CITY OF DEARBORN
CHAPTER 22 - GENERAL EMPLOYEES RETIREMENT SYSTEM
(System Close date: 07/01/2002)
BOARD OF TRUSTEES MINUTES
Dearborn Administrative Center - Council Chambers
16901 Michigan Avenue, Dearborn, MI, 48126
8:30 am, Thursday, July 25, 2019

<table>
<thead>
<tr>
<th>Board Attendance</th>
<th>Present</th>
<th>Absent</th>
<th>Term End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl Meyers, Chair, Mayor Appointed</td>
<td>X</td>
<td></td>
<td>01/01/22</td>
</tr>
<tr>
<td>Don Cundy, Vice Chair, City Council Appointed</td>
<td>X</td>
<td></td>
<td>01/01/22</td>
</tr>
<tr>
<td>Robert Guerin, Trustee, Member Elected</td>
<td>X</td>
<td></td>
<td>06/30/19</td>
</tr>
<tr>
<td>Wisam Fakhoury, Trustee, CSC Appointed</td>
<td></td>
<td>X</td>
<td>06/30/20</td>
</tr>
<tr>
<td>William Irving, Trustee, Member Elected</td>
<td></td>
<td>X</td>
<td>06/30/21</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Attendance</th>
<th>Present</th>
<th>Absent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ginger Burke-Miller, Board Secretary</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Robert Festerman, Pension Administrator</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Jeremy Romer, Legal Counsel</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Marie Racine, Legal Counsel</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>John Krakowiak, Graystone, Consultant</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Steve Riga, Graystone, Consultant</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Amy Cole, Graystone, Consultant</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Roll Call Time: 8:31 AM
Quorum Met (Needs 3 attending members for a quorum): Yes
A) 8:31 AM – General Business.

1. Pension Administrator Robert Festerman informed the Board that in preparation for the fiscal year-end audit, a review of the FY2019 Board Minutes resulted in discovery of duplicated resolution numbers in the January 28, 2019 and February 21, 2019 Board Minutes.

Mr. Festerman’s proposed correction was to update the duplicated resolution numbers to currently unassigned resolution numbers (the next available in numerical sequence). Correcting only the February 21, 2019 board minutes via this approach would avoid having to revise the resolution numbers on every set of Board Minutes from February to current.

a. Motion to approve correcting the duplicated resolution numbers in the February 21, 2019 Board Minutes as proposed by Pension Administrator Robert Festerman.

<table>
<thead>
<tr>
<th>Motion by:</th>
<th>Don Cundy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support by:</td>
<td>Robert Guerin</td>
</tr>
<tr>
<td>Roll-Call Vote:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Resolution #:</td>
<td>2019-79</td>
</tr>
</tbody>
</table>

2. Motion to approve 06/27/2019 Open Session minutes.

<table>
<thead>
<tr>
<th>Motion by:</th>
<th>Robert Guerin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support by:</td>
<td>Carl Meyers</td>
</tr>
<tr>
<td>Roll-Call Vote:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Resolution #:</td>
<td>2019-80</td>
</tr>
</tbody>
</table>

3. No Board Members expressed interest in attending the NCPERS 2019 Public Pension Funding Forum, September 11-13, 2019 in New York, NY.

4. Application for EDRO benefits made by Philip Walling, alternate payee of Debra Walling:

The Board considered Philip Walling’s application for EDRO benefits. Pension Administrator Robert Festerman indicated that due to the unique language contained within the Walling EDRO, the City’s actuary will need to recalculate the EDRO benefits at the time of Debra Walling’s retirement. This recalculation is necessary to determine any overpayment that Philip Walling will have received based on Debra Walling’s actual retirement date. Once the overpayment amount has been determined, Philip Walling will be required to reimburse the pension system for the overpayment at that time.

a. Motion to approve Philip Walling’s application for EDRO benefits.

