

**MINUTES OF THE REGULAR MEETING OF
SOUTHFIELD FIRE & POLICE RETIREMENT SYSTEM BOARD**

January 13, 2015

The Board convened in Council Study at 9:00 a.m. with President Fisher presiding.

PRESENT: John Fisher, Shawn Wells (via phone), Audrey Harvey, Irv Lowenberg, Duane Garth (late arrival)

ABSENT:

ALSO

PRESENT: Frank Judd/Legal Counsel, George Vitta/Asset Consultant, Megan Battersby/Retirement Program Administrator, Lauri Siskind/Human Resources Director

R.B. 15-01 **MOTION** by Lowenberg, supported by Wells, to approve the December 8, 2014 regular meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-02 **MOTION** by Lowenberg, supported by Wells, to acknowledge receipt of the Cash & Asset Statement as of November 30, 2014 in the amount of \$198,942,491.27. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-03 **MOTION** by Lowenberg, supported by Wells, to acknowledge payment of invoices as follows: Invoice from Chase Card Services for VISA charges for the period 11/4/14 – 12/3/14 in the amount of \$13.49; Invoice from Chase Card Services for VISA charges for the period 12/4/14 – 1/3/15 in the amount of \$635.00; Invoice from Johnson Legal of Florida, P.L. for balance due for legal services rendered in the amount of \$98.45; Invoice from GRS for GASB Statement No. 67 plan reporting and accounting schedules as of June 30, 2014 in the amount of \$8,000.00; Invoice from GRS for regular actuarial services performed for the period July 1, 2014 through June 30, 2015 including the June 30, 2014 annual valuation in the amount of \$15,000.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-04 **MOTION** by Lowenberg, supported by Wells, to acknowledge receipt of the Informational Items including YTD 2014/2015 Budget and Correspondence received during the period December 9, 2014 through January 12, 2015. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-05 **MOTION** by Wells, supported by Lowenberg, to acknowledge receipt of DROP Applications from D. Kopf (12/1/14, Fire), M. Zacks (Police, 12/2/14), K. Lech (Police, 12/8/14), L. Jones (Police, 12/10/14). **MOTION CARRIED UNANIMOUSLY**

R.B. 15-06 **MOTION** by Lowenberg, supported by Wells, to acknowledge receipt of DROP Application from R. Shelide (12/9/14, Deputy Chiefs). **MOTION CARRIED UNANIMOUSLY**

R.B. 15-07 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of Retirement Application from R. Shelide (1/12/15, Deputy Chiefs). MOTION CARRIED UNANIMOUSLY

R.B. 15-08 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of DROP Distribution Elections from R. Pollock, D. Clifford and D. LaFollette. MOTION CARRIED UNANIMOUSLY

R.B. 15-09 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of Annuity Withdrawal Election from D. LaFollette. MOTION CARRIED UNANIMOUSLY

R.B. 15-10 MOTION by Lowenberg, supported by Wells, to pay invoice from Livingston York Advisors for consulting services for the period October 1, 2014 through December 31, 2014 in the amount of \$3,112.50. MOTION CARRIED UNANIMOUSLY

R.B. 15-11 MOTION by Harvey, supported by Wells, to pay expense report from Irv Lowenberg for the IF Annual Employee Benefits Conference. MOTION CARRIED, LOWENBERG ABSTAINED

A discussion ensued regarding non-refundable contributions and whether there was an option associated with them that allowed the member to choose actuarial reduction upon retirement and withdrawal of the accumulated non-refundable contributions. Ms. Siskind insisted that it was not the City's intention to allow for refund/actuarial reduction and that the arbitration language supported that. A meeting between the City and the Union will be arranged to discuss and determine what was agreed upon. In the meantime, Ms. Siskind requested that the Board not proceed with any programming changes and the Retirement Program Administrator was directed to contact Judy Kermans at GRS to provide her with an update of the situation.

Duane Garth entered the meeting.

There was no legislative update to report until next month. The monthly Avignon update letter from Livingston York Advisors was accepted. A change in fee structure for Matt Byron was discussed but it was decided to maintain the current arrangement.

R.B. 15-12 MOTION by Lowenberg, supported by Harvey, to formally reject the counter purchase offer for the entire property. MOTION CARRIED UNANIMOUSLY

R.B. 15-13 MOTION by Lowenberg, supported by Garth, to approve payment of the invoice from Villages of Avignon CDD for reimbursable expenses as of 12/16/14 in the amount of \$1,365.08. MOTION CARRIED UNANIMOUSLY

President Fisher opened the floor for election of Board officers.

