						
	3/22	6/21	4/20			
Fidelity	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>			
Total Fund*	-12.60/10	-17.60/16	16.29/31			
*Ranked against the IM International Equity						
	3/22	6/21	4/20			
Victory	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>			
Total Fund*	-17.08/53	-24.77/56	13.81/50			
*Ranked against the IM International Equity						
	3/22	6/21	6/19	1/18		
Harding	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>		
Total Fund*	-10.82/28	-33.48/82	-4.62/93	-4.28/93		
*Ranked against the IM Emerging Markets Equity						
	3/22	6/21	4/20			
EIP	<u>to 6/22</u>	<u>to 6/22</u>	<u>to 6/22</u>			
Total Fund*	-6.03/7	10.47/23	25.16/41			
*Ranked against the IM US other Equity						
	4/22					
Cohen & Steers	<u>to 6/22</u>					
Total Fund*	-6.88/31					
*Ranked against the IM Global Infrastructure						
	4/22					
Lazard	<u>to 6/22</u>					
Total Fund*	-2.02/2					
*Ranked against the IM Global Infrastructure						
	3/22	1/22				
Millenium	<u>to 6/22</u>	<u>to 6/22</u>				
Total Fund	1.34	4.78				
	3/22	1/22				
SEG	<u>to 6/22</u>	<u>to 6/22</u>				
Total Fund	-7.27	-15.58				
*Ranked against the IM International Equity						

REGULAR AGENDA

9. FUNDS MANAGEMENT

e. Quarterly Performance Report – cont.
The Brice Group

Mr. Brice discussed the second quarter performance of the total portfolio. He discussed the changes to the Investment Policy, based off the Asset Allocation that the Board members approved from the previous meeting.

Motion by Schwarb, supported by Maleszyk, to approve the amended Investment Policy as presented. Absent: Feil. Ayes: Lamerato, Schwarb, Maleszyk, and Chavez. The motion carried.

10. BENEFITS & PLAN ADMINISTRATION

a. New Business
1. None

11. TRUSTEE COMMENTS

There were no comments.

12. ADJOURNMENT

Motion by Maleszyk, supported by Schwarb, to adjourn at 4:22 pm. Absent: Feil. Ayes: Lamerato, Schwarb, Maleszyk, Chavez. The motion carried; the meeting is hereby adjourned.

Jonathan Feil
Secretary

JF/kd