

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

November 7, 2017

The Board convened in Training Room 2 in the Human Resources Department at 9:00 a.m. with President Fisher presiding. The Meeting was started at 9:08 a.m.

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

ABSENT:

ALSO

PRESENT: Frank Judd/Legal Counsel, George Vitta and Brian Green/Investment Consultants, Megan Battersby/Retirement Program Director, Lauri Siskind/HR Director, Jeff Tebeau/GRS

R.B. 17-134 **MOTION** by Wells, supported by Garth, to approve the October 17, 2017 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-135 **MOTION** by Wells, supported by Garth, to acknowledge receipt of the Cash & Asset Statement as of September 30, 2017 in the amount of \$201,337,009.27. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-136 **MOTION** by Wells, supported by Harvey, to approve payment of invoices as follows: Expense report from J. Fisher for NCPERS Public Safety Pension & Benefit Conference; Invoice from NCPERS for 2018 Membership Renewal in the amount of \$250.00; Invoice from 1607 Capital Partners for asset management services for the period 7/1/17 through 9/30/17 in the amount of \$50,477.97; Invoice from LSIA for asset management services (Low Vol) for the period July 1, 2017 through September 30, 2017 in the amount of \$3,246.44; Invoice from LSIA for asset management services (Div Aristocrats and 30/70) for the period July 1, 2017 through September 30, 2017 in the amount of \$5,611.17; Invoice from AndCo for investment consulting services for the period **August, 2016** in the amount of \$8,626.17; Expense report from D. Garth for MAPERS Fall Conference; Invoice from MAPERS for 2018 Membership Renewal in the amount of \$100.00; Invoice from Bradford & Marzec for asset management services for the period July 1, 2017 – September 30, 2017 in the amount of \$15,689.34. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-137 **MOTION** by Fisher, supported by Garth, to acknowledge receipt of the Informational Items including YTD 2017/2018 Budget, Memo Copy (Direct Debit): Invoice from Loomis Sayles for asset management fees for the period July 1, 2017 through September 30, 2017 in the amount of \$12,034.24, Memo Copy (Direct Debit): Invoice from The Northern Trust Company for total fees for the quarter ending September 30, 2017 in the amount of \$19,395.13, and correspondence received during the period October 17 – November 6, 2017. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-138 MOTION by Fisher, supported by Wells, to approve Retirement Applications from M. Zacks, R. Scheich, D. McCormick, P. Simerly and A. Rodgers. MOTION CARRIED UNANIMOUSLY

R.B. 17-139 MOTION by Wells, supported by Fisher, to approve DROP Distribution Elections from M. Zacks, R. Scheich and A. Rodgers. MOTION CARRIED UNANIMOUSLY

R.B. 17-140 MOTION by Wells, supported by Fisher, to approve Annuity Withdrawal Distribution Elections from M. Zacks, R. Scheich, D. McCormick, P. Simerly and A. Rodgers. MOTION CARRIED UNANIMOUSLY

In the Legislative Update, legal counsel indicated that there was nothing major to report but that some legislative action was expected after the current break.

Jeff Tebeau was in attendance from GRS to present the draft actuarial valuation as of June 30, 2017. The Computed Employer Rate for the fiscal year beginning July 1, 2018 is 37.45% with a minimum dollar contribution of \$7,040,967. This is an approximately 2% increase in rate but overall decrease in contribution amount based on a lower payroll. There was a loss of approximately \$3 million comprised of a \$3.5 million loss attributed to member experience during the year (members retiring, salary increases, mortality experience, etc.). The primary source of the member-related experience loss resulted from larger than expected individual salary increases (not total payroll) and more retirements than expected. This loss was partially offset by a \$0.4 million gain due to greater than assumed investment returns on the funding value of assets.

Irv Lowenberg entered the meeting.

The Retirement System is 78.0% funded based on the Funding Value of Assets. Overall, fund experience was less favorable than assumed during the year ending June 30, 2017. The Market Value rate of return was 11.08% but only a portion of the gain was recognized in this valuation due to smoothing. Continued recognition of investment losses for prior years will put upward pressure on contribution rates in the next few valuations in the absence of additional investment gains. Plan assumptions will continue to be reviewed on an annual basis but, based on the general trend in capital market assumptions, the actuary expects that the Board may need to lower the assumed rate of return in the near future.

John Fisher indicated that he was concerned with the valuation results and questioned whether the assumed rate of return should be lowered again for this valuation. There was discussion regarding making quarterly contributions rather than bi-weekly, payroll based contributions.

R.B. 17-141 MOTION by Lowenberg, supported by Harvey, to accept the draft Actuarial Valuation Report as of June 30, 2017 with a Computer Employer Rate of 37.45% and a minimum dollar contribution of \$7,040,967. MOTION CARRIED, FISHER OPPOSED

Regarding the 2018 meeting schedule, dates as well as possible time and location changes were discussed. The Retirement Program Director was asked to research options before the next meeting.

The Avignon CDD Fiscal Year 2017/2018 Funding Agreement was reviewed as the existing Funding Agreement expired on September 30. Approval of the agreement as well as the annual operating budget

is required. The total budget for FY2018 is approximately 4% higher than the projected actual expenses for FY2017 with the primary change being a general increase in most budget line items for inflationary/cost of living increase.

