

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

June 14, 2016

The Board convened in Training Room 2 in the Human Resources Department at 9:04 a.m. with President Fisher presiding.

PRESENT: John Fisher, Shawn Wells, Duane Garth

ABSENT: Audrey Harvey, Irv Lowenberg

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta/Investment Consultant, Megan Battersby/Retirement Program Administrator, Lauri Siskind/Human Resources Director, Daniel Brightwell/Councilman, David Sowerby/Loomis Sayles, Alex Klikoff and Bijan Pojoochi/Fintan Partners (via phone)

R.B. 16-080 **MOTION** by Garth, supported by Wells, to approve the May 10, 2016 regular meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-081 **MOTION** by Wells, supported by Garth, to acknowledge receipt of the Cash & Asset Statement as of April 30, 2016 in the amount of \$188,121,410.47. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-082 **MOTION** by Wells, supported by Garth, to approve payment of invoices as follows: Invoice from Asset Strategies for investment consulting services for April, 2016 in the amount of \$8,605.64; Invoice from Asset Strategies for investment consulting services for May, 2016 in the amount of \$8,605.64; Expense report from John Fisher for NCPERS Annual Conference; Expense report from John Fisher for MAPERS Spring Conference; Expense report from Megan Battersby for MAPERS Spring Conference; Expense report from Audrey Harvey for Spring MAPERS Conference; Expense report from Emmereal Wells for NCPERS Annual Conference. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-083 **MOTION** by Wells, supported by Garth, to acknowledge receipt of the Informational Items including YTD 2015/2016 Budget and Correspondence received during the period May 10, 2016 through June 11, 2016. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-084 **MOTION** by Wells, supported by Garth, to acknowledge receipt of Retirement Application from K. Myers and K. Toupin. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-085 **MOTION** by Garth, supported by Wells, to acknowledge receipt of DROP Distribution Elections from M. Collins and G. Lask. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-086 **MOTION** by Garth, supported by Wells, to acknowledge receipt of Annuity Withdrawal Distribution Elections from K. Myers and K. Toupin. **MOTION CARRIED UNANIMOUSLY**

In the legal update, recent legal issues and decisions that were presented at the MAPERS Spring 2016 Conference were reviewed. There are many distractions in Lansing with Flint and Detroit Public Schools but there still has been a flurry of bills introduced. House Bill 5438 continues to sit and the sponsor has indicated that he wants to meet with MAPERS, although nothing has been scheduled.

The monthly Avignon letter from Livingston York was discussed. At the request of the Board, the consultant prepared a financial analysis to help evaluate the decision to continue to hold the property or to sell it at market prices and reinvest the net sales. The net result of the analysis was that, if the assumptions used hold true, the property should be sold and the net proceeds reinvested.

R.B. 16-087 MOTION by Wells, supported by Garth, to accept the recommendation from Livingston York Advisors to list the property using Eshenbaugh Land Company for \$4 million.
MOTION CARRIED UNANIMOUSLY

Legal counsel addressed a question at the request of the Retirement Program Administrator. An elder care facility has asked what can be done to have a retiree's pension sent directly to them. The patient/retiree's Power of Attorney (POA) has passed away and the retiree has dementia so is not allowed to appoint another POA. Per legal counsel, the court has the ability to have a conservator appointed for the patient/retiree who can act on her behalf. Until that is done and the Plan is directed by the legal representative, our hands are tied.

The U.S. Economic Update for April shows all indicators are flashing green with slow but steady growth. The Capital Markets Update through May 31 has US equities positive, International equities negative, and bonds acting just as expected. John Fisher asked how the hedge fund industry will react to the withdrawal of big players. George Vitta responded that the hedge fund industry took off after the 2002 market meltdown but CALPERS reduced its allocation last year and it is now survival of the fittest. P/E ratios are bloated 35% more than their historical average. The next year earnings projection for the S&P is 0-2%. Something has to correct but the steps the Retirement System has been taking will prepare it for a low earnings period.

David Sowerby was present to address the Board regarding probationary status for the Large Cap Value Fund. He indicated that patience is critical to the value stock investor. Over the last 5, 10 and 15 years, Southfield F&P large cap portfolio has outperformed the value stock indexes. Value stocks are lagging growth stocks over the last year setting up a likely value recovery which started in early February, 2016. He also addressed conversations he has had with the investment consultant regarding moving to an intermediate risk adjusted return rather than high yield. He proposed moving from the Core Plus Full Discretion Fund into the Intermediate Duration Fixed Income Fund.

Various questions were asked by the Trustees including John Fisher who asked 1) how much input does David Sowerby have on our account, and 2) what does the new team look like going forward. Mr. Sowerby indicated that he has influence only but that a strong team is in place. Following the departure of Warren Koontz, two portfolio managers have been put in place and three analysts have been added and Loomis Sayles Large Cap has consistently beaten what Warren Koontz now manages.

A conference call followed with Alex Klikoff and Bijan Pajoohi from Fintan Partners. The City of Cincinnati has decided to eliminate its entire hedge fund allocation and they are the largest investor in the

fund. If the fund is kept open under a \$20 mill size, administrative costs will be prohibitive (over 2%/year). Fintan is looking for an orderly wind down of the fund: 25% payable as of September 30 with the remainder redeemed as of December 31 and fully paid out by approximately June, 2017. Liquidity windows of the underlying bonds lead to a lag in payoff. Earnst & Young will continue to do the audit and final wrap-up. The annual audit is usually done by mid-June. No fee concessions are anticipated but could be discussed for the final months of the wind-down. If there is a 10% holdback, there would be no fees on that piece. As funds are liquidated, they will be returned and will not sit in cash.

R.B. 16-088 MOTION by Fisher, supported by Wells, to direct the submission of two redemption forms to Fintan Partner: one for 25% as of September 30, 2016 and the other for 100% as of December 31, 2016. MOTION CARRIED UNANIMOUSLY

R.B. 16-089 MOTION by Fisher, supported by Garth, to approve the transition from Loomis Sayles Full Discretion Bond Fund to Loomis Sayles Intermediate Duration Fixed Income Fund as soon as is administratively feasible and upon review by legal counsel. MOTION CARRIED UNANIMOUSLY

R.B. 16-090 MOTION by Wells, supported by Garth, to approve payment of invoices as follows: Invoice from Villages of Avignon CDD for May, 2016 management fees and legal fees in the amount of \$3,490.27; Invoice from Chase Card Services for MasterCard charges for the period 05/03/16 – 06/02/16 in the amount of \$1,657.25; Invoice from The Northern Trust Company for asset management and custodial services for the period ending 06/30/16 in the amount of \$16,764.71 (to be direct debited on 06/30/16); Completion of GMEI utility process for LEI maintenance in the amount of \$109.09; Invoice from VanOverbeke Michaud & Timmony, P.C. for legal services rendered during the period October 1, 2015 through December 31, 2016 in the amount of \$2,970.00; Invoice from The Northern Trust Company for asset management fees for the Enhanced-SL fund for the period April 1 – June 30, 2016 in the amount of \$1,648.14. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 10:50 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Approved by Board Motion on July 12, 2016