

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
May 16, 2023

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The regular meeting of the Center Line Police and Fire Retirement Commission was called to order at 3:05 p.m. by Chairperson Stys.

Members Present: Richard Stys, Gregory Suma, Jorge Bermudez, Gregory Pearl and Bernadette Helkowski.

Members Absent: None.

Also Present: Timothy Brice of Morgan Stanley via teleconference.

AGENDA ITEM 2A. – Approval of the Agenda:

A. Motion by Trustee Pearl to approve the May 16, 2023 agenda was supported by Trustee Bermudez

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

AGENDA ITEM 3 – Public Comment

Seeing there was no one in the audience this item was closed.

AGENDA ITEM 4 – Approval of the minutes

A. Approval of the Regular Meeting minutes held on March 21, 2023.

Trustee Helkowski made the motion to approve the March 21, 2023 minutes was supported by Trustee pearl.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

B. Approval of the non-quorum Regular Meeting Minutes held on April 18, 2023.

Trustee Helkowski made the motion to approve the non-quorum April 18, 2023 minutes was supported by Trustee Pearl.

AYES: 5

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NAYS: None Motion carried 5 - 0.
ABSENT: None.

AGENDA ITEM 5 – Remembrances of deceased Members and Beneficiaries:

A. Cheryl Welch deceased April 7, 2023 survivor beneficiary of Frank Thimm.

Chairman Stys asked for a moment of silence of the passing of Cheryl Welch.

AGENDA ITEM 6 – Presentations:

A. Timothy Brice, Morgan Stanley Graystone Group via teleconference discussion on:

- i. On the Markets for April, 2023 – *Not 2008, but...***
- ii. Market value as of April 11, 2023 \$ 12,623,569.47.**
- iii. Morgan Stanley – Annual Update of GIC Capital Market Assumptions as of March 29, 2023.**
- iv. Morgan Stanley Graystone Consulting – The Brice Group – The portfolio Investment structure review as of April 11, 2023.**
- v. On the Markets for May, 2023 – *Denouement.***
- vi. Review of First Quarter 2023 Money Manager performances.**
- vii. Wealth Strategies Analysis prepared on May 8, 2023.**

Mr. Brice said the FED continues to increase rates as the economic numbers are still leaning to high inflation. We are seeing a problem with some regional banks from a run by customers. Bonds are attractive with nice yields. Morgan Stanley feels that the FED may lower interest rates at the end of the year by 100 or 150 basis points. The federal debt ceiling may be a problem and is becoming a political issue.

Mr. Brice directed his comments to the quarterly performance numbers. Almost all sectors in 2022 were negative except the energy sector which was up 65.40%. Because of high inflation and the Russia and Ukraine war oil spiked to a high of \$ 130.00 a barrel and today it is in the \$ 70.00 range. So far in 2023, the energy sector is performing negatively.

The overall market in 2022 was down 18.00%. For the first quarter of 2023 our portfolio is up 6.33% and for year to date the portfolio is up 6.60%. For the last three years the portfolio is up 11.00%. Western is up in 2023 by 3.55% exceeding its benchmark. John Hancock is up for the quarter by 12.68% versus its benchmark of 7.50%. Aristotle our value manager, is up 4.02% for the quarter while its benchmark is up 1.01%. Aristotle does not hold any energy stocks which led to it having a negative return in 2022.

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Clearbridge a large cap growth manager had a quarterly return of 16.61% and its benchmark returned 14.37%. So far in 2023 they are north of 18.00%. Our three international managers are beating their benchmarks in 2023.

Mr. Brice moved on to asset allocation. Through May 8, 2023 the portfolio is valued at \$ 12,560,212.93. The portfolio has 30.37% of large cap stock and a total exposure of stocks at 70.94%. We are at the high end of our target allocation for equities. We have 7.14% in REITs, 3.65% in private equity, 16.26% in fixed income and 2.00% in cash.

Mr. Brice said with attractive yields in the bond market it may be time to trim equities and put more exposure into fixed income.

Mr. Brice said Morgan Stanley's white paper on capital market assumptions will be addressed as we study where we want to go for an asset reallocation.

Mr. Brice moved on to the Wealth Strategies Analysis. Strategic assumptions are for the next seven years and secular assumptions are estimates for the next twenty years. Equities strategically should return 6.00% and secularly should return 8.80%. Fixed income strategically should return 4.90% and secularly should return 3.90%. Alternative investments should return 6.80% strategically and secularly should return 6.50%. Private real estate strategically should return 6.30% and secularly should return 8.60%. Private equity strategically should return 9.30% and secularly should return 14.00%. Private credit strategically should return 9.80% and secularly should return 9.30%.

On page 4 of 35 Mr. Brice pointed out our current strategy and gave us three other models of allocation to consider. He also gave us the strategic and secular returns for all of the models. Our current and target model expects a secular return of 8.20% which is better then or slightly lower to the mix 4 model of 7.60%, modified mix 5 of 8.300% or mix 5 tactical of 8.10%. Our current position in alternatives is at 10.8% our target is 19.00%. Mix 4 has a 25.00% exposure, mix 5 has an exposure of 33.00% and mix 5 tactical has 25.00%. Mr. Brice also discussed the efficiency and standard deviation on all of the mixes. Mr. Brice feels we should increase our alternative exposure as the equity markets recover. He also said we should maybe increase our fixed income exposure with rates being high. With our current equity exposure of 71.00% we could trim that back and allocate to the other asset classes.

