

POLICE & FIRE PENSION BOARD MEETING
DATE: AUGUST 21, 2023
CITY HALL, ROOM 302A
TIME: 1:30 P.M.

Present: Stan Chubinski, Tammy Giannunzio, Jake Martin, and Chris Rabbitt.

Also Present: Lily Vardell (Police & Fire Pension Administrator), Jeremy Tollas (CAPTRUST), Aaron Kuhn (Revenue Services Director), and Fire Chief Bill Beaty.

Chair Chubinski asked for approval of the agenda. **Motion Martin**, seconded by Giannunzio. On a voice vote, motion **carried**.

Presented minutes of the regular meeting from July 11, 2023. **Motion Rabbit**, seconded by Martin to approve the regular meeting minutes from July 11, 2023. On a voice vote, motion **carried**.

Bank Summary of Assets & Expense Reports:

As of 6/30/2023, the market value of the portfolio was \$168,539,006.48, a gain of \$6,724,813.31 from the 5/31/2023 balance.

For the month of June, the following expenses were deducted:

<u>Expense Type</u>	<u>Payee</u>	<u>Amount</u>	<u>Frequency</u>	<u>Additional Details</u>
Invoice Fee	Comerica Bank	638.03	Monthly	6/1/23-6/30/23
Misc Fees - Reimbursement	Vardell/Rabbitt	61.25	As Needed	MAPERS Conf Parking Fees
Total Admin. Fees		699.28		

As of 7/31/2023, the market value of the portfolio was \$171,540,526.71, a gain of \$3,001,520.23 from the 6/30/2023 balance.

For the month of July, the following expenses were deducted:

<u>Expense Type</u>	<u>Payee</u>	<u>Amount</u>	<u>Frequency</u>	<u>Additional Details</u>
Administrative Fee	Loomis	99.82	Monthly	5/31/23-6/30/23
Administrative Fee	Comerica Bank	9,479.04	Monthly/Quarterly	4/1/23-6/30/23
Misc Fees	Comerica Bank	10.00	As Needed	Class Action Handling Fee
Total Admin. Fees		9,588.86		

Motion Giannunzio, seconded by Rabbitt to accept the financial reports and quarterly bank summaries submitted for June and July. On a voice vote, motion **carried**.

Board Reports

Chubinski - none

Giannunzio – none

Martin – none

Rabbitt - none

Vardell

- We still have not found a new Board member. Communications team is adding the P&F Pension Board to the list of available Boards to apply to on the City's website by the end of this month. Then, a communication will be sent out regarding the position via the City's internal monthly newsletter, the City Beat.
- DROP statements were mailed to all participants on 7/7/23.
- Scott Barnes, Fire Captain, entered the DROP effective 7/9/23. Resolution is below.
- Angela Matthews, Police Officer, terminated 7/5/23. A letter regarding her options for withdrawal was sent 7/19/23.
- Madison Logsdon, Police Officer, terminated 7/10/23. A letter regarding her options for withdrawal was sent 7/27/23.
- Connor Brecker, Firefighter, terminated 7/16/23. A letter regarding his options for withdrawal was sent 7/27/23.
- One employee has submitted an application to enter the DROP:
 - Dan Wolfe, Fire Captain, has submitted his application for entering the DROP effective 9/29/2023. Upon entering the DROP, he will have 25 years and 1 day of service.
- Jeff Case, Police Sergeant, retired 7/15/23. Re-hired 7/23/23 as a Bronson Police Officer (per most recent LOU.) Need to discuss member's monthly pension payment. Final DRO to be submitted 8/25/23. Draft DRO states pension benefit is to be split 50/50. Do we give him the estimated 50% benefit until GRS calculation is done (member's preference), or wait and retro-pay? Spouse will be retro-paid once final DRO calculation is complete.
 - Consensus from the Board is that it is ok to pay Jeff Case his estimated DRO benefit while waiting for the final DRO and actuarial calculation to be completed. Any necessary adjustments to estimated payments will be corrected upon receipt of the actuarial calculation.
- Supplemental Valuation was completed by the request of HR & City Manager's Office to lower the Non-Rep P&F contribution rate from 12.5% to 10%. This impacts four employee positions (Fire Chief, Police Chief, and two Deputy Police Chief roles.) HR to pay for this Supplemental Valuation. This will impact the City's percent of payroll contribution. An increase from 41.34% to 41.42%, which equates to about \$12,000 per year.

- **The following resolution needs approval:**

SCOTT R. BARNES

WHEREAS, the Board of Trustees is in receipt of an application for participation in the Deferred Retirement Option Plan (DROP) from Scott R. Barnes requesting an effective retirement date of 7/9/2023, and

WHEREAS, Scott R. Barnes is eligible for retirement based on his service credit pursuant to Act 345 of the Public Acts of 1937, as amended, and retirement provisions of the union contract, and

WHEREAS, the final actuarial calculation was received, and

WHEREAS, Scott R. Barnes elected straight life with 60% surviving spouse benefit, therefore be it

RESOLVED, that the application of Scott R. Barnes for participation in the DROP is approved, and

RESOLVED, the DROP benefit for Scott R. Barnes shall commence as of 7/9/2023, and

RESOLVED, the gross monthly retirement benefit is \$7,457.15 and shall be Scott R. Barnes' DROP benefit credited monthly to his DROP account and

RESOLVED, Scott R. Barnes' participation in the DROP shall terminate on 7/8/2028.

Motion Martin, seconded by Rabbitt to accept the DROP resolution for Scott R. Barnes. On a voice vote, motion **carried**.

