

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

**February 13, 2018**

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The Board convened in Council Study at 12:30 p.m. with President Fisher presiding. The Meeting was started at 12:30 p.m.

**PRESENT:** John Fisher, Shawn Wells, Audrey Harvey (via phone), Duane Garth, Irv Lowenberg

**ABSENT:**

**ALSO**

**PRESENT:** Michael VanOverbeke/Legal Counsel, Brian Green/Investment Consultant, Megan Battersby/Retirement Program Director, Lauri Siskind/HR Director

**R.B. 18-011** **MOTION** by Wells, supported by Harvey, to approve the January 16, 2018 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

**R.B. 18-012** **MOTION** by Lowenberg, supported by Wells, to acknowledge receipt of the Cash & Asset Statement as of December 31, 2017 in the amount of \$204,907,699.37. **MOTION CARRIED UNANIMOUSLY**

**R.B. 18-013** **MOTION** by Lowenberg, supported by Wells, to approve payment of invoices as follows: Invoice from 1607 Capital Partners for asset management fees for the period 10/1/17 through 12/31/17 in the amount of \$53,210.02; Invoice from LSIA for asset management fees (Low Vol) for the period October 1, 2017 through December 31, 2017 in the amount of \$3,395.73; Invoice from LSIA for asset management fees for the period October 1, 2017 through December 31, 2017 in the amount of \$5,974.73; Invoice from Tortoise for asset management fees for the period October 1, 2017 – December 31, 2017 in the amount of \$15,722.83; Invoice from Chase Bank for credit charges for the period 1/03/18–2/02/18 in the amount of \$974.83; Expense report from John Fisher for Opal Group Public Funds Summit 2018; Expense report from E. Wells for Opal Group Public Funds Summit 2018. **MOTION CARRIED UNANIMOUSLY**

**R.B. 18-014** **MOTION** by Wells, supported by Lowenberg, to acknowledge receipt of Informational Items as follows: YTD 2017/2018 Budget; Invoice from Loomis Sayles for asset management services for the period October 1 through December 31, 2017 in the amount of \$12,049.00 (memo copy – direct debit); Billing Summary Fee Notice from The Northern Trust Company for the period ending 12/31/17 in the total amount of \$28,185.55; Correspondence received during the period January 16, 2018 – February 12, 2018. **MOTION CARRIED UNANIMOUSLY**

**R.B. 18-015** **MOTION** by Wells, supported by Lowenberg, to approve DROP Application from J. Payne. **MOTION CARRIED UNANIMOUSLY**

**R.B. 18-016** MOTION by Wells, supported by Lowenberg, to approve Retirement Application from D. Belding. MOTION CARRIED UNANIMOUSLY

**R.B. 18-017** MOTION by Harvey, supported by Wells, to approve DROP Distribution Election from D. Clevenger. MOTION CARRIED UNANIMOUSLY

The election process for the fire representative position which expires March 31, 2018 was discussed. The Notice was posted by January 26, 2018 and three nominations were received before the deadline of February 9 at noon. Ballots have been prepared and will be distributed on February 23. A sealed ballot box will be secured from the SFFA Union President and located at Fire Headquarters. The ballot box will be picked up on March 9 at noon and ballots will be counted in the afternoon so that the newly elected Fire Representative can be notified prior to the March 13 meeting.

A RHSP has finally been established for the Retirement Program Director to which monthly contributions will be made beginning January 1, 2018. The President will prepare a retro contribution funding plan for discussion and approval at the next meeting.

The 2018 Summary Annual Report (as of June 30, 2017) was presented to the Board for review. Per legal counsel, this report meets the current requirements although the City will need to provide some supplemental information directly to Michigan State Treasury.

**R.B. 18-018** MOTION by Wells, supported by Lowenberg, to approve the 2018 Summary Annual Report (as of June 30, 2017) as presented and direct that it be posted to the F&P website and submitted to Michigan State Treasury as required. MOTION CARRIED UNANIMOUSLY

Performance Review for the Retirement Program Director was on the agenda at the request of Audrey Harvey. She wanted to ensure that a review was not still needed. The President had done an informal review with the input of other Trustees. Legal counsel advised that they could provide a generic form to be used by Trustees for comment and review so that the process was documented.

