

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

September 13, 2016

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, Audrey Harvey (via phone), Irv Lowenberg (arrival at 9:15)

ABSENT: Duane Garth

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, Brian Green/Investment Consultants, Megan Battersby/Retirement Program Administrator, Lauri Siskind/Human Resources Director, William Goldsmith and Eric Strzempek/Nantucket Multi Managers, LLC

R.B. 16-111 **MOTION** by Wells, supported by Harvey, to approve the August 9, 2016 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-112 **MOTION** by Wells, supported by Harvey, to acknowledge receipt of the Cash & Asset Statement as of July 31, 2016 in the amount of \$191,179,501.46. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-113 **MOTION** by Wells, supported by Harvey, to approve payment of invoices as follows: Invoice from Loomis Sayles for asset management fees for the period July 1, 2016 through July 29, 2016 in the amount of \$5,793.96; Invoice from The Bogdahn Group for investment management fees for the period July, 2016 in the amount of \$8,626.17; Invoice from Chase Card Services for VISA charges for the period 07/03/16 – 08/02/16 in the amount of \$635.48; Invoice from Villages of Avignon CDD for reimbursable expenses as of 8/22/16 including monthly district management fees, annual website expense and Clark & Albaugh fees in the amount of \$5,144.82. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-114 **MOTION** by Wells, supported by Harvey, to acknowledge receipt of the Informational Items including YTD 2015/2016 Budget and Correspondence received during the period August 9, 2016 through September 12, 2016. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-115 **MOTION** by Wells, supported by Fisher, to acknowledge receipt of DROP Applications from C. Swart, T. Goff, T. Langewicz and C. Clark. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-116 **MOTION** by Wells, supported by Fisher, to acknowledge receipt of Retirement Application from T. Krettlin. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-117 **MOTION** by Wells, supported by Fisher, to acknowledge receipt of DROP Distribution Elections from M. Collins and G. Lask. **MOTION CARRIED UNANIMOUSLY**

R.B. 16-118 MOTION by Wells, supported by Fisher, to acknowledge receipt of Annuity Withdrawal Distribution Election from T. Krettlin. MOTION CARRIED UNANIMOUSLY

In the legal update, legal counsel indicated that a legislative lame duck session is approaching and there are continued concerns about the proposed FAC and VEBA legislation which are still in committee.

Irv Lowenberg entered the meeting.

He said there is still movement in the state toward DC only plans (teachers in particular). Michigan is one of the last states that still has a pure DC system for state employees and although legacy costs are certainly a concern, defined contribution long-term is not the answer. Irv Lowenberg questioned why DC isn't best in that it allows employers to know exactly what their costs will be. Legal counsel replied that there is no evidence that the DC model works as a sustainable model and one has to wonder what the long-term economic effect will be on the state as retirees age without enough retirement income to exist. 60% of assets in a DC plan come from long-term investment gains which aren't guaranteed.

The monthly Avignon letter from Livingston York was discussed. The broker reports that the property is getting a fair amount of interest and he is marketing hard, pushing it as a good value in an up-and-coming area. The existing funding agreement between SFPRS and the CDD expires on September 30, 2016. A draft renewal agreement was reviewed as was a proposed CDD annual operating budget. The Retirement Program Administrator was asked to schedule Matt Byron of Livingston York Advisors and Ryan Sampson, the broker, for a conference call during the next meeting.

R.B. 16-119 MOTION by Wells, supported by Lowenberg, to approve the proposed 2016-2017 Fiscal Year CDD Funding Agreement and Budget Recommendation and authorize the execution of the Agreement by the President. MOTION CARRIED UNANIMOUSLY

The Ethics Policy is reviewed every three years as a matter of procedure. There is nothing in it that requires revision at this time. It was mentioned that City Council is working on conflict of interest disclosure forms for various Boards including Fire & Police which will be forthcoming.

R.B. 16-120 MOTION by Wells, supported by Lowenberg, to acknowledge review of the Ethics Policy. MOTION CARRIED UNANIMOUSLY

The Retirement Program Administrator informed the Board that she did not have the July 1, 2016 RIE distribution calculation detail because there was a glitch in the program that required a CPI factor that wasn't yet available. The Reserve Balance as of July 1, 2016 also was not available until the actuarial valuation is completed in December but the actuary was able to provide the RIE balance calculation assuming there will be no additions based on investment performance. The item was table until the next meeting in October when detail could be provided and reviewed.

William Goldsmith from Nantucket was present to address recent personnel changes and introduce Eric Strzempek as a new Managing Director. He stressed that Nantucket lost a junior non-committee member that was being groomed and gained a senior committee member with very strong credentials.

Mr. Goldsmith discussed the strategy that the best offense is a good defense and that in a rolling 5 year period, 62 of the 63 periods were positive with an average rate of return of 6% for all periods. Nantucket

is preparing for difficult times ahead by stressing non-equity correlating strategies; volatility is good for trading. They have a strong view that size is detrimental to performance and pride themselves on their agility and ability to find good managers and relationships. Transparency is very important and they are motivated to be the best, not the largest. They are overweight in health care, technology and activists right now which is hurting the portfolio. John Fisher asked why the Retirement System should remain invested in hedge funds when so many other pension systems are leaving them. Mr. Goldsmith replied that Nantucket is a very strong player in the hedge fund universe and many weaker managers have exited; the pension systems leaving hedge funds are typically leaving weak players. He feels that we will soon be entering a sweet market were Nantucket will flourish.

The investment consultant commented that Bogdahn feels this personnel change at Nantucket is positive. He also stated that he would like to table the discussion of renewing a fund manager roundtable until next month at which time he will bring several options with the pros and cons of each to the Board to review.

The market Update as of August 31, 2016 was given to the Board. Year to date returns for all markets are positive.

R.B. 16-121 MOTION by Lowenberg, supported by Wells, to approve the DRO Resolution RE: Melzer v. Melzer and pay benefits accordingly. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 10:35 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Approved by Board Motion on October 11, 2016