Old Business

- Review Revised 402 Rollover Notice and Resolution:
 - Received clarification from VanOverbeke regarding the additional 10% income tax portion of the Notice: The general rule is that if a recipient of a lump sum distribution is under age 59 ½, then the 10% additional tax applies. However, there are many exceptions to the rule, one of which is for payments made after you separate from service at age 55 years or older.
 - **See resolution below:**

ELIGIBLE ROLLOVER DISTRIBUTIONS

WHEREAS, the Board of Trustees is vested with the authority and fiduciary responsibility for the administration, management and operation of the Retirement System, and

WHEREAS, the Board of Trustees acknowledges that Section 402(f) of the Internal Revenue Code (the "Code") requires the Board to provide written notice and explanation to recipients of eligible rollover distributions from the Retirement System (hereinafter, the "Safe Harbor Notice"), and

WHEREAS, applicable tax law and regulations require said Safe Harbor Notice to be provided within a reasonable period of time in advance of such distributions, and

WHEREAS, the SECURE 2.0 Act of 2022 ("SECURE 2.0") was enacted on December 29, 2022, resulting in the modification of applicable federal retirement laws and regulations, and

WHEREAS, several changes under SECURE 2.0 require modification of the safe harbor explanations that may be used to satisfy the requirements of Code Section 402(f), and

WHEREAS, legal counsel has prepared a revised Safe Harbor Notice consistent with the provisions and SECURE 2.0 and the requirements of Section 402(f), and

WHEREAS, the Board of Trustees has discussed this matter with legal counsel, therefore be it **RESOLVED**, that the Retirement System's Safe-Harbor Notice is hereby amended to comply with the requirements of SECURE 2.0 and Section 402(f) of the Code, and further

RESOLVED, that the Board of Trustees hereby adopts the revised Safe Harbor Notice consistent with the requirements of SECURE 2.0, and further

RESOLVED, that the Safe Harbor Notice be provided to recipients of eligible rollover distributions from the Retirement System consistent with Code Section 402(f), and further

RESOLVED, that a copy of this resolution shall be retained in accordance with the Retirement System's record retention policy and provided to all appropriate parties.

Motion Martin, seconded by Giannunzio to accept the Eligible Rollover Distributions resolution. On a voice vote, motion **carried**.

- Review Revised Re-employment of a Retiree Policy and Resolution:
 - Comment from Rabbitt: In section one, under the 'Bronson Battle Creek Hospital' portion of this revised policy, it states the re-employed retiree's benefits shall be suspended during the period of re-employment. The Board had an understanding that the retiree's benefits would not be suspended during re-employment. Did something change in the final LOU that the Board is not aware of?
 - Comment from Vardell: I will reach out to HR to confirm the Board's attorney received the final version of this LOU, and we will work with the Board's attorney to update the Policy before the September board meeting.

Tabled. Will work with the Board's attorney to have the Policy updated and will bring the updated version to the September meeting for review.

New Business

- Policy Review – Administrative Services Agreement:
 - Section three of the Administrative Services Agreement was updated to reflect a change in the annual fee, from \$8,000.00 to \$8,800.00.
 - Comment from Vardell: This update in the annual fee was already accepted through the approval of the Fiscal Year 2024 Budget. Presenting the updated Policy to the Board so that the change is reflected in the monthly minutes.

- **CAPTRUST:** Tollas provided an investment update for the quarter ending 6/30/23:
 - Year-to-date, U.S. Large-Cap stocks up 16.9%, International Stocks up 12.1%. U.S. Small-Cap stocks did not perform as well, but were up 8.1%. Bonds have been fairly flat for the year, up 2.1%.
 - Year-to-date, still a big difference between Growth and Value oriented stocks. For example, Large-Cap growth is up 29% for the year, while Large-Cap value is up 5.1% for the year.
 - Over the last 12 months, the Technology sector of stocks is up 40.3%. This growth was led by positive results in Artificial Intelligence. NVIDIA had second quarter sales 57% higher than expected. ChatGPT reached mass adoption faster than any similar technology (i.e. Airbnb, Twitter.)
 - Upward pressure on interest rates continues. As of June 30, mortgage rates are up to an average of 7.15%.
 - The P&F Pension Fund started the second quarter with a beginning market value of \$162,066,106 and ended the quarter with a market value of \$168,830,813.
 - Asset allocation for the P&F Pension Fund still at 65% stock, 35% bond.
 - For the second quarter, total portfolio performance up 4.25%.
 - PIMCO Low Duration shows a lag in performance due to its shorter duration and conservative nature, but it pairs well with Loomis and is not a cause for concern.
 - American Funds Europacific Growth is also marked for review. Net expense is pretty low at 0.47%. Had a rough 2021/2022 performance, but a 10-year track record shows them up 6.3%, so they are also not a cause for concern.
 - As of 8/16/23, the market value of the portfolio was at \$165,527,988.

Public Comment:

- **Comment from Fire Chief Beaty:** Human Resources is creating free ID cards for retired members of the Battle Creek Fire Department. I will provide this information to the Board so that it can be communicated to all retired Fire Department members.
 - **Response from Vardell:** We will send out a letter to all retired Fire Department members letting them know ID cards are now available to them.

Closed session to discuss disability retirement re-examinations and disability retirement application.

Motion Giannunzio, seconded by Martin to go into closed session. On a voice vote, motion carried.

Motion Martin, seconded by Giannunzio to exit closed session. On a voice vote, motion **carried**.

Next regular meeting: Friday, September 15th at 1:30 PM

Meeting adjourned at 2:25pm

Respectfully submitted,
Lily Vardell, Recording Secretary

Board Member signature

Board Member signature