

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

November 8, 2016

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 9:05 a.m.

PRESENT: John Fisher, Audrey Harvey, Duane Garth, Shawn Wells (exit at 10:45), Irv Lowenberg (arrival at 9:10)

ABSENT:

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta/Investment Consultant, Megan Battersby/Retirement Program Administrator, Lauri Siskind/Human Resources Director, Judy Kermans and Jeff Tebeau/Gabriel Roeder Smith & Company (GRS), Kevin Yousif/LS Investment Advisors (LSIA)

R.B. 16-134 **MOTION** by Harvey, supported by Wells, to approve the October 11, 2016 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-135 **MOTION** by Harvey, supported by Wells, to acknowledge receipt of the Cash & Asset Statement as of September 30, 2016 in the amount of \$191,475,281.47. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-136 **MOTION** by Wells, supported by Harvey, to approve payment of invoices as follows: Invoice from Morgan Dempsey for the period 3rd Quarter 2016 in the amount of \$27,379.00; Invoice from International Foundation of Employee Benefit Plans for annual membership dues for the period January 1 through December 31, 2017 in the amount of \$995.00; Invoice from Loomis Sayles for asset management fees for the period July 1, 2016 through September 30, 2016 in the amount of \$22,164.60; Invoice from 1607 Capital Partners for asset management fees for the period 7/1/16 through 9/30/16 in the amount of \$37,282.05; Invoice from LS Investment Advisors for asset management fees for the period July 1, 2016 through September 30, 2016 in the amount of \$4,492.57. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-137 **MOTION** by Wells, supported by Harvey, to acknowledge receipt of the Informational Items including YTD 2015/2016 Budget and Correspondence received during the period October 11, 2016 through November 7, 2016. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-138 **MOTION** by Wells, supported by Harvey, to acknowledge receipt of Retirement Applications from R. Adams, T. Barr, T. Boal and D. Habel. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-139 **MOTION** by Wells, supported by Garth, to acknowledge receipt of DROP Distribution Election from R. Adams. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-140 MOTION by Wells, supported by Harvey, to acknowledge receipt of Annuity Withdrawal Distribution Elections from R. Adams, T. Barr, D. Habel and G. Stirling. MOTION CARRIED UNANIMOUSLY

Irv Lowenberg entered the meeting.

R.B. 16-141 MOTION by Harvey, supported by Garth, to approve payment of invoices as follows: Expense report from John Fisher for NCPERS Annual Public Safety Conference; Expense report from Emmereal Wells for NCPERS Public Safety Conference; MAPERS 2017 Membership Renewal in the amount of \$100. MOTION CARRIED UNANIMOUSLY

In the legislative update, legal counsel indicated that Lansing is preparing for a, perhaps, crazy lame duck session. OPEB will probably be addressed as well as moving teachers to a pure DC plan. Pensions will probably not be addressed this session. It was stressed that it is important to watch for and act upon MAPERS communications in order to create a strong voice in Lansing.

GRS was at the meeting to present the draft actuarial valuation as of June 30, 2016. It is the first valuation following the Experience Study. The Computed Employer Rate for the fiscal year beginning July 1, 2017 is 35.41% which is an increase from the previous year. The actuaries also suggest a minimum contribution amount because of a shrinking payroll. Much of the plan liability is due to retiree liability which can't be changed so it is important to fund the dollar minimum. The Plan has matured more quickly than expected without new hires to counter. With the growth in accrued liabilities, the funding ratio has decreased to 78.9% partially because the Board has taken the long route (30 year amortization) rather than funding more quickly. The summary of plan provisions as well as the allocation of assets by type will be reviewed to ensure they are accurate. Comments on page A-10 of the valuation report should be specifically noted.

R.B. 16-142 MOTION by Wells, supported by Harvey, to acknowledge receipt of the draft 64th Actuarial Valuation Report as of June 30, 2016 as presented with a Computed Employer Rate of 35.41% for the Fiscal Year beginning July 1, 2017 and a suggested minimum contribution of \$7,074,711. MOTION CARRIED UNANIMOUSLY

A draft Request for Information (RFI) for investment consulting services was provided to Audrey Harvey (and other Board Trustees) by legal counsel. He requested that all input/comments be forwarded to him and that a final draft will be presented to the Board in December.

