

OFFICIAL PROCEEDINGS OF THE BOARD OF TRUSTEES CITY OF LANSING POLICE AND FIRE RETIREMENT SYSTEM

Regular Meeting
10th Floor City Council Conference Room

March 15, 2022
Tuesday, 8:30 a.m.

The Board was called to order at 8:33 a.m.

Present: Trustees Kirkland, Moore, Schor, Taylor, C. Wilcox, R. Wilcox, Wohlfert, Wood – 8.
Absent: 0

Others: Karen E. Williams, Human Resources Department; Attorney Aaron Castle, Vanoverbeke, Michaud & Timmony, P.C. (legal counsel); Attorney Abood, City Attorney's Office; Dennis R. Parker, Chairperson, Employees' Retirement System Board; George Tarlas, Asset Consulting Group (via phone).

It was moved by Trustee C. Wilcox and supported by Trustee Kirkland to approve the official Joint minutes the Employees' Retirement System Board and Police and Fire Retirement System Board of February 15, 2022.

Adopted by the following vote: 8– 0.

There were no public comments for items on the agenda.

Secretary's Report.

0 new sworn fire member(s), 1 new sworn police member, 0 reinstatement(s), 0 refund(s), 0 transfers, 0 retired. Total: Active membership: 374. 1 death(s), William M. Mathis, Police, died 12/24//2021, age 75, spouse to receive 50%. Refunds made since the last regular meeting amounted to \$0.00. Reimbursements to the System year-to-date amount to \$0.00. Retirement allowances paid for the month of February 2022, amounted to \$3,013,348.07. Total retirement checks printed for the P&F System: 770. Total retirement checks printed for both systems: 1,713. Domestic relations order received: 0. Domestic relations orders pending: 0. Eligible Domestic Relations Order Certified: 0.

It was moved by Trustee C. Wilcox and supported by Trustee Taylor to approve the regular age and service retirement:

Dennis W. Bunch (Police -CCLP Supervisory), 23years, 11 months of service credits, age 50, effective March 17,2022. (Eligible to retire with additional 16 months of reciprocal retirement time from City of Saginaw to achieve 25 years of service)

It was moved by Trustee C. Wilcox and supported by Trustee Taylor to approve the regular age and service retirement (continued):

Michael C. Lam (Police – CCLP Supervisory), 25 years of service credits, age 46, effective April 10, 2022. (Sworn Date: 5/19/1997)

Daniel S. Salinaz (Fire – IAFF), 23 years, 6 months of service credits, age 55, effective April 6, 2022 (Sworn Date: 10/5/1998)

Christopher Walker (Fire – IAFF), 25 years of service credits, age 55, effective March 12, 2022. (Sworn Date: 12/16/1996)

Adopted by the following vote: 8 – 0.

Karen Williams reported that Applicant #2022 – F0315 requested re-evaluation for duty disability retirement.

The Police and Fire Retirement System Board recessed at 8:38 a.m. to review the request for Applicant #2022-F0315.

The Police and Fire Retirement System Board resumed at 8:40 a.m.

It was moved by Trustee Ryan Wilcox and supported by Trustee Taylor send applicant #2022-F0315 to the medical director for evaluation of duty disability.

Adopted by the following vote: 8 -0.

There were no requests for non-duty disability retirement.

There were no public comments for items not on the agenda.

Karen Williams reported to trustees that Asset Consulting Group Due Diligence Visit would be April 7-8 in St. Louis Missouri.

Karen Williams reported to trustees that the MAPERS Spring Conference would be held May 21-24 in Acme, Michigan.

Karen Williams provided retirement board March invoices (Income Research + Management, TRowe Price) for approval in accordance with the new authorized signer's policy.

It was moved by Trustee Wood and supported by Trustee R. Wilcox to approve the Police and Fire Retirement System invoices.

Adopted by the following vote: 6-0

Attorney Castle updated the Police and Fire Retirement System Board on the proposed amendments to the Board's Contract with Tegrity that was sent on February 21, 2022. Attorney Castle summarized the amendments: clarified that the agreement may be terminated by the Board, at will, upon 30 days advance written notice; required quarterly reporting from Tegrity detailing the status of all support services performed; established a 5-year term of contract (1/1/2022 – 12/31/2026) during which time the fees charged by Tegrity shall not be increased no more than 3% annually.

