

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

February 10, 2014

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

PRESENT: John Fisher, Duane Garth, Audrey Harvey and Shawn Wells

ABSENT: Irv Lowenberg

ALSO

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

R.B. 14-16 MOTION by Wells, supported by Garth, to approve the January 13, 2014 regular meeting minutes. MOTION CARRIED UNANIMOUSLY

R.B. 14-17 MOTION by Wells, supported by Garth, to acknowledge receipt of the Cash & Asset Statement as of December 31, 2013 in the amount of \$195,348,709.92. MOTION CARRIED UNANIMOUSLY

R.B. 14-18 MOTION by Wells, supported by Garth, to approve Payment of Invoices as follows: Invoices from GRS for actuarial services performed for the period July 1, 2013 through June 30, 2014 including the draft of the June 30, 2013 annual valuation in the amount of \$16,500.00; Invoice from 1607 Capital Partners for asset management services for the period 10/1/13 through 12/31/13 in the amount of \$26,612.72; Invoice from Bradford & Marzec for asset management services for the period 10/1/13 through 12/31/13 in the amount of \$20,514.12; Invoice from Energy Opportunities for asset management fees for the period Q4, 2013 in the amount of \$11,097.63; Invoice from Fiduciary Management for asset management services for the period ended 12/31/13 in the amount of \$24,121.00; Invoice from Loomis Sayles for asset management services for the period October 1, 2013 through December 31, 2013 in the amount of \$23,233.82; Invoice from Loomis Sayles for asset management services for the period October 1, 2013 through December 31, 2013 in the amount of \$21,799.08; Invoice from LS Investment Advisors for asset management services for the period October 1, 2013 through December 31, 2013 in the amount of \$4,237.96; Invoice from The Northern Trust for total services rendered for the period ending 12/31/13 in the amount of \$19,530.70; Expense submission from Irv Lowenberg for lunch charge for 1/13/14 Pension Board meeting in the amount of \$14.80; Invoice from VanOverbeke Michaud & Timmony for legal services rendered for the period January 1, 2013 through March 31, 2013 in the amount of \$6,714.00; Invoice from VanOverbeke Michaud & Timmony for legal services rendered for the period April 1, 2013 through June 30, 2013 in the amount of \$5,562.00; Invoice from VanOverbeke Michaud & Timmony for legal services rendered for the period July 1, 2013 through September 30, 2013 in the amount of \$7,164.00. MOTION CARRIED UNANIMOUSLY

R.B. 14-19 MOTION by Wells, supported by Garth, to acknowledge receipt of the Informational Items as follows: YTD 2013/2014 Budget and Correspondence received during the period January 12, 2014 through February 7, 2014. MOTION CARRIED UNANIMOUSLY

R.B. 14-20 MOTION by Wells, supported by Fisher, to acknowledge receipt of DROP Applications from R. Downing (Fire, 12/01/13), S. Vazquez (Fire 12/9/13). MOTION CARRIED UNANIMOUSLY

Legal counsel stated that there was nothing new to report regarding legislative updates. Mr. Judd presented and reviewed a memorandum regarding Public Act 347 of 2012 compliance. It contained a checklist of items that needed to be completed for compliance and legal counsel indicated that the Retirement System has met all required actions and recommendations. Ms. Battersby questioned whether there was a FOIA policy in place; Mr. Judd will check his records and if one has not been adopted he will provide a draft for review at the next meeting.

R.B. 14-21 MOTION by Harvey, supported by Wells, to approve the 2014 Administrative Calendar as presented. MOTION CARRIED UNANIMOUSLY

R.B. 14-22 MOTION by Wells, supported by Harvey, to approve the RIE distributions as of July 1, 2013 in the total amount of \$177,515.87 to be distributed on April 4, 2014 as presented. MOTION CARRIED UNANIMOUSLY

Ms. Harvey distributed an Annual Review of the System Administrator for discussion that summarized the comments from the last meeting as well as incorporated duties and responsibilities. Ms. Battersby had asked for some acknowledgement of her performance over the past several years since no official evaluation had been done. The review indicated that her performance of duties exceeded all expectations of the Plan Trustees. A final copy will be generated that will incorporate items discussed for approval next month.

The Retirement Administrator requested the Board go into a closed session to discuss a personnel issue.

R.B. 14-23 MOTION by Wells, supported by Harvey, to go into closed session per request of Retirement System Administrator to discuss a personnel issue. Roll Call: Fisher-Yes, Wells-Yes, Harvey-Yes and Garth-Yes. MOTION CARRIED UNANIMOUSLY

R.B. 14-24 MOTION by Wells, supported by Harvey, to come out of closed session. MOTION CARRIED UNANIMOUSLY

R.B. 14-25 MOTION by Harvey, supported by Wells, to amend the contract of the Retirement Program Administrator to provide a 5% salary increase effective January 1, 2014 and to allow up to two weeks of unused vacation pay to be converted to compensation each year. MOTION CARRIED UNANIMOUSLY

Mr. Byron was in attendance at the meeting to discuss Avignon issues and a sales offer that has been received. A summary from the broker, Kelly Prior, which provided market insight as well as his thoughts on the sale process to date now that the property has been exposed to the market was presented and discussed. Discussion ensued about his recommendation with regard to the current offer which is from a land development company. Mr. Prior feels that, while the offer is in line with what you would see from similar 3rd party developers, the probability of closing is greatly increased with an offer from an end-user high volume builder of entry level new homes. The market in the area is heading in the right direction and he is hoping to receive a second offer from a builder in the coming week. If that is the case, the two offers would need to be compared and contrasted and Mr. Byron asked if the Board could meet and act between meetings if a quick decision was warranted.

