

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Page 1 of 9

The regular meeting of the Center Line Police and Fire Retirement Commission was called to order at 3:03 p.m. by Chairperson Stys.

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

Members Absent: Bernadette Helkowski.

Also Present: Timothy Brice of Morgan Stanley via teleconference.

AGENDA ITEM 2A. – Approval of the Agenda:

A. Motion by Trustee Pearl to approve the June 13, 2023 agenda was supported by Trustee Bermudez

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

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 May 16, 2023.

Trustee Pearl made the motion to approve the May 16, 2023 minutes was supported by Trustee Bermudez.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

AGENDA ITEM 5 – Remembrances of deceased Members and Beneficiaries:

A. None.

AGENDA ITEM 6 – Presentations:

A. Shana Neeson from Gabriel, Roeder, Smith & Co. presenting the Sixty-first

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Annual Actuarial Valuation dated: December 31, 2022.

Mrs. Neeson said the contributions to the plan come from three sources; Member contribution, employer contributions and investment income. This report develops what the next year's fiscal contributions should be. The first cost is the cost for the current year of accrued service by all members and this is called the normal cost. The second cost is the amortization payment of the unfunded accrued liabilities. The normal Fiscal year 2024 the total normal cost as a percentage of payroll is 23.48%. The normal cost is broken done by the member's percentage of 6.87% and the employer's percentage of 16.61%. The total fiscal 2024-dollar contribution will be \$ 920,087.00.

The administrator of the plan annually submits to Gabriel, Roeder, Smith & Co. all the member's changes in service credit, salaries, member's contributions, marital changes and anything that would change the normal cost of an active member. Financial statements and plan provisions are also sent to Gabriel, Roeder, Smith & Co. The retirement commission has an experience study done about every five years to review and adopt any necessary changes to the assumptions to the plan. All of this information determines what the next fiscal year's actuarially determined contribution rate shall be.

On page C-4 of the report shows we have forty-eight (48) individuals receiving pension benefits accounting for about \$ 1,500,000.00 annually in benefits.

Trustee Pearl asked what is the average age of a death for the participants. Mrs. Neeson said if you turn to page D-4 it has the average life expectancy. So, a member who is age seventy and is a male has and an expectancy to live an additional 16.47 years. Trustee Suma said that when we review our assumptions mortality is a key assumption that we need to review. Mrs. Neeson said mortality and investment returns are two areas that are a big part of the actuarial valuation.

As of December 31, 2022 the retirement plan had seventeen (17) active members. The average member of the plan is thirty-nine and one-half years of age (39.5) and has (5.1) years of service. Of the seventeen active members, fifteen of them have less than 10 years of service. The plan currently does not have any deferred retirees. Ten years of service makes a person eligible for a deferred pension.

Mrs. Neeson said the plan has a Market Value as of December 31, 2022 of \$ 12,054,386.00 but a Funding Value of \$ 14,323,126.00 which takes a smoothing approach over four years to reduce volatilities in gains and losses. Ms. Neeson explained how the smoothing value affects the plans Funding or the Actuarial Value.

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Page 3 of 9

Mrs. Neeson discussed briefly about the assumptions used in section D to compile this report. The last time the retirement commission reviewed the assumptions was in 2018 so it is about time to do another experience study. Under Public Act 202 of 2017 requires the retirement commission to complete and experience study every five years and a peer group audit review on our actuary every eight years. Trustee Suma asked Mrs. Neeson if she could provide the names of some actuarial firms who conduct peer reviews. She said she would. Mrs. Neeson said there are wide range types of peer reviews. Trustee Suma asked what is required under P.A. 202 and Ms. Neeson said it only requires a peer audit review.

Trustee Suma made the motion to have an experience study done after the 2023 actuarial valuation and have a peer review actuarial audit in 2024 was seconded by Trustee Pearl.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

Mrs. Neeson said on a Funding valuation the plan as of December 31, 2023 was 69.70% funded and on a market value the plan was at 59.00%.

Trustee Stys said the amortization is now at 13 years what will happen as it gets lower. The Commission froze the unfunded liability a few years back to actually pay down the unfunded liability. At some point we will want to reset the amortization period the closer we get to zero.

Trustee Bermudez asked Mrs. Neeson does this report take into consideration the individuals who are a little bit older that were hired here over the past few years and can become vested and collect on a pension at age sixty (60). She said yes.

