

CENTER LINE OTHER POST EMPLOYEES BENEFIT TRUST (OPEB)
REGULAR MEETING MINUTES
May 23, 2023
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The regular meeting of the Center Line Other Post Employees Benefit Trust Committee was called to order at 1:03 p.m. on May 23, 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 May 23, 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 – February 14, 2023.

MOTION by, D. Champine supported by G. Suma to approve the minutes from the February 14, 2023 meeting minutes.

AYES: 3 NAYS: NONE

MOTION CARRIED

5. For your information:

a. Monthly performance report for Harding Loevner, our emerging markets manager for January 31, 2023.

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

AYES: 3 NAYS: NONE

MOTION CARRIED

b. Monthly performance report for Harding Loevner, our emerging markets manager for March 31, 2023.

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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 – May, 2023 – *Denouement*.**
- ii. First Qtr. 2023 Money Manager performances.**
- iii. Morgan Stanley Wealth Management, Global Investment Committee update as of March 29, 2023 – Annual Update of GIC Capital Market Assumption.**
- iv. Graystone Consulting – Wealth Strategies Analysis prepared on May 16, 2023.**

Mr. Brice spoke to the *On the Markets* handout. The FED at its last meeting raised the rate by twenty-five basis points and may take a pause from here as some regional banks have failed. Bonds are in a good spot and look attractive. US Treasuries have backed up a little because of the debt ceiling issue being worked on in Congress. Morgan Stanley feels there is still a wave yet to come with volatility in the equity markets. Mr. Brice said Bank of America does not see any volatility on the horizon. Mr. Brice said the markets have already worked in an anticipated cut in the FED rates later this year. Morgan Stanley does not anticipate cuts coming this year. Equities have done really well since bottoming out and now may be the time to raise some cash and trim our equity exposure.

Mr. Brice focused on the quarterly performance book. The 2022 S & P 500 sector returns had only the energy sector and utilities showing positive returns with 65.40% and 1.60% respectively. All other sectors were negative with communication services being the biggest loser -39.90%. The overall S & P 500 was down -18.00% in 2022. Our portfolio was up 6.54% in the first quarter of 2023. Over one year we were down 3.96% and for three years we are up 11.54%. For five and seven years we are up 5.80% and 7.15% respectively. The portfolio is up 7.25% year to date. Western had a terrible 2022 but has bounced back considerably. It is up 3.62% in the first quarter of 2023 with its index up 2.96%. Jensen is slightly below its benchmark and that is because some of the big-name growth stocks with significant returns are not in the Jensen portfolio. Aristotle is doing well. Clearbridge who was on our watch list is up 16.60% in the first quarter of 2023 with their benchmark being up 14.37%. Clearbridge is up 18.00% year to date. Polen had a terrible 2022 but is up 14.27% in the first quarter of 2023. Our small and mid-cap managers are performing very well. Causeway one of our international managers is up 14.82% in the first quarter with its benchmark being up 8.46%. Our emerging markets managers are performing around their benchmarks. Cohen & Steers, our REIT manager was up 2.77% in the first quarter with its benchmark being up 1.74%. REITS should perform better when interest rates go down.

Mr. Brice moved on to asset allocation. As of May 15, 2023 the portfolio is valued at \$ 9,426,382.55. Our equities are at 68.53% with our target being 62.00% and a maximum of 70.00%. Are master limited partnerships are just under 4.00%. Our real estate is at 3.08%, fixed income is at 18.01%, private equity at 3.58% and cash is at 2.87%. Mr. Brice addressed the asset allocation study. The strategic and secular assumptions were addressed.

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The report has in the next seven years that equities are projected to return 6.00%. US equities are projected a 5.40% return over the next seven years while international equities are projected to return 6.30% and emerging markets and frontier markets are projected to return 9.40%. There are higher risks in the emerging markets and frontier markets. Mr. Brice is recommending to stay the course with the portfolio. Fixed income is projected to return 4.90% over the next seven years. High yield fixed income is projected to return 7.40% and emerging market fixed income is projected at 8.10%. Our core plus fixed income managers could have some nice returns over the next few years. REITS are projected to return 5.20%. MLPs are projected to return 8.90%. Private Equity and Private Credit are projected to return 9.30 and 9.80% respectively. Trustee Suma stated that P & F Retirement Commission has asked Mr. Brice to bring a list of Private Credit managers to review as interest rates are at these elevated levels. Morgan Stanley feels now is a good time to have some exposure to Private Credit management.

Motion by G. Suma to have Mr. Brice bring a list of Private Credit managers to the next meeting for review along with a mix if we added that to our portfolio along with an amended Investment Policy Statement Guidelines and Objectives was seconded by D. Champine.

AYES: 3 NAYS: NONE

MOTION CARRIED

Mr. Brice went over our current asset allocation model and three other tactical models we could possibly move to. All three had a lower allocation to equities and a higher allocation to alternative investments. The projected returns added ten to fifty basis points to returns and the three allocations all had Private Credit exposure.

7. Old Business:

a. None.

8. New Business:

a. None.

9. Approval of vouchers:

a. First Quarter 2023 Money manager fees ~ January 2023 - \$ 2,059.72, February 2023 - \$ 1,816.50, March 2023 - \$ 2,051.96, Total: \$ 5,928.18.

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

AYES: 3 NAYS: NONE

MOTION CARRIED

b. Morgan Stanley, Graystone Consulting – First Quarter 2023 Consulting fees, Invoice No. 10050523100 Dated: April 10, 2023 ~ \$ 11,285.11.

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

AYES: 3 NAYS: NONE

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MOTION CARRIED

10. Commissioner comments:

a. None.

11. Adjournment:

MOTION by Trustee D. Champine, supported by Trustee G. Suma to adjourn the meeting at 1:40 p.m.

AYES: 3 NAYS: NONE

ABSENT: None

MOTION CARRIED