

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

August 8, 2017

The Board convened in Training Room 2 in the Human Resources Department at 9:00 a.m. with Vice President Wells presiding. The Meeting was started at 9:10 a.m.

PRESENT: John Fisher (via phone), Shawn Wells, Audrey Harvey (via phone, early exit at 10:45 a.m.), Irv Lowenberg, Duane Garth (late arrival at 9:25 a.m.)

ABSENT:

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta and Brian Green/Investment Consultants, Megan Battersby/Retirement Program Director, Lauri Siskind/HR Director

R.B. 17-100 **MOTION** by Lowenberg, supported by Fisher to approve the July 11, 2017 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-101 **MOTION** by Lowenberg supported by Harvey, to acknowledge receipt of the Cash & Asset Statement as of June 30, 2017 in the amount of \$197,634,289.55. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-102 **MOTION** by Lowenberg, supported by Harvey, to approve payment of invoices as follows: Expense report from Emmereal Wells for NCPERS Annual Conference in the amount of \$2,845.25; Statement from Chase Cardmember Service for credit card charges for the period 06/03/17 – 07/02/17 in the amount of \$1,726.35; Invoice from Morgan Dempsey for asset management fees for the period 04/01/17 – 06/30/17 in the amount of \$30,182.89; Invoice from 1607 Capital Partners for asset management fees for the period 4/1/17 – 6/30/17 in the amount of \$47,467.42; Invoice from Bradford & Marzec for asset management fees for the period April 1 - June 30, 2017 in the amount of \$15,076.40; Invoice from LSIA for asset management services (Low Vol) for the period April 1, 2017 through June 30, 2017 in the amount of \$3,150.84; Invoice from LSIA for asset management services (Div Aristocrats and 30/70) for the period April 1, 2017 through June 30, 2017 in the amount of \$5,355.51; Invoice from GRS for James Krumbach EDRO calculation in the amount of \$1,300.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-103 **MOTION** by Harvey, supported by Lowenberg, to acknowledge receipt of the Informational Items including YTD 2016/2017 Budget and YTD 2017/2018 Budget; Invoice from Loomis Sayles for asset management fees for the period April 1, 2017 through June 30, 2017 in the amount of \$11,411.07 (memo copy - direct charge to account); Invoice from The Northern Trust Company for total fees for the quarter ending 06/30/17 in the total amount of \$19,856.73 (memo copy - direct debit); Correspondence received during the period July 11 – August 7, 2017 including letter to the Board from David Sowerby. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-104 MOTION by Fisher, supported by Lowenberg, to approve Retirement Applications from J. Krumbach and S. Schneider. MOTION CARRIED UNANIMOUSLY

R.B. 17-105 MOTION by Lowenberg, supported by Wells, to approve DROP Distribution Elections from S. Schneider and S. Lasota. MOTION CARRIED UNANIMOUSLY

R.B. 17-106 MOTION by Harvey, supported by Wells, to approve Annuity Withdrawal Distribution Elections from S. Schneider and J. Krumbach. MOTION CARRIED UNANIMOUSLY

R.B. 17-107 MOTION by Wells, supported by Harvey, to acknowledge benefit payments to L. Medici, S. Adams, and S. Krumbach from benefit payments to J. Medici, D. Adams, and J. Krumbach, respectively. MOTION CARRIED UNANIMOUSLY

In the Legal Report, legal counsel indicated that the Governor's Task Force for Responsible Retirement Reform report was released and he will forward a copy to the Board Trustees. The biggest recommendations were that processes be put in place to better track liabilities and that Systems fund retiree health care for new employees as it is earned.

The monthly Avignon update letter was discussed. The sale process is currently in the due diligence phase. The buyer had many questions concerning the CDD but they seem to have been resolved.

Duane Garth entered the meeting.

