

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

May 9, 2017

The Board convened in Training Room 2 in the Human Resources Department at 9:00 a.m. with President Fisher presiding. The Meeting was started at 9:07 a.m.

PRESENT: John Fisher, Shawn Wells (early exit at 12:00 p.m.), Audrey Harvey (early exit at 11:05 a.m.), Duane Garth, Irv Lowenberg (late arrival at 9:12 a.m.)

ABSENT:

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta and Brian Green/Investment Consultants, Megan Battersby/Retirement Program Director, Lauri Siskind/Human Resources Director, Austen Michaels/Deputy Director of Fiscal Services, Jay Rollins and Patrick Campbell/JCR Capital

R.B. 17-058 **MOTION** by Harvey, supported by Wells, to approve the April 4, 2017 meeting minutes. MOTION CARRIED UNANIMOUSLY

R.B. 17-059 **MOTION** by Harvey, supported by Wells, to acknowledge receipt of the Cash & Asset Statement as of March 31, 2017 in the amount of \$196,503,861.64. MOTION CARRIED UNANIMOUSLY

R.B. 17-060 **MOTION** by Harvey, supported by Garth, to approve payment of invoices as follows: Statement from Chase Card Services for credit charges for the period 03/03/17 – 04/02/17 in the amount of \$1,905.64; Invoice from Morgan Dempsey for asset management services for the period 01/01/17 – 03/31/17 in the amount of \$29,660.59; Invoice from Loomis Sayles for asset management services (Large Cap Value Fund) for the period January 1, 2017 through March 28, 2017 in the amount of \$21,634.45; Invoice from 1607 Capital Partners for asset management services for the period 1/1/17 through 3/31/17 in the amount of \$44,058.39; Invoice from LSIA for asset management services for the period January 1, 2017 through March 31, 2017 in the amounts of \$1,623.31 and \$3,619.33. MOTION CARRIED UNANIMOUSLY

Irv Lowenberg entered the meeting.

R.B. 17-061 **MOTION** by Wells, supported by Garth, to acknowledge receipt of the Informational Items including YTD 2016/2017 Budget; Invoice from The Northern Trust Company for custody, global custody, global transactions and benefit payments for the period ending 03/31/17 in the amount of \$19,726.39 (informational copy – direct debit); Invoice from Loomis Sayles for asset management services (Int Dur Fixed Inc Fund) for the period January 1, 2017 through March 31, 2017 in the amount of \$10,558.49 (informational copy – direct debit); Invoice from Bradford & Marzec (now part of Tortoise Credit Strategies) for asset management services for the period January 1, 2017 to March 31, 2017 in the

amount of \$14,362.69 (informational copy – direct debit); Correspondence received during the period April 4 – May 8, 2017. MOTION CARRIED UNANIMOUSLY

R.B. 17-062 MOTION by Wells, supported by Harvey, to approve DROP Application from D. Belding. MOTION CARRIED UNANIMOUSLY

R.B. 17-063 MOTION by Wells, supported by Lowenberg, to approve Retirement Applications from J. Medici, W. MacDonald, M. Payeur, W. Foster, and T. Goff. MOTION CARRIED UNANIMOUSLY

R.B. 17-064 MOTION by Wells, supported by Harvey, to approve DROP Distribution Elections from K. Mukomel, K. Chesnut, M. Douville, S. Kraemer, M. Payeur, W. Foster, and T. Goff. MOTION CARRIED UNANIMOUSLY

R.B. 17-065 MOTION by Wells, supported by Garth, to approve Annuity Withdrawal Distribution Elections from J. Medici, K. Chesnut, W. MacDonald, M. Payeur, W. Foster, and T. Goff. MOTION CARRIED UNANIMOUSLY

In the legislative update, legal counsel discussed the State's intention of closing down the defined benefit plan for teachers which is currently a hybrid plan. This won't affect the Retirement System directly now but it will eventually. Teachers are long-term employees and it is in that segment that defined benefit plans work well. The State has not demonstrated any cost savings but the rationale is that the private sectors makes a lot of money on defined contribution plans so, by taking down the public sector, the private sector is strengthened. Legal counsel urged the Board to send letters to representatives in Lansing and to go to Lansing and voice concerns because this should be distressful to all. In the update on the Governor's task force, legal counsel indicated that the last meeting was held two weeks ago. They met again yesterday to review the report which was quite inflammatory and left many feeling as if they were merely tokens being used to achieve a pre-intended State agenda. The tone of the report was that DB and RHC are the biggest concerns facing municipalities. The task force hopes to have a revised report by the time of MAPER Spring Conference.

R.B. 17-066 MOTION by Harvey, supported by Wells, to accept the legal report and legislative update as delivered. MOTION CARRIED UNANIMOUSLY

R.B. 17-067 MOTION by Wells, supported by Lowenberg, to appoint Megan Battersby as the official delegate for the MAPERS Spring Conference. MOTION CARRIED UNANIMOUSLY

R.B. 17-068 MOTION by Harvey, supported by Lowenberg, to approve the annual renewal of GMEI Utility records related to the Bradford & Marzec investment. MOTION CARRIED UNANIMOUSLY

A conference call was placed to Livingston York Advisors to discuss the monthly update and various offers that have been received for the Avignon properties. There are two new offers which do not require entitlements to close but the offers are low – too low. Legal counsel asked about the entitlement process and what the Board's responsibilities would be. The consultant indicated that the Board needs to determine if they prefer a higher purchase price offer with a longer entitlement period or a lower purchase

price offer with no required entitlements. Time value of money as well as risk components was discussed. There has not been much interest from home builders in a partnership option but there have been enough clean, straight options without a partnership.