Trustee Suma made motion to accept the recommended employer contribution amount as presented by Gabriel, Roeder, Smith & Co. and was seconded by Trustee Pearl.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

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

i. On the Markets for June, 2023 – Look Below the Surface.

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Page 4 of 9

- ii. Market value as of June 6, 2023 \$ 12,658,984.07.**
- iii. Graystone Consulting – Wealth Strategies Analysis prepared on June 7, 2023.**
- iv. Blackstone Private Credit Fund (BCRED) As of December 31, 2022.**
- v. Blackstone Private Credit Fund fact sheet with returns for each share class.**
- vi. CION Ares Diversified Credit Fund (CADC) – An Institutionally Managed Global Credit Strategy. Introduction.**
- vii. CION Ares Diversified Credit Fund (CADC) fact sheet with returns.**
- viii. Blackstone Private Credit Fund offering kit.**
- viv. CION Ares Diversified Credit Fund offering kit.**

Mr. Brice said as of the close of June 12, 2023 the portfolio is up 9.05% from January 1, 2023. Mr. Brice said their firm and the “street” believes the FED has stopped raising Rates. Core inflation is falling and sees a pause for some time on rates and then will start a pattern of declining rates. Bonds are looking good here while equity markets that have moved up but there will be a narrowing of stocks to invest in. A few stocks are maintaining the rally and one area investors are jumping into is artificial intelligence stocks. Morgan Stanley still believes there will be a correction in the equity markets then giving a wave to the next bull market. Morgan Stanley believes there is a fifty percent chance of a recession (50.00%). We may want to add to longer duration bonds.

Regarding asset allocation the portfolio is now over 71.00% in equities and now would be a good time to trim and put it aside and allocate it to other investments such as private credit and certificates of deposits on a short-term basis.

Mr. Brice addressed the report for wealth strategies with adding private credit into the mix. On page four, a two percent exposure to private credit was added to the model. It maintains our return over the next seven years and brings down our risk through further diversification. Just a small exposure to private credit has a positive impact to the portfolio. The standard deviation would drop from 11.40% to 10.00%.

Mr. Brice addressed to two Private Credit managers, CION Ares and Blackstone. By using the funds approach, it allows our plan to get under the minimum amount of commitment in order to invest and is liquid with lower fees.

Trustee Suma said he read through some of the two offering circulars and saw that Blackstone had a lot of investments. Trustee Suma referred to the commitments and noticed that there were two types, a revolver and a delayed draw. What does that mean? Mr. Brice said one was a revolving credit. Mr. Brice said you may want to have one or both in for an interview. Mr. Brice said one thing to ask the managers is what is

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Page 5 of 9

their default percentage. In an interview recently with Blackstone they were told it is minuscule. Mr. Brice said it was one-tenth of 1.00% and even in those cases they were able to garner some cash from the commitment. Trustee Suma said some of the commitments Blackstone has have rates of 10.62%, 10.66%, 8.90%, 10.65%, 10.48% and 9.75%. Trustee Suma said a lot of the rates are tied to the LIBOR rate, and researched that the current LIBOR rate is 5.066% and most of the commitments have a LIBOR rate plus an additional interest rate amount. The LIBOR rate is similar to our FED funds rate but it is used in the United Kingdom. Trustee Suma said he did a lot of reading through both offering circulars and felt Blackstone was transparent. Mr. Brice said if you look at the fact sheet Blackstone's Class I shares have had an 8.80% return since the inception of the fund and income off of the fund is 10.10%.

Minimum dollar amounts were discussed and other criteria to be able to invest in these funds. Mr. Brice said we have met those requirements and that is why both of these funds have submitted all of these documents to our commission. Fees were discussed. Mr. Brice said we would want the Class I shares and we would not be charged placement fees.

These types of funds really came about after the housing market crash of 2008 and 2009. Private businesses needed a place to get loans as the banks tightened their lending practices. Mr. Brice said that Morgan Stanley believes if investors are looking for an alternative investment now would be a good time to invest in private credit with interest rates rising. The commission has studied the asset allocation model, have reviewed the capital market assumptions by Morgan Stanley and now would be a good time to have a firm(s) in for an interview. Trustee Suma said he would like a firm to come in in-person because he has a lot of questions to ask. Trustee Stys said maybe we could all have any questions sent to Tim in advance and he could forward them to Blackstone. Trustee Suma said he would like to take a thorough approach on this and Trustee Stys agreed.

City Treasurer Joseph Sobota said the fund will need to have cash available later in the fiscal year to pay benefits.