<table>
<thead>
<tr>
<th>Motion by:</th>
<th>Robert Guerin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support by:</td>
<td>Don Cundy</td>
</tr>
<tr>
<td>Roll-Call Vote:</td>
<td>Unanimous</td>
</tr>
<tr>
<td>Resolution #:</td>
<td>2019-81</td>
</tr>
</tbody>
</table>
B) INVESTMENT CONSULTANT BUSINESS

1. Graystone Consulting

Graystone consultants John Krakowiak, Amy Cole, and Steven Riga presented the July 2019 meeting materials and discussed with the Board.

*Receipt & file resolution #: 2019-82*

Steven Riga began by providing an economic update and overview. Riga indicated the economy is starting to slow; indicating the first quarter Gross Domestic Product (GDP) came in at 3.1%, and second quarter GDP is estimated to come in at 1.8%, noting if this occurs, it would be the first time since the first quarter of 2017 GDP has come in under 2%. Mr. Riga indicating the slowing economy is resulting in lower interest rates, and he anticipates the central bank will be stepping in to take action. Mr. Riga stated job growth for May came less than expected at 75,000, however job growth for the month of June bounced back, coming in at 224,000 new private sector jobs.

Riga continued indicating that wage earnings are up .2%, and up year over year 3.1%, which is higher than inflation. There are more jobs than job seekers. In June, import prices fell .9%, and are down year over year 2%. Mr. Riga went on to discuss the inverted yield curve, indicating the yield curve has inverted prior to every recession in the past 50 years; however, currently this may be impacted by events that have not occurred in the past. Riga continues indicating that numerous international markets currently have negative interest rate environments causing money to flow into US markets. This could be depressing our 10 year rates more than would happen in a normal cycle. Other factors to consider include how long the yield curve stays inverted, and how far does the fed raise in the short end. Riga stated the Fed was meeting the following week, and expected to cut rates .25%.

Mr. Riga indicated the geopolitical events are still looming, and the markets tend to react very quickly to corresponding negative issues, but also tend to recover quickly. Riga indicated overall he still feels there’s growth in the markets, especially with the Fed cutting rates.

Amy Cole provided a performance overview of the portfolio, indicating the portfolio’s returns for the month of June was 4%. Amy continued, stating the past 2 quarters have been strong, bringing the year to date return to 11%, and the fiscal year to date return to 5.4%.

Ms. Cole continued, indicating that domestic large cap has carried the load for returns, while domestic small cap has lagging behind. Amy indicated that Graystone will be reviewing the current small cap/small cap value investments of the portfolio and will provide a review of those investment managers at the next meeting.

John Krakowiak indicated that Graystone will be hosting a local Investment Symposium on Friday, September 20, 2019, and extended an invitation to each of the Board Members.
Mr. Krakowiak then began discussing the domestic equity portion of the portfolio, indicating the portfolio has been defensive in this area. John began reviewing the sector weights of the portfolios current S&P 500 Low Volatility investment, indicating the strategy is weighted 45% in real estate & utilities, compared to 11% in the Russell 1000, and only 6% in the Total S&P 500. John indicated the current sector weights were a concern, citing their very defensive and lacking diversification.

John indicated that Graystone would like to present several “Relative-Value” managers at the next meeting. John indicated these relative-value managers use the S&P 500 sector weights for their strategies. John proceeded to present four large cap value managers and provide an overview of their strategies. Per John, Graystone’s recommendation was to have large cap value managers Aristotle and Delaware present at the September 2019 meeting.

Trustee Robert Guerin indicated that he would like to see Vanguard present, to which John Krakowiak indicated that he didn’t believe Vanguard would provide a presentation. Trustee Guerin asked Mr. Krakowiak to confirm a previous statement he made, indicating that it was difficult for an active large cap manager to outperform an index strategy; Krakowiak confirmed.

Krakowiak indicated that another option would be to utilize DeRoy & Devereaux, one of the portfolio’s current value managers. The Board discussed, Trustee Guerin requested a report from DeRoy & Devereaux indicating a breakdown of their sectors. Ultimately, the Board requested that Aristotle, Delaware, DeRoy & Devereaux, and LSIA present at the September meeting.