R.B. 17-069 MOTION by Lowenberg, supported by Harvey, to direct Livingston York to make a counter offer on the Board's behalf to all three parties from which offers currently stand of a counter purchase price of \$3.5 mill with no entitlements required to close. MOTION CARRIED UNANIMOUSLY

R.B. 17-070 MOTION by Harvey, supported by Lowenberg, to approve payment of the invoice from Villages of Avignon CDD for reimbursable expenses as of 4/12/17 in the amount of \$8,791.14. MOTION CARRIED UNANIMOUSLY

Jay Rollins and Patrick Campbell were in attendance to provide an annual update on JCR Funds II and III and an introduction to JCR Income Plus Fund IV. They indicated that there is less conviction in the market which is slowing down with rising interest rates. However, JCR is protected because most of their deals are for a 24-36 month period with built-in protection, leveraging and cross-collateralization. In Fund II, 35 investments were made of which 31 have been fully realized. Fund II individual net returns average 15.40 realized gross IRR and 1.30x realized gross multiple. The Retirement System committed \$10 million to Fund IIIB, which recycles capital from realized investments. Because of that, expected capital distributions remain low until the beginning of 2019. JCR anticipates investing at a pace of \$125-\$150 million per annum through 2018 with resulting expected turns on committed capital of 1.40x-1.60x.

JCR Capital is a defensive investor in a time of uncertainty. Fund IV will offer: value-add investments, cash flowing investments only, current pay and return focus, 1-3 year duration, no recycling, a target net IRR of 12%, and a target multiple of 1.35x. This fund will have middle market focus, principle protection, customized structure on each investment, short-term investment strategy, and a diversified portfolio of profit participating positions.

Audrey Harvey exited the meeting.

The investment consultant presented the Investment Performance Review for the Period Ending March 31, 2017. Total asset value was \$196,403,939 and the gross rate of return for the quarter was 3.36%. The Executive Summary was as follows:

1. Strong Total Fund return of +3.36% exceeded the Policy Index return of +3.32%. The peer group rank was lower than usual due to the lower allocation to Domestic Equity versus the peer group.
2. Brandes Emerging Markets return fell behind their benchmark, but still gained an attractive +10.63% for the quarter. For the trailing 12 months, Brandes outperformed their benchmark by over 4.6%.
3. Both bond managers provided above market results.

4. Avignon Holdings LLC - carried at \$3.42 million book value. No investment activity this period.
5. Several private market managers have not finalized 3/31/17 information as of this report so the most current information available is used. Managers include JCR II and III.
6. Fintan is in the process of winding down their institutional fund. A phone conference with the manager to receive a progress report and address recent investment results is scheduled for the May Board meeting.
7. JCR Capital, manager of Fund 2 which is winding down, and Fund 3 in which the Plan still has a large uncalled capital commitment, will meet with the Board in May to address both of these items, as well as related matters.
8. Year-to-date and longer period results for the Total Fund's return, market risk, peer group standing and risk-adjusted returns continue to meet expectations
9. At quarter end, Fixed Income and Cash fell outside policy target allocations. This was corrected in April with the investments rebalancing.
10. Page 32 is a new addition to the report, noting compliance with Public Act 314 limits.

R.B. 17-071 MOTION by Lowenberg, supported by Garth, to approve the gross rate of return for the quarter ended March 31, 2017 of 3.3605%. MOTION CARRIED UNANIMOUSLY

R.B. 17-072 MOTION by Lowenberg, supported by Garth, to approve the transfer of \$1.5 mill from NT S&P 400 Mid Cap Fund to Cash for June 1 liquidity. MOTION CARRIED UNANIMOUSLY

Shawn Wells exited the meeting.

The investment consultant distributed information about an asset allocation review and stated that this will be addressed in June to determine where there is capacity and whether the Retirement System should invest in JCR Fund IV.

John Fisher asked if there were any questions for AndCo regarding the RFI before they were excused from the room for an ensuing discussion but there were none so they exited the meeting. Mr. Lowenberg gave a brief overview of how he and Ms. Harvey reviewed and scored the proposals. Both were in agreement in ranking the top three and AndCo was number one. The next steps and possible interview process were discussed. Mr. Fisher stated that the Board had done its due diligence because of all of the transition at Asset Strategies/The Bogdahn Group/AndCo and because of the five year review policy the Board follows and had decided to issue an RFI not RFP. He wondered if there was a need to conduct interviews when we are satisfied with our current consultant, have determined that they are the top contender, their fees are reasonable, and we have a long history together. Would interviews just be a waste of the other consultant's time? The Board was in agreement and Audrey Harvey and Shawn Wells were contacted via phone for their vote. The Board was in unanimous decision. Letters will be sent to the consultants who submitted the RFI thanking them for the submission.

R.B. 17-073 MOTION by Garth, supported by Lowenberg, to retain AndCo Consulting as investment consultant for the Retirement System and acknowledge and thank the other consulting groups who responded to the RFI. MOTION CARRIED UNANIMOUSLY

At the meeting in April it was decided to start making a \$200/month contribution to a Health Savings Account (HSA) effective January 1, 2017 for the Retirement Program Director with the possibility of making catch-up contributions back to January, 2004 when she was hired. It has been determined, however, that she is not eligible to contribute to a HSA and that a Retiree Health Saving Account (RHSA) would be the appropriate vehicle. The Retirement Program Director was asked to research a RHSA and report back in June.

Meeting adjourned at 12:48 p.m.

Prepared by Megan Battersby
Retirement Program Director

Approved by Board Motion on June 13, 2017