

CENTER LINE OTHER POST EMPLOYEES BENEFIT TRUST (OPEB)  
REGULAR MEETING MINUTES  
February 14, 2023  
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The regular meeting of the Center Line Other Post Employees Benefit Trust Committee was called to order at 1:04 p.m. on February 14, 2023 by Chairman Robert Binson.

Members Present: Mayor Robert Binson, City Manager Dennis Champine and Deputy Treasurer Gregory Suma.

Also Present: Tim Brice of the Brice Group at Morgan Stanley.

**1. Roll call:**

All present

**2. Approval of Agenda:**

MOTION by G. Suma to approve the February 14, 2023 agenda was supported by D. Champine.  
AYES: 3                      NAYS: NONE  
MOTION CARRIED

**3. Public Comment:**

None

**4. Approval of minutes:**

**a. OPEB Regular Meeting Minutes – November 29, 2022**

MOTION by, D. Champine supported by G. Suma to approve the minutes from the November 29, 2022 meeting minutes.  
AYES: 3                      NAYS: NONE  
MOTION CARRIED

**5. For your information:**

**a. Monthly performance report for Harding Loevner, our emerging markets manager for December 31, 2022.**

MOTION by, G. Suma supported by D. Champine to receive and file the aforementioned performance report.  
AYES: 3                      NAYS: NONE  
MOTION CARRIED

**b. Morgan Stanley's Global Investment Committee Market Update – 2023 Outlook: The Path Forward.**

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MOTION by, G. Suma supported by D. Champine to receive and file the aforementioned performance report.

AYES: 3                      NAYS: NONE

MOTION CARRIED

**6. Presentations:**

**a. Tim Brice from Morgan Stanley Graystone Consulting:**

- i. On The Markets – February, 2023 – *Focus on the Horizon, Not the Potholes.***
- ii. 4th Qtr. 2022 Money Manager performances.**
- iii. Cost structure.**

Mr. Brice spoke to the *On the Markets* handout. The bond market was down 13.00% last year. That was the worst performance by bonds in its history. The stock market was down 18.00%. Having both markets down together has not happened since 1870. Bonds are rallying in 2023 and Morgan Stanley thinks that trend will continue. Morgan Stanley believes there will be another round of volatility in the equity markets at the end of the first quarter. It will be based upon 4<sup>th</sup> quarter earnings reported by companies. Fourth quarter earnings have fallen by 7.00% relative to last year. Morgan Stanley believe by the end of 2023 stocks will be showing modest positive gains. Active managers should outperform the indices. The FED may be done raising interest rates by May.

Fourth quarter of 2022 we were up 9.22% but for the year of 2022 the portfolio was down 16.50%. So far for 2023 the portfolio is up 7.07%. Western was down 18.00% in 2022 while the benchmark was down 13.40%. Their portfolio had a longer duration than the benchmark. For 2023 Western is up 3.06% while the benchmark is up 1.87%. If you were not in the energy sector in 2022 your portfolio did not perform very well. Trustee Suma pointed out that the energy sector in 2022 gained 65.40% and utilities returned 1.60% while all the other sectors were negative. So far in 2023, Aristotle is up 6.74% while their benchmark is up 5.50%. JP Morgan and Clearbridge did well in 2022 compared to their benchmarks. In 2023 Clearbridge is up 13.00% while their benchmark is up 11.10%. Pollen is up in 2023 by 12.63% and their benchmark is up 11.10%. Kayne Anderson is up 11.36% while their benchmark is up 10.30%. Internationals and emerging market equities are performing well and Mr. Brice said tactically that is an area we may want to add to. Harding Loevner the firm we have been monitoring was up 10.84% 4<sup>th</sup> quarter 2022 while their benchmark was up 9.65% and in 2023, they are up nearly 8.00% with their benchmark up 6.00%. Our Master limited partnerships did well. EIP was up 13.00% and Tortoise was up 22.00%. Our REIT manager Cohen and Steers is up 10.40% in 2023.

Mr. Brice addressed our asset allocation. Our alternatives are not in the report as they do not get daily pricing. The portfolio is almost at \$ 9,500,000.00 in value. Our equities are at the higher end of positioning but well within our target model. REITS are at the high end of our target because they have performed well. Private equity is at about 3.50%. Fixed income is at 18.00%.

Mr. Brice moved on to the cost structure. With the size of our fund, we would not meet the minimums with most managers so being on the Platform (UMA) with Morgan Stanley it allows for us to invest with these managers at a lower minimum. Morgan Stanley's platform now has

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over \$ 3 Trillion of investments. Secondly, if we were able to meet their minimum the manager fees would be much higher. But with the economies of scale, we are afforded a lower money manager fee. Mr. Brice referred to the document he presented with all of our managers and the fee structure. Alternative managers generally have a higher fees structure. Our blended rate for managers are around 38 basis points. Mr. Brice said most mutual funds are at 120, 130 and 140 basis points. The Morgan Stanley consulting fee is 50 basis points. It covers consulting, manager searches, due diligence and trading costs. Mr. Brice also wants to investigate lower break points in the future he said he will discuss that with Rebecca in his office.

**7. Old Business:**

a. None.

**8. New Business:**

a. None.

**9. Approval of vouchers:**

**a. Graystone Consulting fees 4th Quarter 2022 Invoice # 10050523009, dated:  
January 9, 2023 ~ \$ 10,840.27.**

A motion to pay the Graystone Consulting invoice was entertained by Trustee Suma and seconded by Trustee Champine.

AYES: 3                      NAYS: NONE

MOTION CARRIED

**b. Fourth Quarter 2022 Money manager fees ~ October 2022 - \$ 1,853.32, November 2022 - \$ 1,915.74, December 2022 - \$ 1,918.23, Total: \$ 5,687.29.**

A motion to pay the money manager fees was entertained by Trustee Suma and seconded by Trustee Champine.

AYES: 3                      NAYS: NONE

MOTION CARRIED

**10. Commissioner comments:**

a. None.

**11. Adjournment:**

MOTION by Trustee D. Champine, supported by Trustee G. Suma to adjourn the meeting at 1:45 pm

AYES: 3                      NAYS: NONE

ABSENT: None

MOTION CARRIED