The Board reviewed the Avignon monthly update letter. The sale is progressing as expected.

**R.B. 18-019** MOTION by Harvey, supported by Lowenberg, to approve Avignon invoices as follows: Invoice from Keen Battle Mead & Company for SFPRS Avignon, Inc. liability insurance renewal for the period 2/20/18 – 2/19/19 in the amount of \$2,795.98; Invoices from Villages of Avignon CDD and Clark & Albaugh regarding normal, recurring management and legal costs and in the combined/total amount of \$4,293.54. MOTION CARRIED UNANIMOUSLY

Communication from Fintan Partners about the change in timing of Net Asset Value calculations was acknowledged. The investment consultant indicated that it was normal, given the wind-down of the fund.

The monthly Market Update as of January 31, 2018 was presented. Again, growth significantly outperformed value, however, that has reversed in February. The Investment Performance Review for the Period Ending December 31, 2017 was presented and discussed. An overview of 2017 indicated that international developed and emerging markets gained the most in 2017. A bigger surprise was that fixed

income was in positive territory. The S&P was up 21.83% for the year but there were wide swings between sectors. The Executive Summary was as follows:

1. Total Fund return of +3.53% lagged the Policy Index return of +3.60%. The primary driver of the underperformance for the quarter was Brandes Emerging Markets.
2. Morgan Dempsey (Micro Cap Equity) outperformed their benchmark by 2.13% for the quarter. Their watch status was set to expire on 12/31/2017.
3. 1607 Capital Partners outperformed their benchmark by 0.45% for the quarter, and ranks favorably over all time periods.
4. In their second quarter of watch status, Brandes Emerging Markets underperformed by -4.32%. Their watch status was set to expire on 12/31/2017.
5. Both Domestic Fixed Income managers, Tortoise Credit and Loomis Sayles continue to outperform their benchmarks.
6. Avignon Holdings LLC - carried at \$3.42 million book value. No investment activity this period.
7. Fintan is in the process of winding down their institutional fund. During the quarter, we received \$665,426 in total distributions.
8. Nantucket outperformed for the quarter and long term. Longer term results remain strong vs. benchmark and peers.
9. KStone Partners outperformed for the quarter. Long term results remain strong.
10. JCR Fund II had multiple realizations during the quarter. Early in Q1 2018, the fund made its final distribution and ended. Fund III continued to call capital, and is now 72% called. JCR Fund IV has not yet called capital.
11. Landmark Fund VII made their first call during December and has begun investing.
12. At quarter end, cash was above the target level, offset by below target allocations to real estate and alternatives. Allocation levels are being addressed.
13. As of 12/31/2017, the Total Fund is in compliance with the Investment Policy Statement and Public Act 314.

**R.B. 18-020** MOTION by Lowenberg, supported by Fisher, to approve the Q4, 2017 investment rate of return of 3.5435%. MOTION CARRIED UNANIMOUSLY

The investment consultant indicated that he would have a mid-cap active manager search to present at the March meeting.

Current (as of 2/13/18) vs. target investment allocations were reviewed. There is currently an unallocated target to alternative investments. No action is required.

The investment consultant presented a liquidity plan and indicated that no action was currently required. An updated plan will be presented in March.

As part of the annual administrative calendar, the investment policy statement was reviewed. The investment consultant recommended updating the allowable ranges to narrow allocations to various asset classes. This action will encourage regular portfolio review and rebalancing during significant market swings.

**R.B. 18-021** **MOTION** by Fisher, supported by Wells, to approve changes to the Statement of Investment Policies, Procedures and Objectives, February 2018 of allocation ranges as presented and recommended by the investment consultant. **MOTION CARRIED UNANIMOUSLY**

The 2018 manager meeting schedule will begin next month with domestic equity (LSIA, Morgan Dempsey) and will follow regular meeting business at approximately 2:00 p.m.

Meeting adjourned at 1:50 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on March 13, 2018