

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

February 9, 2016

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

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

ABSENT:

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta/Investment Consultant, Megan Battersby/Retirement Program Administrator, Lauri Siskind/Human Resources Director, Lyn Roberts/Director of Fiscal Services

R.B. 16-019 MOTION by Wells, supported by Harvey, to approve the January 12, 2016 regular meeting minutes. MOTION CARRIED UNANIMOUSLY

R.B. 16-020 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of the Cash & Asset Statement as of December 31, 2015 in the amount of \$186,720,915.15. MOTION CARRIED UNANIMOUSLY

R.B. 16-021 MOTION by Lowenberg, supported by Garth, to approve payment of invoices as follows: Invoice from LS Investment Advisors for asset management services for the period October 1, 2015 through December 31, 2015 in the amount of \$3,864.20; Invoice from Loomis Sayles for asset management services for the period October 1, 2015 through December 31, 2015 in the amount of \$20,269.97; Invoice from Morgan Dempsey for asset management services for the period 4th quarter, 2015 in the amount of \$25,142.00; Invoice from 1607 Capital Partners for asset management services for the period 10/1/15 through 12/31/15 in the amount of \$30,847.80; Invoice from Asset Strategies for investment consulting services for January, 2016 in the amount of \$8,502.69. MOTION CARRIED UNANIMOUSLY

R.B. 16-022 MOTION by Lowenberg, supported by Wells, to approve payment of invoice as follows: Invoice from GRS for Schneider EDRO calculation in the amount of \$1,300.00. MOTION CARRIED UNANIMOUSLY

R.B. 16-023 MOTION by Harvey, supported by Wells, to approve payment of invoices as follows: Invoice from Keen Battle & Mead Company for Avignon liability insurance renewal effective 2/1/16 to 2/20/17 in the amount of \$2,215.00; Invoice from Villages of Avignon CDD for \$5,931.56 including reimbursable GSG expenses as of 1/15/16 in the amount of \$2,933.32 and reimbursable Clark & Albaugh expenses for December, 2015 in the amount of \$2,998.24. MOTION CARRIED UNANIMOUSLY

R.B. 16-024 MOTION by Wells, supported by Garth, to acknowledge receipt of the Informational Items including YTD 2015/2016 Budget and Correspondence received during the period January 12, 2016 through February 8, 2016. MOTION CARRIED UNANIMOUSLY

R.B. 16-025 MOTION by Wells, supported by Harvey, to acknowledge receipt of DROP Application from N. Owen. MOTION CARRIED UNANIMOUSLY

R.B. 16-026 MOTION by Fisher, supported by Wells, to acknowledge receipt of Retirement Applications from M. Collins and P. Bourlier. MOTION CARRIED UNANIMOUSLY

R.B. 16-027 MOTION by Harvey, supported by Wells, to acknowledge receipt of DROP Distribution Elections from M. Collins and P. Bourlier. MOTION CARRIED UNANIMOUSLY

R.B. 16-028 MOTION by Harvey, supported by Wells, to acknowledge receipt of Annuity Withdrawal Distribution Elections from M. Collins and P. Bourlier. MOTION CARRIED UNANIMOUSLY

In the legislative update last month, legal counsel indicated that the Governor wanted to team with MAPERS to try to determine how to identify troubled plans. They recently met with a representative of the Strategic Policy Division under the Governor (because the Governor was busy with Flint issues). She was receptive to MAPERS' ideas such as a collective data base and uniform reporting requirements. Much data is assumption driven and controlled at the Plan level; having each plan report using standardized assumptions with a central repository where all data is submitted will be key to the success of any process.

A memorandum regarding Normal Retirement Age/In-Service Distributions was distributed. It was an informational memo focused primarily on when it was allowable for a member to receive distributions from a retirement system while continuing employment.

