

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

May 8, 2018

The Board convened in Southfield Room, Library 3rd Floor at 12:30 p.m. with President Fisher presiding. The Meeting was started at 12:35 p.m.

PRESENT: John Fisher, Duane Garth, Irv Lowenberg (late arrival), Brent Wilson

ABSENT: Audrey Harvey

ALSO

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

R.B. 18-047 **MOTION** by Garth, supported by Fisher, to approve the April 10, 2018 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 18-048 **MOTION** by Garth, supported by Wilson, to acknowledge receipt of the Cash & Asset Statement as of March 31, 2018 in the amount of \$202,090,203.38. **MOTION CARRIED UNANIMOUSLY**

R.B. 18-049 **MOTION** by Garth, supported by Wilson, to approve payment of invoices as follows: Invoice from LSIA for asset management services for the period January 1, 2018 through March 31, 2018 in the amount of \$5,636.78; Invoice from LSIA for asset management services for the period January 1, 2018 through March 31, 2018 in the amount of \$3,205.46; Invoice from 1607 Capital Partners for asset management services for the period 1/1/18 through 3/31/18 in the amount of \$53,077.26. **MOTION CARRIED UNANIMOUSLY**

R.B. 18-050 **MOTION** by Garth, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2017/2018 Budget; Memo Copy Invoice from Loomis Sayles for asset management services for the period January 1, 2018 through March 31, 2018 in the amount of \$11,683.62; Correspondence received during the period April 10, 2018 – May 7, 2018. **MOTION CARRIED UNANIMOUSLY**

Irv Lowenberg entered the meeting.

R.B. 18-051 **MOTION** by Wilson, supported by Fisher, to approve Retirement Application from E. Cary (07/06/18). **MOTION CARRIED UNANIMOUSLY**

R.B. 18-052 **MOTION** by Wilson, supported by Lowenberg, to approve DROP Distribution Elections from S. Schneider and E. Cary. **MOTION CARRIED UNANIMOUSLY**

R.B. 18-053 **MOTION** by Wilson, supported by Lowenberg, to approve Annuity Withdrawal Distribution Elections from J. Rico and E. Cary. **MOTION CARRIED UNANIMOUSLY**

Legal Counsel had nothing specific to report, however, did discuss the recently announced makeup of the Municipal Stability Board. He received an interesting email from Michigan Treasury about discussing uniform actuarial standards and he will be scheduling a meeting with a member of the Municipal Stability Board. Rumors abound that pensions will continue to be hit hard. Audrey Harvey had submitted a question to Legal Counsel asking whether other municipal plans have adopted a sexual harassment policy for money managers. His response was no and that the Board should guard against adopting a platform that will open the door to all groups asking for their issues to be taken up.

The Board discussed a general memo from Councilman Lloyd Crews to Board and Commissions Chairpersons requesting attendance at a Council meeting to provide “an update on the work that is currently being done and plans for the future.” Irv Lowenberg stated that they are looking for audit, actuarial and investment report summaries. Lauri Siskind stated that she will get more information about what they want presented and report back to the Board in June. The item was tabled until the next meeting.

R.B. 18-054 **MOTION** by Lowenberg, supported by Wilson, to designate John Fisher and Duane Garth as primary delegates for the MAPERS Spring Conference and Brent Wilson as an alternative delegate. **MOTION CARRIED UNANIMOUSLY**

The Board reviewed the Avignon monthly update letter. The sale is progressing as expected and there is nothing new to report before the May 31 deadline.

The monthly Market Update as of April 30, 2018 was presented. Returns were flat for the month with equities mostly positive and fixed income mostly negative. Discussion on volatility in the first quarter of 2018 ensued. There has been flat performance from the beginning to the end of the quarter, but a lot of volatility in between. Two charts related to S&P 500 Total Return Index History as well as a chart of Annual Asset Class Performance Market Indexes were reviewed. A third chart showed Annual Asset Class Performance from 2004 to March 31, 2018. The takeaway was: volatility happens, stay invested, stay diversified.

The Investment Performance Review for the Period Ending March 31, 2018 was presented. The Executive Summary was as follows:

- Total Fund return of -0.34% outperformed the Policy Index return of -0.50%. The primary drivers of the outperformance for the quarter were excess performance from 1607, Tortoise Credit, PRISA II and Nantucket.
- Morgan Dempsey (Micro Cap Equity) underperformed their benchmark by 2.48% for the quarter, returning -3.13% vs. -0.65% for their benchmark.
- 1607 Capital Partners outperformed their benchmark by 0.99% for the quarter, and ranks favorably over all time periods.

- In their third quarter of watch status, Brandes Emerging Markets underperformed by -1.35%. Their watch status was set to expire on 12/31/2017. Extending watch until 6/30/2018 was recommended.
- Both Domestic Fixed Income managers, Tortoise Credit and Loomis Sayles, continue to outperform their benchmarks.
- Avignon Holdings LLC - carried at \$3.42 million book value. No investment activity this period.
- Fintan is in the process of winding down their institutional fund. There was zero distribution activity during the quarter.
- Nantucket outperformed for the quarter and long term. Longer term results remain strong vs. benchmark and peers.
- KStone Partners underperformed their benchmark for the quarter, though they still turned in a positive return in a negative fixed income environment. Long term results remain strong.
- Fund III continued to call capital, and is now 76% called. JCR Fund IV issued its first capital call in late April.
- Landmark Fund VII made their first call in December 2017. There was not call activity during the quarter.
- At quarter end, cash was above the target level, offset by below target allocations to real estate and alternatives. Allocation levels are being addressed.
- As of 3/31/2018, the Total Fund is in compliance with the Investment Policy Statement and Public Act 314.

R.B. 18-055 MOTION by Lowenberg, supported by Garth, to approve the Investment Performance Review for the Period Ending March 31, 2018 as presented and the quarterly rate of return for the quarter ended March 31, 2018 of -.3369%. MOTION CARRIED UNANIMOUSLY

A Notification of Changes to Securities Lending Cash Collateral from Northern Trust outlining modifications that go into effect June 1, 2018 and their impact to the Fund was discussed. AndCo is comfortable with the change and recommends staying with the program.

R.B. 18-056 MOTION by Garth, supported by Lowenberg, to receive and file the memo from Northern Trust dated May 1, 2018 regarding Notification of Changes to Securities Lending Cash Collateral – Northern Trust Collective SL Short Term Investment Fund. MOTION CARRIED UNANIMOUSLY

A memo from JCR formally requesting a one-year extension to the investment period of JCR Fund IIIB was discussed. Because 76% of overall funds have been called and their history is good, AndCo recommends approving the extension request.

R.B. 18-057 **MOTION** by Fisher, supported by Lowenberg, to approve the requested one-year extension to the investment period of JCR Commercial Real Estate Finance Fund IIIB, L.P. and JCR Commercial Real Estate Finance Fund IIIB(Q), L.P. (together “Fund IIIB”) from December 31, 2018 to December 31, 2019. **MOTION CARRIED UNANIMOUSLY**

R.B. 18-058 **MOTION** by Lowenberg, supported by Wilson, to pay invoices as follows: Invoices from Villages of Avignon CDD and Clark & Albaugh regarding normal, recurring management and legal costs and in the combined/total amount of \$3,152.54; Invoice from Chase for credit card charges for the period 04/03/18 – 05/02/18 in the amount of \$1,348.11. **MOTION CARRIED UNANIMOUSLY**

Meeting adjourned at 1:48 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on June 12, 2018