

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

November 10, 2014

The Board convened in the Police Department 2nd Floor Conference Room at 9:00 a.m. with President Fisher presiding.

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

ABSENT:

ALSO

PRESENT: Frank Judd/Legal Counsel, George Vitta/Asset Consultant, Megan Battersby/Retirement Program Administrator, Randy Dziubek/GRS, Michael Kelnosky and Graham Allen/Bradford & Marzec

R.B. 14-140 **MOTION** by Wells, supported by Harvey, to approve the October 14, 2014 regular meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 14-141 **MOTION** by Wells, supported by Harvey, to acknowledge receipt of the Cash & Asset Statement as of September 30, 2014 in the amount of \$198,213,981.14. **MOTION CARRIED UNANIMOUSLY**

R.B. 14-142 **MOTION** by Wells, supported by Garth, to acknowledge payment of invoices as follows: Invoice from 1607 Capital Partners for asset management services for the period 7/1/14 through 9/30/14 in the amount of \$25,922.99; Invoice from Brandes for asset management services for the period 5/1/14 through 6/30/14 in the amount of \$10,402.00; Invoice from Brandes for asset management services for the period 7/1/14 through 9/30/14 in the amount of \$28,354.00; Invoice from Energy Opportunities for asset management services for the period 07/1/14 to 09/30/14 in the amount of \$10,851.87; Invoice from Loomis Sayles for asset management services for the large cap value fund for the period July 1, 2014 through September 30, 2014 in the amount of \$21,292.96; Invoice from Loomis Sayles for asset management services for the core plus fund for the period July 1, 2014 through September 30, 2014 in the amount of \$24,266.18 (direct debit); Invoice from LS Investment Advisors for asset management services for the period July 1, 2014 through September 30, 2014 in the amount of \$4,444.02; Invoice from WHV for asset management services for the period 7/1/2014 through 9/30/2014 in the amount of \$24,181.00; Expense report from E. Wells for NCPERS Public Safety Conference in the amount of \$2,485.11. **MOTION CARRIED UNANIMOUSLY**

R.B. 14-143 **MOTION** by Lowenberg, supported by Wells, to acknowledge receipt of the Informational Items including YTD 2014/2015 Budget and Correspondence received during the period October 14, 2014 through November 7, 2014. **MOTION CARRIED UNANIMOUSLY**

R.B. 14-144 MOTION by Lowenberg, supported by Wells, to acknowledge receipt of DROP Distribution Election from K. Mukomel. MOTION CARRIED UNANIMOUSLY

There was no legislative update to report for the month. The monthly Avignon update letter from Livingston York Advisors was accepted.

R.B. 14-145 MOTION by Fisher, supported by Wells, to direct Livingston York to informally respond to NVR/Ryan Homes while waiting to determine if any other offers are forthcoming. The informal response should be that the seller is unwilling to consider closing timeframes beyond 12 months to determine if the purchaser is willing to entertain a counter-offer with such a dramatically shorter timetable. MOTION CARRIED UNANIMOUSLY

R.B. 14-146 MOTION by Wells, supported by Lowenberg, to direct one of the officers of SFPRS Avignon to execute a proxy form for forwarding to Avignon CDD and to instruct the proxy, Angela Silva, to vote for Delver Couch and Diane Kalley in the Board of Supervisors election taking place at the Landowners Meeting for the CDD which is scheduled for November 12, 2014. MOTION CARRIED UNANIMOUSLY

R.B. 14-147 MOTION by Lowenberg, supported by Fisher, to direct the Retirement Program Administrator to pay the Avignon property tax bills in the amount of \$10,872.47 on or before December 4, 2014 so as to achieve the maximum savings available. MOTION CARRIED UNANIMOUSLY

R.B. 14-148 MOTION by Lowenberg, supported by Wells, to approve payment of the invoice from the Villages of Avignon CDD in the total amount of \$4,741.96 for normal, approved management costs, annual liability insurance premium and approved State fees. MOTION CARRIED UNANIMOUSLY

R.B. 14-149 MOTION by Lowenberg, supported by Wells, to approve payment of the invoice from Birkitt Environmental Services in the amount of \$1,257.50 for the final completion of Task 4.0. MOTION CARRIED UNANIMOUSLY

