

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

**February 12, 2019**

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The Board convened in Council Study at 11:30 a.m. with President Fisher presiding. The Meeting was started at 11:42 a.m.

**PRESENT:** John Fisher, Duane Garth, Audrey Harvey, Irv Lowenberg, Brent Wilson

**ABSENT:**

**ALSO**

**PRESENT:** Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS

**R.B. 19-014** **MOTION** by Harvey, supported by Wilson, to approve the January 22, 2019 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

**R.B. 19-015** **MOTION** by Harvey, supported by Lowenberg, to acknowledge receipt of the Cash & Asset Statement as of December 31, 2018 in the amount of \$185,597,757.60. **MOTION CARRIED UNANIMOUSLY**

**R.B. 19-016** **MOTION** by Lowenberg, supported by Harvey, to approve payment of invoices as follows: Invoice from LSIA for asset management fees for the period October 1, 2018 through December 31, 2018 in the amount of \$2,540.29; Invoice from LSIA for asset management fees for the period October 1, 2018 through December 31, 2018 in the amount of \$4,671.04; Invoice from 1607 Capital Partners for asset management fees for the period 10/01/18 through 12/31/18 in the amount of \$45,730.68; Invoice from QMA for asset management fees for the period Oct 1, 2018 – Dec 31, 2018 in the amount of \$26,000.45; Invoice from Chase for credit card purchases for the period 01/03/19 – 02/02/19 in the amount of \$97.33. **MOTION CARRIED UNANIMOUSLY**

**R.B. 19-017** **MOTION** by Garth, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2018/2019 Budget; Memo copy of Loomis Sayles invoice for asset management fees for the period October 1, 2018 through December 31, 2018 in the amount of \$11,991.65; Correspondence received during the period January 22, 2019 – February 11, 2019. **MOTION CARRIED UNANIMOUSLY**

**R.B. 19-018** **MOTION** by Wilson, supported by Fisher, to approve Retirement Applications from M.S. Ferrari (11/22/2018) and D. Soulliere (01/05/2019). **MOTION CARRIED UNANIMOUSLY**

**R.B. 19-019** **MOTION** by Fisher, supported by Harvey, to approve Annuity Withdrawal Distribution Election from D. Soulliere. **MOTION CARRIED UNANIMOUSLY**

Legal Counsel presented a legal opinion regarding the pending investment in Bloomfield Capital Fund V. He explained that a legal opinion is usually rendered and addresses how the investment will comply with Act 314 when the investment is not standard.

**R.B. 19-020** MOTION by Wilson, supported by Garth, to receive and file legal opinion Re: Bloomfield Capital Income Fund V, LLC Compliance with Public Act 314 of 1965, as amended, dated January 23, 2019. MOTION CARRIED UNANIMOUSLY

**R.B. 19-021** MOTION by Lowenberg, supported by Harvey, to acknowledge receipt of subscription documents for Bloomfield Capital Fund V investment and direct that the Board President sign the documents. MOTION CARRIED UNANIMOUSLY

Legal Counsel mentioned that he met with the new State Treasurer to discuss changes that need to be made to PA 202. He is optimistic for an open and transparent working relationship.

There was also discussion regarding the establishment of a petty cash fund for miscellaneous reimbursements.

**R.B. 19-022** MOTION by Lowenberg, supported by Garth, to establish a petty cash fund of \$250 and direct that a resolution be prepared by Legal Counsel for review at the next meeting. MOTION CARRIED UNANIMOUSLY

The Board discussed review of the Retirement Program Director and her current contract. Areas of external administration, internal administration and Board support were reviewed. The contract will be revised to reflect her new title, allowance of the cash out of an additional week of vacation, and the addition of the health savings account that occurred earlier in the year.

**R.B. 19-023** MOTION by Fisher, supported by Wilson, to approve contract changes as presented and direct that Legal Counsel incorporate them into a seventh amendment of the contract. MOTION CARRIED UNANIMOUSLY

There was further discussion about the length of the contract and whether salary should be in a separate exhibit or whether an escalator should be put in the contract.

**R.B. 19-024** MOTION by Fisher, supported by Harvey, to make the contract of the Retirement Program Director perpetual with no end date. MOTION CARRIED UNANIMOUSLY

**R.B. 19-025** MOTION by Fisher, supported by Wilson, to put a provision for five years of salary increases in the revised contract effective January 1, 2019 with a 3% annual salary increase effective each January 1 of 2019, 2020, 2021, 2022 and 2023. MOTION CARRIED UNANIMOUSLY

The Retirement Program Director brought to the Board's attention that the City may not be using the current Employer Contribution Rate for all groups of employees. The Board would like the Director of Fiscal Services for the City to be invited to attend the next meeting in March to explain how the Retirement System can verify that the correct contribution rates are being applied and how the total annual contribution is being reconciled with actuarial valuation contribution requirements.