C) OTHER BUSINESS

I. Discussion regarding charging fees for processing Eligible Domestic Relation Orders (EDRO) and/or Domestic Relation Orders (DRO):

Vice Chair Don Cundy indicated that one of the topics discussed at the MAPERS Spring Conference was charging fees for processing EDRO/DROs. Vice Chair Cundy requested the Board to consider charging such fees in order to recoup the administrative and legal costs the pension system incurs while processing EDROs/DROs. The Board discussed potential fee structures and effective dates.

a. Motion to charge a flat fee of $1,000.00 for the processing of Eligible Domestic Relation Orders and Domestic Relation Orders; this will be effective August 1, 2019, payable when the EDRO document is received and prior to processing by the Legal Department.

\[\text{Motion by:} \quad \text{Carl Meyers}\]
\[\text{Support by:} \quad \text{Robert Guerin}\]
\[\text{Roll-Call Vote:} \quad \text{Unanimous}\]
\[\text{Resolution #:} \quad 2019-83\]
2. Motion to pull from the table, the discussion regarding audio/video retention policy.

   Motion by: Don Cundy
   Support by: Carl Meyers
   Roll-Call Vote: Unanimous
   Resolution #: 2019-84

a. Legal Counsel Jeremy Romer presented the Board with a proposed Audio Recording Retention Policy. Romer indicated the policy follows the State of Michigan’s guidelines, and is also Open Meetings Act (OMA) and Freedom of Information Act (FOIA) compliant. Romer indicated the policy could be updated moving forward if the Board desired, and that his recommendation was to adopt the policy since the pension board meetings have been audio recorded for the past five months or so.

   1. Motion to table Audio Recording Retention Policy discussion due to the absence of Trustees Fakhoury and Irving.

      Motion by: Robert Guerin
      Support by: Carl Meyers
      Roll-Call Vote: Unanimous
      Resolution #: 2019-85

3. Pension Administrator Robert Festerman indicated that he has started reviewing the legal fees related to Legal Counsel Marie Racine’s attendance of the Pension Board Meetings. Festerman indicated that he would provide an overview of the fees to the Board and requested the Boards input regarding presentation, i.e. line item detail vs. a summarized dollar amount. The Board discussed and requested a line item detail of the legal fees being charged to the system.

4. Outstanding Annual Affidavits:

   Pension Administrator Robert Festerman informed the Board that all Annual Affidavits have been received with the exception of Margaret Derda’s. Festerman indicated numerous attempts have been made to contact Ms. Derda without success; mailings are being returned, and the phone number on file does not appear to be working. Further Chapter 23 Police Trustee Stanley Kulikowski also performed some research in an attempt to contact Ms. Derda, which proved unsuccessful as well.

   a. Motion to stop payment of pension benefits to Margaret Derda for failure to return annual affidavit.

      Motion by: Robert Guerin
      Support by: Carl Meyers
      Roll-Call Vote: Unanimous
      Resolution #: 2019-86
5. Motion to table discussion regarding approval of Investment Policy Statement as proposed by Graystone.

   Motion by: Robert Guerin
   Support by: Carl Meyers
   Roll-Call Vote: Unanimous
   Resolution #: 2019-87

6. Motion to approve the attendance of all currently named trustees to Graystone’s Investment Symposium on Friday, September 20, 2019, at Oakland Hills Country Club.

   Motion by: Carl Meyers
   Support by: Robert Guerin
   Roll-Call Vote: Unanimous
   Resolution #: 2019-88

7. Motion to Adjourn Meeting.

   Meeting end time: 10:31 am
   Motion by: Carl Meyers
   Support by: Robert Guerin
   Roll-Call Vote: Unanimous
   Resolution #: 2019-89

   Ginger Burke-Miller, Board Secretary

   8-7-2019
   Date

   DRAFT-TOO
   Minutes Approval Resolution

   DRAFT-TOO
   Minutes Approval Date