Mr. Byron stated that the liability insurance policy is up for renewal with the same coverage levels and a slightly lower premium. A CDD invoice for the period of October 1, 2013 through December 31, 2013 was also presented. A large portion of the invoice charge pertained to responses to City of Detroit attorney inquiries regarding the ongoing lawsuit.

R.B. 14-26 MOTION by Wells, supported by Harvey, to pay the 2014-2015 insurance premium for the Avignon parcels for the period of 2/20/14 to 2/20/15 to Keen Battle Mead & Company in the amount of \$2,279.66. MOTION CARRIED UNANIMOUSLY

R.B. 14-27 MOTION by Harvey, supported by Garth, to pay the invoice from Villages of Avignon CDD for reimbursable expenses as of December 31, 2013 in the amount of \$4,211.43. MOTION CARRIED UNANIMOUSLY

Mr. Byron also brought to the attention of the Board that the CDD is required to be audited. Several years ago the CDD determined that, due to lack of activity, they were not required to do an audit. The state regulatory agency that oversees the CDD is now insisting that a 2013 audit be completed by June 30, 2014. The lowest bid for service received so far is \$9,000. He also informed the Board that notice has been received from the Water Management District that the wetland mitigation work needs to be restarted. The projected cost is estimated to be in the range of \$10,000 - \$15,000 and will need to be completed over a three year period. Ms. Harvey asked for detail on the requirements which Mr. Byron will forward to the Board.

Mr. Vitta presented the capital markets and economic monthly update. There was a pullback in foreign and U.S. equity prices. It was a month of losses but bond and economic indicators continued to improve.

The December 31, 2013 Investment Performance Analysis was presented. It was an excellent quarter and excellent year. Conclusions and recommendations were as follows:

1. Strong Total Fund return of +5.43% exceeded the Policy Index due to outperformance from multiple managers.
2. Long-term results (10 years) remain ahead of objectives, and continue to rank favorably among U.S. public employee retirement plans.
3. In their fifth quarter of extended probation (10/01/12 through 12/31/13), Fiduciary Management performed in-line with their benchmark.
4. Avignon Holdings LLC is included among Plan total assets, at a value of \$3.42 million.

5. JCR Capital Fund 2 made a cash flow distribution of \$706,661 on 11/8/2013. A new capital call for \$704,072 was met on 11/15/2013.
6. Effective 1/01/2014, the investment policy mandate for the Bradford & Marzec portfolio transitioned to intermediate duration and will be measured against the Barclays Intermediate Aggregate index.
7. No violations of investment policy or guidelines were detected.
8. As of 2/05/2014, asset allocations are close to new policy targets.
9. Probation was recommended (1/01 - 6/30/2014) for WHV Investment Management and Orleans Capital for failure to meet investment objectives for the three years period ending 12/31/2013.

R.B. 14-28 MOTION by Harvey, supported by Wells, to put WHV and Orleans Capital Management on probation for the period of 1/1/14 through 6/30/14. MOTION CARRIED UNANIMOUSLY

R.B. 14-29 MOTION by Wells, supported by Harvey, to accept the quarterly rate of return of 5.4293% for the quarter ended December 31, 2013. MOTION CARRIED UNANIMOUSLY

Mr. Vitta provided an update regarding Bradford & Marzec and their personnel changes stating that interviews are underway and it is anticipated that the situation will stabilize shortly. A liquidity plan for February through July benefit payments was discussed and approved.

R.B. 14-30 MOTION by Harvey, supported by Garth, to approve liquidity withdrawals at the end of each month as follows: \$500,000 per month in February, March and April from Loomis Sayles Large Cap Value and \$600,000 per month in May, June and July from LS Investment Advisors. MOTION CARRIED UNANIMOUSLY

Mr. Vitta provided a draft copy of the Statement of Investment Policies, Procedures and Objectives for review by Board Trustees and legal counsel. A motion to adopt the revised Investment PPO will be needed at the March meeting.

The replacement of Fiduciary Management and the selection of a new micro or small cap manager were discussed. As requested, Asset Strategies went back to the two managers with questions. It was verified that Morgan Dempsey will accept as little as \$5 million. Granite stated that they would manage a hybrid of small and micro-cap; they wouldn't take the best, however, but rather would throw the two together and invest proportionately as we specify. This would create an overlap risk within Granite and also if we were to invest in each fund together. The consultant looked at the results and the relationship and returns between a hybrid portfolio for Granite and the Morgan Dempsey portfolio. Using a 60% micro-cap and 40% small cap allocation for Granite, it was compared to Morgan Dempsey. The hybrid blend appears to be a good product but the beta and sharpe ratios were extremely high. We have tried to de-risk the plan over the last few years and Granite would take us in the opposite direction.

Frank Judd exited the meeting.

R.B. 14-31 MOTION by Wells, supported by Harvey, to hire new manager Morgan Dempsey and terminate current manager Fiduciary Management and allocate \$10 million to Morgan Dempsey from Fiduciary Management which will fund the new manager at a 5% policy allocation. MOTION CARRIED UNANIMOUSLY

R.B. 14-32 MOTION by Wells, supported by Garth, to approve the expense reports for Megan Battersby and John Fisher for attendance at the MAPERS One Day Seminar. MOTION CARRIED UNANIMOUSLY

R.B. 14-33 MOTION by Harvey, supported by Garth, to approve the attendance of Shawn Wells or any other trustee at the Opal Financial Group Investment Education Symposium on February 26-28, 2014 in New Orleans, LA. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 11:49 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Audrey Harvey
Secretary