The Board reviewed the Avignon monthly update information. The purchaser has indicated that he will not be able to close by the required date of February 15, 2019.

**R.B. 19-026** MOTION by Garth, supported by Wilson, to approve the restructuring terms as set forth in the email from Livingston York Advisors to the Board dated February 12, 2019 with an outside closing date of March 29, 2019 and concur that he proceed as outlined. MOTION CARRIED UNANIMOUSLY

The Investment Consultant addressed the Northern Trust amendment to the securities lending agreement and indicated that he concurs with the recommendation of Legal Counsel from last month.

The Market Update as of January 31, 2019 was presented. January results were positive across the board. While the positive results didn't erase fourth quarter, 2018 loses, they were a significant step in that direction.

**R.B. 19-027** MOTION by Wilson, supported by Garth, to accept the Market Update as of January 31, 2019 as presented. MOTION CARRIED UNANIMOUSLY

The investment review for the plan year ending December 31, 2018 was presented. The Executive Summary was as follows:

- Total Fund return of -6.22% was in line with the Policy Index return of -6.14%. While disappointing in relative terms, the Total Fund ranked in the 17th percentile for the quarter.
- For the calendar year, the Total Fund returned -3.64%, in line with the policy index. The return ranked in the 37th percentile.
- The primary driver of the strong rankings was outperformance vs. indices for Domestic Equity and International Equity.
- Within the Large Cap allocation, the Dividend Aristocrats and Low Volatility funds both had strong quarterly of downside protection.
- QMA Mid Cap underperformed, returning -18.26% vs. -17.28%. The primary driver of underperformance was an overweight to valuation related factors.
- Morgan Dempsey (Micro Cap Equity) outperformed their benchmark, returning -15.23% vs. -20.75% for the quarter.
- 1607 Capital Partners outperformed their benchmark for the quarter by 1.24%
- Both Domestic Fixed Income managers, Tortoise Credit and Loomis Sayles, underperformed their benchmarks for the quarter.
- Nantucket underperformed for the quarter as equity markets were in negative territory. Longer term results remain strong vs. benchmark and peers.
- KStone Partners underperformed their benchmark for the quarter. Long term results remain strong.
- PRISA I and III were in line with their benchmark. PRISA II underperformed by a small margin. Overall, the PRISA funds were the largest positive contributor to returns for the quarter and calendar year.
- JCR Fund III made multiple distributions during the quarter and remains approximately 70% called. JCR Fund IV made a capital call in October and is now just over 22% called.
- Landmark Fund VII had one distribution and a single capital call during the quarter. The fund is now 21% called.

- As of 12/31/2018, the Total Fund is in compliance with Public Act 314. The cash balance at year end was over the maximum limit due to the termination of Brandes. As of the issuance of this report, the cash balance is below the maximum limit.

**R.B. 19-028** MOTION by Garth, supported by Lowenberg, to approve the quarterly performance rate of -6.2165% for the quarter ended December 31, 2018. MOTION CARRIED UNANIMOUSLY

**R.B. 19-029** MOTION by Fisher, supported by Garth, to receive and file Southfield Fire & Police Retirement System Investment Performance Review, Period Ending December 31, 2018. MOTION CARRIED UNANIMOUSLY

The Investment Consultant presented a performance review for 1607 Capital Partners. Brandes was previously terminated and the assets were consolidated into 1607 Capital Partners but Irv Lowenberg had questioned whether 1607 was still a first choice for an international manager. The presentation reviewed rankings, risk vs. reward, and up and down market capture. The consultant indicated that 1607 is still the best option for the Retirement System but that there will be continuing conversations regarding alternative options. No action was taken.

**R.B. 19-030** MOTION by Harvey, supported by Wilson, to receive and file the 1607 review as presented by the Investment Consultant. MOTION CARRIED UNANIMOUSLY

Statement of Investment Policies, Procedures and Objectives was on the agenda for review per the Administrative Calendar. The Investment Consultant indicated that there are no recommended updates from last February.

**R.B. 19-031** MOTION by Lowenberg, supported by Wilson, to pay the following invoices: Invoices from Villages of Avignon CDD for reimbursable expenses as of February 5, 2019 in the amount of \$3,329.75; Invoice from Keen Battle Mead & Company for Avignon liability insurance for the period 2/20/19 – 2/20/20 in the amount of \$2,795.67. MOTION CARRIED UNANIMOUSLY

It was reiterated that any cash flow needs be equally funded from Tortoise and Loomis Sayles.

**R.B. 19-032** MOTION by Lowenberg supported by Fisher, to approve expense report from A. Harvey for Opal Public Funds Summit. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 1:52 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on March 12, 2019