Attorney Castle updated the Securities Fraud Monitoring Services and the Board Policies and Procedures. Attorney Castle has been working to finalize the agreements approved by the board.

Attorney Castle discussed House Bill 5054 that was passed by the Michigan House of Representatives on March 1 and has been referred to the Senate Committee on Appropriations. Applicable sections of HB 5054 provide for the availability of up to \$1.15 billion in grant awards to local units of government. Attorney Castle reviewed the two grants: Local Unit Municipal Pension Principal Payment Grant and Pension Best Practices and Debt Reduction Grant Program.

Trustee Schor inquired about some of the provision of the planning, including adopting the actuarial assumptions in PA202.

Attorney Castle indicated that one of the requirements for receiving the grant would be that the retirement Board would need to adopt the uniform actuarial assumption in PA 202. The grant monies would be in addition to the City of Lansing contributions; it could be used to pay down the liability. There are differences in the grant requirements depending on if the funded ration was at or above 60%, or below 60%.

Trustee Wood with agreement of the Board recognized Dennis R. Parker. Mr. Parker inquired about other requirements going forward to receive the grant monies.

Attorney Castle stated that there could be no changes to pension benefits and the additional monies would affect future valuation that could affect future contributions.

Trustee Wood requested a letter be drafted and sent to City Council and the Mayor regarding the Comprehensive Annual Financial report. Trustee Wood indicated that letter would address the audit finding that stated the City of Lansing may be in violation of PA 202. Attorney Castle opined that the City of Lansing was not in violation regarding its actuary.

Trustee Kirkland reported that she spoke with the auditor and the State of Michigan regarding the guidelines. Trustee Kirkland inquired if the report could be reissued. The re-issue of the CAFR would violate the State of Michigan guidelines.

The Auditor indicated if the City Attorney agreed with Attorney Castle opinion, that a statement could be issued and included in the corrective action plan. Trustee Kirkland indicated that she received notification that the City Attorney agreed with the opinion.

Trustee Kirkland updated the Police and Fire Retirement System Board regarding payment of invoices and expenses from the Northern Trust account. Trustee Kirkland indicated that she spoke with the relationship manager at Northern Trust and a Grand Rapids, representative who also uses Northern Trust, to discuss internal guidelines.

Attorney Abood requested and was granted permission to provide comments for the Board's consideration. Attorney Abood commented that City Attorney has reviewed the Securities Fraud Monitoring and Litigation policy and stated there was no problem securities monitoring portion of the policy and is appropriate. The City Attorney opined that the City Charter 406, sections 5,6, and 7 requires that before any litigation is undertaken, that it is approved by the City Attorney. The policy that was adopted at the February meeting would violate the City Charter in the City Attorney's opinion.

Attorney Abood reported to the Police and Fire Retirement Board regarding the liability exposure for trustees of the Board. Attorney Abood agreed with Attorney Castle's analysis that there is exposure for Board members who breach their fiduciary responsibility. Attorney Abood indicated that as part of the Charter, there was some coverage under budget policy. Attorney Abood reviewed a recent litigation regarding a retirement board. The City Attorney has recommended that the Retirement Boards procure insurance for Board Trustees. The expense for insurance would be an allowable and appropriate for the Retirement Board.

Trustee Carol Wood requested Attorney Castle's opinion regarding the Securities Fraud Monitoring and Litigation policy.

Attorney Castle indicated that he has spoken with Attorney Abood regarding the Securities Fraud Monitoring and Litigation policy. Attorney Castle believed that there is a distinction that can be made for these types of litigation, because the City would not be a party to the litigation.

The distinction can be made that these cases would be only pertaining to securities owned by the Police and Fire Retirement System. Attorney Castle also expressed concern that the Charter indicated that legal counsel needed to be approved by City Council. He expressed Council may be pulled into litigation during discovery processes. Attorney Castle stated that he would be willing to work with the City Attorney and keep the office updated.

Trustee Wood expressed concern and disappointment that having been represented by the City Attorney's office for many years, that there was liability exposure in the decision that were being made. Trustee Wood indicated that over the years, the City Attorney has assured Council that Board members that the liability was covered, unless there was malfeasance.

Attorney Abood responded that the City Charter indicates that no Board can initiate litigation without City Attorney approval. The Charter indicates that City Council would only approve the legal counsel that are available to pursue litigation.

