

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

August 11, 2015

The Board convened in the Public Services conference Room A at 9:10 a.m. with Vice President Wells presiding.

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

ABSENT:

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta/Asset Consultant, Megan Battersby/Retirement Program Administrator, Lauri Siskind/Human Resources Director, Kathy Hicks/Deputy Treasurer, Judy Kermans and Jeff Tebeau/GRS, Chris Carmody/Vertas

R.B. 15-92 **MOTION** by Harvey, supported by Lowenberg, to approve the July 14, 2015 regular meeting minutes, as amended. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-93 **MOTION** by Harvey, supported by Lowenberg, to acknowledge receipt of the Cash & Asset Statement as of June 30, 2015 in the amount of \$196,608,952.55. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-94 **MOTION** by Harvey, supported by Lowenberg, to acknowledge payment of invoices as follows: Invoice from 1607 Capital Partners for asset management services for the period 4/1/15 through 6/30/15 in the amount of \$26,298.10; Invoice from WHV for asset management services for the period 4/1/15 to 6/30/15 in the amount of \$17,808.00; Invoice from LSIA for asset management services for the period April 1, 2015 through June 30, 2015 in the amount of \$4,859.88; Invoice from Loomis Sayles for asset management services for the period April 1, 2015 through June 30, 2015 in the amount of \$22,284.57; Invoice from Loomis Sayles for asset management services for the period April 1, 2015 through June 30, 2015 in the amount of \$22,188.20 (Core Plus – direct debit); Invoice from Asset Strategies for investment consulting services for the period July, 2015 in the amount of \$9,104.43. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-95 **MOTION** by Lowenberg, supported by Harvey, to acknowledge receipt of the Informational Items including YTD 2014/2015 Budget, YTD 2015/2016 Budget and Correspondence received during the period July 14, 2015 through August 10, 2015. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-96 **MOTION** by Lowenberg, supported by Harvey, to acknowledge receipt of Retirement Application from T. Colombo. **MOTION CARRIED UNANIMOUSLY**

R.B. 15-97 MOTION by Harvey, supported by Lowenberg, to acknowledge receipt of DROP Distribution Election from D. Clifford. MOTION CARRIED UNANIMOUSLY

R.B. 15-98 MOTION by Lowenberg, supported by Harvey, to acknowledge receipt of Annuity Withdrawal Distribution Election from T. Colombo. MOTION CARRIED UNANIMOUSLY

Irv Lowenberg introduced his Deputy Treasurer, Kathy Hicks. John Fisher entered the meeting.

Judy Kermans and Jeff Tebeau from GRS presented an actuarial training session entitled “Actuarial 101 – Pension Basics” to the Board. Actuarial valuations and DROP’s were highlighted. The need for an Experience Study was discussed as was the selection of actuarial assumptions. Ms. Kermans acknowledged that the GASB movement has been difficult for the actuary and investment consultant and said she would recommend that the next Experience Study be done after the current valuation.

There was no legislative update for the month. A legal opinion regarding KStone compliance was presented, qualifying the new investment. The monthly Avignon letter was received.

R.B. 15-99 MOTION by Harvey, supported by Wells, to acknowledge payment of invoices as follows: \$2,640.00 to Villages of Avignon CDD for customary monthly fees, \$13,529.50 to Villages of Avignon CDD for Clark, Albaugh legal fees and \$747.50 to Birkitt Environmental Services for completion of Task 1.0, Nuisance/Exotic Treatment. MOTION CARRIED UNANIMOUSLY

Replacement of the International Equities Manager was discussed. WHV has not been notified yet to liquidate pending how it will be replaced. Mr. Vitta would like to see Vertas, a brokerage consulting firm, hired as the transitional manager rather than have the custodian or WHV liquidate the portfolio. The liquidation must be completed by August 26 to fund Fintan and KStone on August 27. Chris Carmody from Vertas was available to address the Board and answer any questions. Their fee would be 1.5% per share on an approximately \$8 million fund.

R.B. 15-100 MOTION by Wells, supported by Lowenberg, to approve the hiring of Vertas as a transitional manager to liquidate WHV. MOTION CARRIED UNANIMOUSLY

Fintan and KStone were each funded with \$4 million on July 27 and will be funded with \$6 million more each on August 27. Approximately \$8 million will come from the liquidate of WHV and \$4 million will come from LSIA.

Securities Lending research was presented and the recommendation was to stay with Northern Trust.

The quarterly Investment Performance Analysis was presented. It was a tough quarter for investors. Morgan Dempsey and WHV, in particular, struggled while commercial real estate and hedge funds were the heroes. Conclusions were as follows:

1. Total Fund return of +0.34% exceeded the Policy Index primarily due to outperformance by U.S. value equities, international equities, and hedge funds.

2. In their first quarter of probation (4/01 - 9/30/2015), Morgan Dempsey trailed their benchmark by 2.13%.
3. In their first quarter of probation (4/01 - 9/30/2015), Brandes outperformed their benchmark by 40 basis points.
4. Avignon Holdings LLC - carried at \$3.42 million book value. No investment activity this period.
5. The two new hedge fund of funds managers specializing in fixed income, Fintan and KStone, were funded with \$4 million each on 7/27/2015. Both will receive another \$6 million each at the end of August to complete their \$10 million target funding.
6. No violations of investment policy or guidelines were detected.
7. As of 8/04/2015, asset allocations are close to policy targets.

R.B. 15-101 MOTION by Lowenberg, supported by Harvey, to approve the second quarter, 2015 interest rate of return of 0.3441. MOTION CARRIED UNANIMOUSLY

The Capital Markets Update for July showed weak YTD numbers. As bad as June was, however, there was recovery in July. Emerging markets got hammered and this was the second month in a row that bonds suffered. The dollar continued to do well. The U.S. Economic Update showed that indicators are still faintly positive.

A question was asked of legal counsel regarding the death of Fire Chief Keith Rowley. A death certificate has not yet been received but if it should state "July 31, 2015 or after" it was advised that the given date of July 31, 2015 should be used.

Meeting adjourned at 12:10 p.m.

Prepared by Megan Battersby
Retirement Program Administrator

Audrey Harvey, Secretary