R.B. 14-150 MOTION by Wells, supported by Lowenberg, to approve payment of the invoice from Warren & Grant, P.C. in the amount of \$544.31 for review of the draft purchase Agreement before LGI terminated its offer. MOTION CARRIED UNANIMOUSLY

Randy Dziubek from Gabriel Roeder Smith & Company presented the June 30, 2014 GASB Statement No. 67 report for the Fire and Police Retirement System. This is the first report prepared under GASB 67 since the statement was first effective for fiscal years beginning after June 15, 2013. (GASB 68 is effective for fiscal years beginning after June 15, 2014). The results in the report are for financial reporting only. The funding requirements for the plan will continue to be based on an annual funding valuation prepared by GRS using the same assumptions and methods as in the past (until the Board decides to make changes to any of these). Prior to the effective date of GASB 67, the requirements for financial reporting for the plan were found in GASB Statements 25, 27 and 50. GASB 67 and 68 replace these prior statements. Some important changes in financial reporting requirements resulting from GASB 67/68 are 1) funding and accounting rules are no longer intermingled. The accounting rules are now completely separate from the funding process, 2) the balance sheet of the financial statements will now reflect the unfunded liability of the plan (referred to as the Net Pension Liability in GASB 67), 3) an

annual pension expense will be recorded in the financial statements based on the rules in GASB 68. This is somewhat analogous to the annual required contribution for funding purposes (ARC) but computed under rules specified by GASB 68. This expense will tend to be much more volatile from year to year than the required contribution, 4) in some cases, the plan liabilities determined under GASB 67/68 will be required to reflect a different discount rate than the long-term expected rate of return used for funding purposes. Under GASB 67/68, a projection is required to show whether the invested assets of the plan will be sufficient to pay future expected benefit payments. To the extent the assets are shown to not be sufficient, a municipal bond rate is required to be blended with the long-term rate of return to arrive at the discount rate used to determine plan liabilities (this is called the single discount rate). The Fire and Police Retirement System was not required to use a blended discount as of 6/30/2014 as the projection showed the assets were sufficient to pay projected benefit payments.

Mr. Garth entered the meeting at 10:00.

Michael Kelnosky and Graham Allen from Bradford & Marzec were in attendance to present an investment manager review. They provided an overview of the firm and their investment philosophy, a review of the portfolio and the outlook and strategy for the future.

The Q3, 2014 Investment Performance Analysis was presented. Recommendations were as follows:

1. Total Fund return of -1.57% slightly trailed the Policy Index primarily due to underperformance from Morgan Dempsey, WHV, and both fixed income managers.
2. Overall, Total Fund results were negative due to the sell-off among small- and mid-cap U.S. stocks combined with negative returns for international equity investors.
3. Long-term results (10 years) remain ahead of objectives, and continue to rank favorably among U.S. public employee retirement plans.
4. In the third quarter of probation (1/01/2014 - 12/31/2014), Orleans Capital lagged their benchmark by 3.43%. Orleans Capital lags their benchmark by 4.72% for the trailing three quarters.
5. Both Loomis Sayles (LCV equity) and Bradford & Marzec (fixed income) are on administrative probation due to loss of key personnel.
6. On 10/07/2013, a \$961,082.11 capital call for the JCR Capital Fund #3 was met from the Cash Account.
7. No violations of investment policy or guidelines were detected.
8. As of 11/05/2014, asset allocations are close to new policy targets.

Irv Lowenberg exited the meeting at 11:00.

R.B. 14-151 MOTION by Wells, supported by Garth, to approve the interest rate of return of -1.5695 for the quarter ended September 30, 2014. MOTION CARRIED UNANIMOUSLY

The capital markets and U.S. economic updates were discussed by Mr. Vitta. For U.S. markets, everything that gave up ground in September snapped back in October. Economic indicators through the end of October are moving in the right direction.

R.B. 14-152 MOTION by Wells, supported by Garth, to pay the invoice from Asset Strategies for consulting services for the month of September in the amount of \$9,100.27. MOTION CARRIED UNANIMOUSLY

Extension of the monthly report closing date by Northern Trust was discussed.

R.B. 14-153 MOTION by Wells, supported by Harvey, to direct Northern Trust to extend the monthly report closing date from the 9th to the 11th of the month. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 11:30 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Audrey Harvey, Secretary