Trustee Suma referred to the strategic and secular returns of private credit and said maybe now is the time to increase our alternative investments and allocate some funds to this asset class with interest rates being this high. Mr. Brice said funny you say that because Morgan Stanley feels now is a good time to move to private credit. He said one of his clients over the last few weeks have moved funds to a private credit pool with

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good liquidity and lower fee structure. Our current target model and investment policy statement does not have an exposure to private credit but we can always amend that by a vote of the commission. From a Sharpe ratio for efficiency, it is about the highest efficient asset class. Mr. Brice could present a report at the next meeting of how adding private credit will affect our portfolio. We could trim equities to add to this asset class. Trustee Stys asked Mr. Brice if he could have this report for the next meeting and Mr. Brice said yes and the report will contain a rebalance piece, what the mix would look like with the capital market assumptions and a mix of managers to review. Depending on size we could look at a few of managers to diversify this asset class.

Question arose on how much to allocate to this space and two to three percent sounded good but it depends on the minimums the managers require.

Trustee Suma asked if Stephanie can forward an amended Investment Policy Statement to account for this asset class and Mr. Brice said he wants to give us the report on how this will impact the portfolio and we can make the changes soon.

City Treasurer Sobota addressed the Commission and asked Trustee Suma if we need to do a drawdown to cover pensions so we may think about having some cash on hand. Trustee Suma said we will look into that. We tried last month purchasing a CD but it was grabbed quickly by other investors. Mr. Brice said he was seeing CD rates around 5.00% and money market rates were over 4.00%.

Trustee Suma said if you review the money manager performances most of the active managers are beating their benchmarks and Mr. Brice has said active managers should perform better in this type of an environment. One of our passive managers is not achieving its benchmark so maybe that is an area we could trim for pension benefit drawdowns and funding alternative investments. Mr. Brice concurred.

Mr. Brice asked if we want to raise 2.00% or 2.50% in cash at this time. Trustee Suma said he would like to see the report first. Trustee Stys also said he would like to see the report.

Mr. Brice thanked the Commission for all its input because it is this interaction that helps the portfolio grow and also thanked the Commission to allow him to discuss his information remotely.

AGENDA ITEM 7 - For Your Information:

A. Review of Monthly performances for Western - fixed income manager, Harding Loevner - International equity/ADR and Clearbridge - large-cap growth as of

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March 31, 2023.

A motion by Trustee Suma to receive and file this statement was seconded by Trustee Pearl.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

B. Review of Monthly performances for Western - fixed income manager, Harding Loevner - International equity/ADR and Clearbridge - large-cap growth as of April 30, 2023.

A motion by Trustee Suma to receive and file this statement was seconded by Trustee Bermudez.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

AGENDA ITEM 8 – Old Business:

A. December 31, 2022. *Tabled from meeting of March 21, 2023.*

Trustee Suma made the motion to remove from the table and was seconded by Trustee Pearl.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

Trustee Suma said he was the person who had this item tabled at the March meeting because he wanted to look at the numbers more carefully. Trustee Suma said he was satisfied with the numbers and made the motion to receive and file which was seconded by Trustee Pearl.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

AGENDA ITEM 9 – New Business:

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A. Spring MAPERS conference May 20, 2023 through May 23, 2023 at the Radisson Plaza Hotel, Kalamazoo, MI.

A motion by Trustee Suma to allow any member who wants to attend can register and attend was seconded by Trustee Pearl.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

AGENDA ITEM 10 – Retirements:

A. None.

AGENDA ITEM 11 – Annuity Withdrawals:

A. None.

AGENDA ITEM 12 – Approval of Pension Figures:

A. None.

AGENDA ITEM 13 – Vouchers:

A. March 24, 2023, pensions paid: Pay Report 503 ~ \$ 123,707.24.

A motion by Trustee Helkowski to pay the March 24, 2023 pensions was seconded by Trustee Bermudez.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

B. Money Manager fees: January 31, 2023 \$ 2,697.11, February 28, 2023 \$ 2,368.00, March 31, 2023 \$ 2,632.85. Total \$ 7,697.96.

A motion by Trustee Pearl to pay the money manager fees was seconded by Trustee Helkowski.

AYES: 5

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NAYS: None Motion carried 5 - 0.
ABSENT: None.

C. April 25, 2023 pensions paid: Pay Report 500 - \$ 121,972.10.

A motion by Trustee Bermudez to pay the April 25, 2023 pensions was seconded by Trustee Helkowski.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

D. Morgan Stanley, Graystone Consulting Re: First Quarter 2023 Consulting Fees Invoice No. 10032023100~ \$ 15,610.77.

A motion by Trustee Peral to pay the first quarter 2023 Graystone consulting fees was seconded by Trustee Bermudez.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

E. Gabriel, Roeder, Smith & Company Invoice # 478077 dated: May 1, 2023 For the December 31, 2022 Actuarial Valuation ~ \$ 10,200.00.

Trustee Suma said Shena Neeson will be here next month to discuss the December 31, 2022 actuarial valuation.

A motion by Trustee Helkowski to pay the Gabriel, Roeder, Smith & Company invoice was seconded by Trustee Bermudez.

AYES: 5
NAYS: None Motion carried 5 - 0.
ABSENT: None.

14. Commission Members Comments:

Trustee Helkowski asked if anyone knew where the September MAPERS conference was going to be. Trustee Pearl said Shanty Creek Bellaire, MI.

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AGENDA ITEM 15 – Adjournment:

As there was no further business to discuss, a motion by Trustee Suma and supported by Trustee Bermudez that the meeting be adjourned at 4:05 p.m.

AYES: 5
NAYS: None **Motion carried 5 - 0.**
ABSENT: None.