The monthly Avignon letter from Livingston York was discussed and the monthly property marketing report was reviewed. CDD Board of Supervisors elections were discussed as was the designation of Ms. Silva again as proxy to vote for the Board. Property taxes are due and the greatest discount will be received if payment is made by December 1. Upon review, only a portion of the monthly invoice from the CDD was recommended for payment with \$1,484.00 for legal services being disputed.

R.B. 16-143 MOTION by Lowenberg, supported by Wells, noting approval by legal counsel, to direct a SFPRS officer to execute the proxy form appointing Angela Silva as representative and to direct that the form be returned to Livingston York Advisors who will forward to the Secretary of the CDD and further direct Livingston York Advisors to instruct its proxy,

Ms. Silva, to vote for herself and Steve Holmes in the Board of Supervisors election taking place at the Landowners Meeting for the CDD which is scheduled for November 9, 2016. MOTION CARRIED UNANIMOUSLY

R.B. 16-144 MOTION by Wells, supported by Garth, to direct that the tax bills for the Avignon Property in the amount of \$12,354.76 be paid on or before December 1, 2016 so as to achieve the maximum savings available. MOTION CARRIED UNANIMOUSLY

R.B. 16-145 MOTION by Wells, supported by Garth, to approve partial payment of the CDD invoice in the amount of \$6,204.63 for reimbursable expenses as of October 20, 2016. MOTION CARRIED UNANIMOUSLY

The meeting schedule for 2017 was decided with meetings continuing to be held in Training Room 2 of the Human Resources Department with a 9:00 a.m. start time.

R.B. 16-146 MOTION by Fisher, supported by Lowenberg, to approve the 2017 Meeting Schedule as follows: January 17, February 14, March 7, April 4, May 9, June 13, July 11, August 8, September 12, October 17, November 7 and December 12. MOTION CARRIED UNANIMOUSLY

Shawn Wells exited the meeting.

The Investment Portfolio Review for 3rd Quarter 2016 was presented. Major market index performance was reviewed and all allocations are within policy ranges. The total fund earnings for the quarter were 3.02% which only placed the Plan in the 70th percentile. The Executive Summary Investment Performance Evaluation was as follows:

1. Total Fund return of +3.0% was close to the Policy Index. The peer group rank was lower due to positive but weaker returns from Loomis Sayles equity, Dividend Aristocrats and Morgan Dempsey versus broad US stock market returns.
2. Brandes Emerging Markets return was strong but missed the benchmark.
3. Both bond managers provided above market results, while the overall bond market was underperforming.
4. Year-to-date and longer period results for the Total Fund continue to meet expectations.
5. Avignon Holdings LLC, carried at \$3.42 million book value, had no investment activity for the period.
6. As of 9/30/2016, asset allocations were within policy ranges.
7. Several private market managers had not reported 9/30/16 information as of the report date so the most current information available was used. Managers include Fintan Partners, JCR II and III.
8. No violations of investment policies or guidelines were detected.

R.B. 16-147 MOTION by Lowenberg, supported by Garth, to approve the quarterly investment rate of return as of September 30, 2016 of 3.0192%. MOTION CARRIED UNANIMOUSLY

A letter from David Sowerby at Loomis Sayles was acknowledged. The investment consultant indicated it was a response to extended probation and that there was no recommendation at this time.

Kevin Yousif from LSIA was present to address the Board. The performance history in the Dividend Aristocrats fund is 15.08% since inception. He introduced LSIA Institutional which is a division of LSIA and which looks at the advantages between passive and active management. His recommendation is to switch to the Low Volatility strategy because of the current volatility of the market.

R.B. 16-148 MOTION by Harvey, supported by Lowenberg, to transition 50% of the LSIA Dividend Aristocrats fund to the LSIA Low Volatility strategy with half moving as of November 30, 2016 and the remaining half moving as of February 28, 2017. MOTION CARRIED UNANIMOUSLY

Renewal of Manager Roundtable meetings was tabled until the December meeting.

Meeting adjourned at 12:15 p.m.

Prepared by Megan Battersby
Retirement Program Administrator

Approved by Board Motion on December 13, 2016