Attorney Abood indicated that there was a distinction between City Attorney and Board's legal counsel. Attorney Abood indicated that if the Board is following the City Attorney opinion, there is a level of protection that is not there if the Board uses outside counsel. The Board cannot breach its fiduciary liability if it is following the City Attorney's advice. With outside counsel and there is a breach, liability exposure becomes significant because the City Attorney is not providing the advice.

Trustee Wood clarified that City Council does receive a quarterly report from the City Attorney's office of City litigation in closed session.

Trustee Ryan Wilcox indicated that the City Attorney's office stated that City employees were covered.

Attorney Abood discussed recent litigations of retirement system so f Sterling Heights and Utica, where they followed the advice of outside counsel, issued June 2021.

Trustee Wood requested a City Attorney's written legal opinion.

Attorney Abood stated that an opinion had been drafted, but the issue raised by the retirement boards has broadened to other Boards and the City Attorney wanted to review the liability prior to issuing the opinion.

Attorney Castle indicated that the Board had a presentation from Union Services. Trustee Carrigan disclosed that he worked with and received some type of compensation from Union Services. Attorney Castle indicated there may be a perceived conflict of interest.

It was moved by Trustee Wood and supported Trustee Taylor to have the Board legal counsel provide a list of firms that provide fiduciary liability insurance for the April meeting.

Adopted by the following vote: 8 – 0.

Karen Williams reported that the Finance Department reported that on February 22, 2022, \$350,646.04 was transferred by the City of Lansing to the Police and Fire Retirement System for the Net Employee Contribution for the period 10/1/2021 thru 12/31/2021.

It was moved by Trustee Ryan Wilcox and supported by Trustee Chris Wilcox to accept the FY 2022 Police and Fire Net Employee Contribution.

Adopted by the following vote: 8 -0

Trustee Schor communicated with both chairs regarding divesting from Russian assets investments. Trustee Schor and the US Conference of Mayor had a meeting with the Ukrainian Mayor of Kiev and the Ukrainian ambassador to the United States. The Ukrainian Mayor and Ambassador requested support through divestment in Russian assets and investments.

Mr. George Tarlas, Asset Consulting Group, joined the meeting by phone and provided an overview of Russian investment within the Police and Fire Board's retirement portfolio. Mr. Tarlas provided the following information:

- As of December 31, 2021, Russia accounted for approximately 3% of the MSCI Emerging Market Index and 1% of the MSCI ACWI index ex US
- Following Russia's invasion of Ukraine, equity investment in Russian companies experienced intense selling pressure from around the world.
- The Russian government's reaction, including the suspension of trading in Russian markets and the ban on foreign sales of Russian securities, have resulted in the loss of liquidity for most Russian securities.
- Major index providers, MSCI and FTSE Russell, made the decision to remove Russian securities from all board-based indices and this have further impacted the liquidity and value of Russian securities.

Mr. Tarlas indicated that the Board's current Russian Exposure is a small percentage of the portfolio. He explained at this time, the Board's investments are a part of a collective investment. The Board would have to divest in all non-us equity managers to move its Russian exposure to zero.

The Employees Retirement System Board joined the meeting and was called to order at 9:39 a.m.

Present: Trustees Bahr, Carrigan, Dedic, Ebright,, Garza, Kirkland, Kraus, D. Parker, Sanchez-Gazella, Schor – 10.

Absent: 0

Mr. Tarlas reviewed the Russian investment within the Employees' Retirement System Board.

Attorney Castle indicated that he could draft a resolution regarding divesting in current Russia investments and prohibiting future investment.

It was moved by Trustee Wood and supported by Trustee Wilcox to have legal counsel draft a resolution regarding Russian investment divestiture.

Adopted by the following vote unanimous

It was moved by Trustee Kraus and supported by Trustee Sanchez-Gazella to have legal counsel draft a resolution regarding Russian investment divestiture.

Adopted by the following vote: unanimous

Karen Williams reviewed the monthly investment report for the period ending February 28, 2022.

It was moved by Trustee Ryan Wilcox and supported by Trustee Chris Wilcox to adjourn the Police and Fire Retirement System Board meeting.

Adopted: unanimously

The meeting adjourned at 9:56 am.

Minutes approved on 4/19/2022

Desiree Kirkland, Recording Secretary
Police & Fire Retirement System

Eric P. Wohlfert, Chairperson
Police & Fire Retirement System