Mr. Byron was contacted via conference call to address questions concerning Avignon and to update the Board on market conditions. The prior listing agent indicated to Mr. Byron that he could probably generate an offer for the property in the \$2 mill range but if the Board was expecting more, he wasn't the right selling agent. While Manatee County is exhibiting growth, sales in the area have been artificially low because of the exceptionally low acquisition costs. Mr. Byron was asked to have a sign placed on the property indicating it was entitled and available for sale with calls going directly to him until an analysis could be done and a new listing agent engaged.

The CDD has challenged the County on the Lauris tax sale resulting in more legal fees. The Trustees asked what the Retirement System's interest was in fighting. Legal counsel responded that if the county takes the property through legal action and the CDD doesn't challenge it, there is a potential liability to the CDD from the bondholders. The CDD lost its case, however, and the county can now take the property and sell it at auction. There is not a clear path as to how the bonds go away. Approximately \$300,000 in back taxes is owed. It was discussed whether the Retirement System should bid on the property or whether the sale presented an opportunity for the Board to move in a different direction.

Nominations for Police Representative to the Pension Board were held and John Fisher was the only nominee. On February 8, a notice was posted stating such and allowing one week for written objections.

If no objections are received, John Fisher will be considered elected for the term of office from April 1, 2016 through March 31, 2020.

R.B. 16-029 MOTION by Harvey, supported by Lowenberg, to approve the RIE distributions as of July 1, 2015 as presented. MOTION CARRIED UNANIMOUSLY

R.B. 16-030 MOTION by Harvey, supported by Lowenberg, to approve the 2016 Summary Annual Report as of June 30, 2015 as presented and direct that a copy be posted to the website. MOTION CARRIED UNANIMOUSLY

Mr. Vitta presented the Investment Performance Analysis as of December 31, 2015. Recommendations and conclusions were as follows:

1. Total Fund return of +2.27% slightly trailed the Policy Index primarily due to underperformance from the three hedge fund managers.
2. In their third quarter of probation (4/01 - 12/31/2015), Morgan Dempsey exceeded their benchmark by 2.92%. It was recommended that probation be extended to 3/31/2016.
3. In their third quarter of probation (4/01 - 12/31/2015), Brandes exceeded their benchmark by 2.53%. It was recommended that probation be extended to 3/31/2016.
4. Avignon Holdings LLC - carried at \$3.42 million book value – had no investment activity this period.
5. No violations of investment policies or guidelines were detected.
6. As of 2/04/2016, asset allocations were within policy ranges.

R.B. 16-031 MOTION by Lowenberg, supported by Wells, to accept and approve the quarterly rate of return as of December 31, 2015 of 2.2700%. MOTION CARRIED UNANIMOUSLY

R.B. 16-032 MOTION by Wells, supported by Harvey, to continue probationary status through March 31, 2016 for Morgan Dempsey and Brandes. MOTION CARRIED UNANIMOUSLY

The January, 2016 Capital Markets Update was presented. There was nowhere to hide if you were an equities investor. Hedge funds did not fare much better but the U.S. dollar is still strong. The December Economic Update showed that the U.S. is actually doing pretty well.

Asset Strategies presented a Summary of Annual Capital Market Forecasts – 2016, which was a compilation of many different sources. The following categories and corresponding forecasts were offered: U.S. Economy/Consensus 2016 U.S. real GDP Growth: 2.4%; U.S. Monetary Policy/Consensus 2016 U.S. inflation: 1.9%; Equities/Consensus U.S. stocks 2016 Total Return: 7.3%/Consensus Developed-Market stocks 2016 Total Return: 7.8%/ Consensus Emerging-Markets stocks 2016 Total Return: 6.1%; Fixed Income/Consensus U.S. Bond Market 2016 Total Return: 1.1%; Real Estate/Consensus U.S. Real Estate market (very broad): Should easily outperform other asset classes

barring a recession in the U.S.; Alternative Investments/Consensus Global Alternative Investments (very broad): Should provide a risk-adjusted return above fixed income.

Mr. Lowenberg asked if it was a good time to invest in commodities. Asset Strategies replied that they would look into it. The Investment Policies, Procedures and Objectives document was amended in October, 2016 and does not need further amendment at this time.

Meeting adjourned at 11:50 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Audrey Harvey, Secretary