R.B. 17-142 MOTION by Wells, supported by Fisher, to approve, subject to legal review, the proposed Funding Agreement and Budget for the CDD, and further authorize the execution of the Agreement by the appropriate individuals. MOTION CARRIED UNANIMOUSLY

The Board was updated on the Avignon sale offers. Reinhardt has come back with a full price offer. It is the recommendation of both the consultant and legal counsel that Reinhardt has a better chance of closing the deal and that it would be prudent and appropriate for the Retirement System to proceed with that offer.

R.B. 17-143 MOTION by Lowenberg, supported by Wells, to approve the recommendation of its property investment consultant and legal counsel to proceed with the Rinehart offer. MOTION CARRIED UNANIMOUSLY

R.B. 17-144 MOTION by Wells, supported by Garth, to approve the invoice from Villages of Avignon CDD for reimbursable expenses as of October 13, 2017 in the amount of \$8,186.54 and payment upon receipt of Avignon 2017 tax bills in the estimated total amount of \$12,205.11 to be paid by December 1, 2017. MOTION CARRIED UNANIMOUSLY

R.B. 17-145 MOTION by Wells, supported by Fisher, to approve the invoice from GRS for (EDRO) recalculation of benefit due to retirement of M. Zacks in the amount of \$1,100.00. MOTION CARRIED UNANIMOUSLY

A letter from legal counsel regarding Landmark Real Estate Partners VIII, L.P. Compliance with Public Employee Retirement System Investment Act was presented and discussed. Landmark will not sign-off as a fiduciary to the Retirement System. Since the investment is a large co-mingled fund, however, they are still fiduciary to the entire fund. AndCo presented a memo recommending it to be a prudent investment and in the best interest of the Fund and participants.

R.B. 17-146 MOTION by Lowenberg, supported by Wells, to accept the compliance letter from legal counsel and the memo from the investment consultant both recommending that the Retirement System proceed with the Landmark investment. MOTION CARRIED UNANIMOUSLY

The Investment Performance Review for the Period Ending September 30, 2017 was presented. Total fund performance was 3.06% for the quarter. John Fisher questioned the total fund ranking of 81st percentile for the quarter and consistent below-All Public Plans Total Fund Median performance over the last 10 year period. The investment consultant indicated that it is because the Retirement System has de-risked and is in safer investments. The Executive Summary as of September 30, 2017 was as follows:

- Total Fund return of +3.06% exceeded the Policy Index return of +2.94%.
- Morgan Dempsey (Micro Cap Equity) outperformed their benchmark by 0.99% for the quarter. They will remain on watch until 12/31/2017.

- 1607 Capital Partners outperformed their benchmark by 0.29% for the quarter, and ranks favorably over all time periods.
- In their first quarter of watch status, Brandes Emerging Markets outperformed by 1.27%. They will remain on watch until 12/31/2017.
- Both Domestic Fixed Income managers, Tortoise Credit (+.85%) and Loomis Sayles (+.83%), continue to outperform their benchmarks.
- Avignon Holdings LLC - carried at \$3.42 million book value. No investment activity this period.
- Several private market managers have not finalized 9/30/17 information as of this report so the most current information available is used. Managers include JCR II and III.
- Fintan is in the process of winding down their institutional fund.
- While Nantucket underperformed for the quarter, they still ranked in the 19th percentile of their peer group. Longer term results remain strong.
- KStone Partners outperformed for the quarter, though by a very small margin. Long term results remain strong.
- Year-to-date and longer period results for the Total Fund's return, market risk, peer group standing and risk-adjusted returns continue to meet expectations, outperforming the Total Fund Policy for the quarter, YTD, 1 YR, 3 YR, 5 YR, and 10 YR time periods.
- At quarter end, cash was above the target level, offset by below target allocations to real estate and alternatives. Allocation levels are being addressed.
- As of 09/30/2017, the Total Fund is in compliance with the Investment Policy Statement and Public Act 314.

The monthly Market Update as of October 31, 2017 was discussed. The Russell 1000 Growth and Emerging Markets were the big gainers for the month. Bonds had positive growth while commodities exhibited moderate change.

A closed session was requested by the Retirement Program Director to discuss a Retirement Health Savings Account (RHSA).

R.B. 17-147 **MOTION** by Fisher, supported by Wells, to go into closed session to discuss personal matters as requested by the Retirement Program Director. Roll Call: Fisher-Yes, Wells-Yes, Harvey-Yes, Lowenberg-Yes, Garth-Yes. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-148 MOTION by Fisher, supported by Lowenberg, to come out of closed session. Roll Call: Fisher-Yes, Wells-Yes, Harvey-Yes, Lowenberg-Yes, Garth-Yes. MOTION CARRIED UNANIMOUSLY

R.B. 17-149 MOTION by Fisher, supported by Wells, to make the full, allowable 2017 annual contribution of \$7,750 in December 2017 when the HRSA document is executed for the Retirement Program Director and begin to make catch-up contributions annually in January in the full amount as allowed by IRS guidelines. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 12:00 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on December 12, 2017