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Page 6 of 9

It was discussed to maybe reduce the passive equity exposure and move it into money markets or certificate of deposits. Dollar amounts were discussed about liquidating. And Mr. Brice agreed it should come from the index managers.

Trustee Pearl made the motion to liquidate \$ 500,000.00 from the investments Mr. Brice feels we need to trim was seconded by Trustee Bermudez.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

Mr. Brice said as rates comes down in the fund Blackstone can discuss how they protect the income in the fund. Trustee Pearl mentioned that we qualified for this fund and how was that. Mr. Brice said the fund was created for clients our size and smaller. Trustee Suma said Blackstone is doing quite well with this fund. They have a base management fee of 1.25% and made \$ 73,000,000.00 quarter ending March 2023, they have a capital appreciation incentive fee where they made \$ 100,000,00.00 quarter ending March 2023 and off of servicing and distribution fees, they made another \$ 15,000,000.00.

AGENDA ITEM 7 - For Your Information:

A. JLL Income Property Trust – 2023 1st Quarter in Review dated: May 2023.

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

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

B. The Vanguard Fiduciary Liability Insurance Binder. Fiduciary Liability insurance policy commencing July 1, 2023 ending July 1, 2024.

Trustee Suma said we have a \$ 1,000,000.00 fiduciary liability insurance policy for this commission and this is the binder for our policy. We will receive the actual policy in the coming weeks.

A motion by Trustee Suma to receive and file this review was seconded by Trustee

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Pearl.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

C. Review of Monthly performances for Western - fixed income manager, Harding Loevner - International equity/ADR and Clearbridge - large-cap growth as of May 31, 2023.

A motion by Trustee Suma to receive and file the review was seconded by Trustee Pearl.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

Discussion ensued about removing Western, Harding Loevner and Clearbridge from monthly reviews.

A motion by Trustee Pearl to instruct Mr. Brice not to run the monthly reviews for the aforementioned managers was seconded by Suma.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

AGENDA ITEM 8 – Old Business:

A. None.

AGENDA ITEM 9 – New Business:

A. Discussion on proposed Fiscal Year 2024 Budget for the P & F Retirement System.

Trustee Suma said there was a slight increase to all line items. Pension payments are going up because we have another retirement.

A motion by Trustee Pearl and was seconded by Trustee Bermudez to adopt the proposed Fiscal 2024 P & F Retirement Commission budget.

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

B. Recommended 2022-2023 Budget Adjustment.

Trustee Suma said as a result of the Fall MAPERS conference at Mackinaw Island it caused our line-item for conference and workshops to exceed the line-item amount and we our over budget.

A motion by Trustee Pearl to amend our budget and increase our conference and workshops line-item to \$ 8,000.00 was seconded by Trustee Bermudez.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

AGENDA ITEM 10 – Retirements:

A. Charles E. Schubert Straight Life with 60% Survivor Beneficiary effective July 5, 2023.

A motion by Trustee Pearl to approve the retirement of Charles Schubert was seconded by Trustee Bermudez.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

AGENDA ITEM 11 – Annuity Withdrawals:

A. None.

AGENDA ITEM 12 – Approval of Pension Figures:

A. None.

AGENDA ITEM 13 – Vouchers:

A. May 25, 2023, pensions paid: Pay Report 503 ~ \$ 121,972.10.

CENTER LINE POLICE & FIRE RETIREMENT COMMISSION
MINUTES
REGULAR MEETING
June 13, 2023

Page 9 of 9

A motion by Trustee Suma to pay the May 25, 2023 pensions was seconded by Trustee Pearl.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

B. Nickel & Saph, Inc. – 2023 – 2024 Fiduciary Liability insurance policy renewal.
Invoice # 22679 Dated: May 31, 2023 ~ \$ 5,995.00.

A motion by Trustee Pearl to pay the Nickel & Saph Inc. invoice was seconded by Trustee Bermudez.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

C. Reimburse the City of Center Line for retirement system administrator
Wages from January 1, 2023 through June 30, 2023. \$ 29,570.01.

A motion by Trustee Pearl to reimburse the City of Center Line was seconded by Trustee Bermudez.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.

14. Commission Members Comments:

None.

AGENDA ITEM 15 – Adjournment:

As there was no further business to discuss, a motion by Trustee Bermudez and supported by Trustee Pearl that the meeting be adjourned at 4:32 p.m.

AYES: 4
NAYS: None Motion carried 4 - 0.
ABSENT: Helkowski.