The Investment Performance Review for the Period Ending June 30, 2017 was presented. The total fund return for the quarter was 2.62% while the one-year total rate of return was 11.53%. The Executive Summary was as follows:

- Strong Total Fund return of +2.62% exceeded the Policy Index return of +2.26%.
- Despite strong total fund returns and several managers outperforming their benchmarks, neither Morgan Dempsey (micro cap equity) nor Brandes (emerging equity markets) performed well this quarter or the past year or so, when market opportunities were peaking for both. As the result of both managers failure to meet both short- and long-term expectations, it is recommended that both be place on a six-month watch list.
- Tortoise Credit and Loomis Sayles fixed income both provided above market results, outperforming their benchmarks by +.30% and +.25% respectively.
- Avignon Holdings LLC - carried at \$3.42 million book value with no investment activity this period.
- Several private market managers had not finalized 6/30/17 information as of the report so the most current information available was used. Managers include JCR II and III.
- Fintan is in the process of winding down their institutional fund. Fintan has not been responsive to requests to discuss a shorter wind down period, as they originally committed to, nor discuss fees and expenses of their fund during liquidation.

- 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.
- At quarter end, Cash on hand was above the target level, offset by below target allocations to real estate and alternatives. Allocation levels are being addressed.
- As of 06/30/2017, the Total Fund is in compliance with the Investment Policy Statement and Public Act 314.

JCR is still in the process of calling capital for Fund III. Fintan has not been responsive to requests for a shorter wind-down period or fee concessions but they will be returning approximately \$842,000 later in the week. It will need to be determined whether the current fee of 75 basis points is covering more than the basic fund expenses (i.e. controller and auditor). The Retirement System is currently overallocated in cash but it is partially intentional. Irv Lowenberg questioned the System's low ranking compared to its peer group. The investment consultant responded that it is because the portfolio has been de-risked over the last couple of years and you have to give up a little on the up-side to protect on the down-side.

R.B. 17-108 MOTION by Lowenberg, supported by Fisher, to place Brandes and Morgan Dempsey on six-month probation through December 31, 2017 per the recommendation of the investment consultant. MOTION CARRIED UNANIMOUSLY

R.B. 17-109 MOTION by Lowenberg, supported by Fisher, to approve the quarterly rate of return of 2.6230% for the quarter ended June 30, 2017. MOTION CARRIED UNANIMOUSLY

In other news, the investment consultant indicated that the departure of David Sowerby from Loomis Sayles has no impact on the Retirement System portfolio as he did not have direct management duties. Chris Lazzaro has again been appointed as client manager. PRISA II will be changing its legal structure to a traditional institutional vehicle which is cleaner. There will be more information forthcoming later in the year but it will be inconsequential to the portfolio.

Alternative investments were addressed again. The investment consultant restated that real estate is no longer considered to be an alternative investment. A follow-up to the Crescent direct lending presentation regarding how a recession would be addressed, should one occur, and the concept of hard money vs. soft money collateral was discussed. A manager Analysis Report was presented which reviewed potential candidates for an allocation to value-add and/or opportunistic real estate strategies. Seven firms/funds were presented and evaluated. The report also reviewed and evaluated three firms/funds for an allocation to real estate debt strategies.

Audrey Harvey exited the meeting.

It was decided to invite Dune Real Estate Partners and Landmark Partners to present to the Board in September. John Fisher questioned whether the Retirement System wanted to take on this type of risk and whether it wanted to add another investment manager when the System already invests in proven managers in this segment.

R.B. 17-110 MOTION by Garth, supported by Lowenberg, to approve the invoice from Avignon CDD for reimbursable expenses as of July 12, 2017 in the amount of \$3,671.14. MOTION CARRIED UNANIMOUSLY

Legal counsel addressed the situation of an active employee who has passed away and does not have the requisite 10 years of service to qualify for the automatic surviving spouse benefit upon death. He was eligible for retirement, however, had the Police Chief applied for retirement for him under the age 60 provision in Act 345. The question is whether the Chief can apply today with an effective retirement date prior to date of death. Legal counsel feels that the Retirement System could accept the application retroactively. Another question is, if the Chief applied and the retirement was approved, what benefit would the member be entitled to (with less than 10 years of service). Legal counsel feels that a benefit could be granted with less than 10 years of service. Ms. Siskind stated that the City would like a legal opinion addressing this.

R.B. 17-111 MOTION by Fisher, supported by Garth, to direct legal counsel to prepare a legal opinion regarding the benefits that would be payable in the case of a death in service, over age 60 with less than 10 years of service scenario. MOTION CARRIED UNANIMOUSLY

The mechanisms of establishing a HRSA for the Retirement Program Director was again tabled until the next meeting.

Meeting adjourned at 11:20 a.m.

Prepared by Megan Battersby
Retirement Program Director

Approved by Board Motion on September 12, 2017