R.B. 15-14 MOTION by Harvey, supported by Garth, to close nominations and cast a unanimous ballot for John Fisher as President of the Board. MOTION CARRIED, FISHER ABSTAINED

R.B. 15-15 MOTION by Harvey, supported by Lowenberg, to close nominations and cast a unanimous ballot for Shawn Wells as Vice President of the Board. MOTION CARRIED, WELLS ABSTAINED

R.B. 15-16 MOTION by Fisher, supported by Garth, to close nominations and cast a unanimous ballot for Audrey Harvey as Secretary of the Board. MOTION CARRIED, HARVEY ABSTAINED

R.B. 15-17 MOTION by Fisher, supported by Harvey, to approve the 2015 Administrative Calendar with the following changes: February meeting date is changed from February 10 to February 17 and Administrator review is started in December and completed in January. MOTION CARRIED UNANIMOUSLY

R.B. 15-18 MOTION by Fisher, supported by Lowenberg, to approve submission of a letter to the Boards & Commissions to recommend reappointment to the Pension Board of Duane Garth in May and Audrey Harvey in October. MOTION CARRIED UNANIMOUSLY

The capital markets and U.S. economic updates were discussed by Mr. Vitta. Annual performance for U.S. stocks was strong. Micro caps rebounded in the fourth quarter while it was a poor year for international stocks. Economic indicators show a slow but improving picture for the U.S. economy. It was a good year from the perspective of shrinking the Treasury debt. Discussion of the oil market and where it is headed was discussed. It was recommended that Energy Opportunities come in to present to the Board in March.

Mr. Vitta presented an evaluation of unconstrained bond managers. He does not recommend an unconstrained bond fund allocation because it is basically a hedge fund. Fees are not as high as hedge fund fees but managers don't have credible history and it is difficult to get comfortable with such short track records. Their philosophy is to protect principal and they will forego income to do so; the goal is to win by not losing.

This led to a discussion on the current hedge fund manager and whether an allocation complementary to Nantucket should be added. Nantucket currently has 11% of Plan assets and the Plan investment comprises 10% of total Nantucket assets. Nantucket utilizes five different strategies with 31 underlying managers, all of which are considered veterans in the business. An evaluation of three types of hedge fund allocations was presented:

1) Add an allocation to a Fund of Hedge Funds with a primary focus on strategies that are different than Nantucket. A manager that primarily allocates to hedge funds focused on the fixed income market would serve as a strong complement to Nantucket and would create a nice balance between equity-related strategies for the Retirement System.

2) Add an allocation to a Fund of Hedge Funds with a focus on investing with smaller/mid-size hedge funds. A manager that primarily allocates to smaller/mid-size managers would serve as a strong complement to Nantucket. There would be very little, if any, overlap of the underlying managers between the two portfolios.

3) Add an allocation to a Direct Hedge Fund(s). The best option for a direct fund allocation is a multi-strategy fund. A multi-strategy fund would provide exposure to a variety of hedge fund strategies within one fund as well as eliminate the second layer of fees present with fund of hedge funds.

Options will be further discussed next month when the quarterly investment performance analysis is presented.

Mr. Vitta provided a personnel update on Bradford & Marzec. Drew Sweeney, who was responsible for bank loans, has departed the firm and won't be replaced. His responsibilities will be consolidated under Heather Creeden which is not a concern to Mr. Vitta. He also does not see reasonable cause to put them back on probation, which they just exited on December 31.

The Retirement Administrator requested the Board go into a closed session to discuss her review.

R.B. 15-19 MOTION by Harvey, supported by Fisher, to go into closed session per request of Retirement System Administrator to discuss her review. Roll Call: Fisher-Yes, Harvey-Yes, Lowenberg-Yes, Garth-Yes and Wells-Yes. MOTION CARRIED UNANIMOUSLY

R.B. 15-20 MOTION by Fisher, supported by Harvey, to come out of closed session. Roll Call: Harvey-Yes, Garth-Yes, Lowenberg-Yes, Wells-Yes and Fisher-Yes. MOTION CARRIED UNANIMOUSLY

It was requested that Mr. Lowenberg verify that the Retirement Program Administrator is covered under the City short term disability program. Mr. Fisher stated that the Board is extremely pleased with the performance of the Retirement Program Administrator in 2014. Interaction with GRS was specifically acknowledged and appreciated. It was stated that Member feedback has been nothing but positive and correspondence and follow-up with Board members has been excellent. Mr. Wells stated that it is recognized at a national level that the administration of the Retirement System is second to none and that the time and effort expended is greatly appreciated. Pension coverage options were discussed and Mr. Judd agreed to research the topic.

R.B. 15-21 MOTION by Fisher, supported by Harvey, to grant the Retirement Program Administrator a 2% salary increase effective January 1, 2015. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 11:50 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Audrey Harvey, Secretary