

**REGULAR MEETING MINUTES
SOUTHFIELD FIRE AND POLICE RETIREMENT SYSTEM BOARD**

February 8, 2022

The Board convened in Council Study at 11:30 a.m. The Meeting was started at 11:49 a.m. by President Fisher.

PRESENT: John Fisher; Duane Garth; Audrey Harvey; Irv Lowenberg; Brent Wilson

ABSENT:

ALSO

PRESENT: Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS; Jason Jarjosa and Mike Lucci/Bloomfield Capital (via phone)

R.B. 22-001 **MOTION** by Wilson, supported by Harvey, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, December 7, 2021. **MOTION CARRIED UNANIMOUSLY**

R.B. 22-002 **MOTION** by Harvey, supported by Lowenberg, to acknowledge receipt of Cash & Asset Statement as of November 30, 2021 in the amount of \$215,099,838.33 and Cash & Asset Statement as of December 31, 2021 in the amount of \$221,419,276.76. **MOTION CARRIED UNANIMOUSLY**

R.B. 22-003 **MOTION** by Wilson, supported by Garth, to approve payment of invoices as follows: Invoice from AndCo for consulting services and performance evaluation for the period October 1, 2021 through December 31, 2021 in the amount of \$25,500.00; Invoice from Champlain for asset management services for the period October 1, 2021 to December 31, 2021 in the amount of \$29,528.58; Invoice from Reinhart for asset management services for the period Quarter 4, 2021 in the amount of \$22,367.00; Invoice from YCM for asset management services for the period 10/01/2021 – 12/31/2021 in the amount of \$9,874.97; Invoice from Chase Cardmember Service for credit charges for the period 12/03/21 – 01/02/22 in the amount of \$550.93; Invoice from 1607 for asset management services for the period 10/1/21 through 12/31/21 in the amount of \$82,676.14. **MOTION CARRIED UNANIMOUSLY**

R.B. 22-004 **MOTION** by Fisher, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2021/2022 Budget; FOIA response dated December 9, 2021; Northern Trust Q4 2021 Memo Invoice; Updated 2022 Manager Review Calendar; Centerbridge Memo Re: Investment in Merit Hill Holdings dated December 17, 2021; Centerbridge Memo Re: Investment in Monterey Tides dated December 23, 2021; Centerbridge Memo Re: Investment in Recreational Realty dated January 3, 2022; MAPERS One Day Seminar; Loomis Sayles Memo Invoice. **MOTION CARRIED UNANIMOUSLY**

R.B. 22-005 **MOTION** by Wilson, supported by Fisher, to acknowledge receipt and approval of DROP Applications for C. Nelson (11/12/2021), J. Martin (11/30/2021), N. Loop (12/01/2021), J. Vescio (12/01/2021). **MOTION CARRIED UNANIMOUSLY**

R.B. 22-006 **MOTION** by Wilson, supported by Fisher, to acknowledge receipt and approval of Retirement Application for K. Richardson (01/30/2022). **MOTION CARRIED UNANIMOUSLY**

R.B. 22-007 **MOTION** by Wilson, supported by Garth, to acknowledge receipt and approval of DROP Distribution Elections from E. Hawkins, J. Fisher, G. Lask, G. Gorski, M. Douville, P. Simerly. **MOTION CARRIED UNANIMOUSLY**

R.B. 22-008 **MOTION** by Wilson, supported by Fisher, to acknowledge receipt and approval of Annuity Withdrawal Distribution Election from R. Downing. **MOTION CARRIED UNANIMOUSLY**

R.B. 22-009 **MOTION** by Wilson, supported by Lowenberg, to receive and file 2022 Administrative Calendar. **MOTION CARRIED UNANIMOUSLY**

The Board discussed investment manager presentations for the coming year, whether they preferred virtual or in-person, and the logistics of such.

The topic of actuarial peer review audit was discussed. Legal Counsel will start assembling a RFI for review at the March meeting. It was noted that GRS will be conducting a session at the MAPERS One Day Seminar regarding actuarial audits.

Irv Lowenberg addressed the Board about an audit finding that was a material weakness. The auditor indicated that there are not dual controls in place at Northern Trust and that all cash disbursements should require two authorizations. Retirement Plan Director will coordinate with Northern Trust to make this change and arrange for Irv Lowenberg, Audrey Harvey and John Fisher to become authorizing parties. The change in process will be completed by June 2022.

Legal Counsel again stated that the ability to virtually participate in meetings no longer exists. He indicated that the Attorney General is working on an opinion regarding virtual participation when a disability is involved.

Audrey Harvey mentioned that she is still working on establishing a review process for the Retirement Program Director.

The term for Fire Representative on the Retirement System Board expires on March 31, 2022. Retirement Program Director will start the election process following established guidelines.

Investment Consultant explained the investment guidelines change that Champlain has requested. Currently, the guidelines are too restrictive as the benchmark they are measured against has grown. They want to be able to purchase from all securities either in or eligible to be included in the benchmark portfolio. AndCo recommends that the Board approve the guideline changes.

R.B. 22-010 **MOTION** by Harvey, supported by Wilson, to approve amendment of Investment Guidelines section contained in Champlain Investment Management Agreement, as presented and recommended by Investment Consultant. **MOTION CARRIED UNANIMOUSLY**

Investment Consultant presented Investment Performance Review for the period ending December 31, 2021. Executive Summary was as follows:

The Federal Reserve and COVID-19 continued to dominate the market narrative during the 4th quarter. The Federal Reserve revised its policy in an attempt to control inflation, targeting an earlier exit from its bond buying program and additional rate hikes in 2022 and 2023. Omicron, a more contagious but less severe variant of Covid-19, emerged in November and swept across the globe. The equity markets rebounded in September, sold off in November (Omicron influenced), and rebounded again in December (less severe variant). The S&P 500 provided the strongest results during the quarter, returning over 11%. Small caps (Russell 2000) and international developed markets (MSCI EAFE) generated positive but much weaker returns (2.1% and 2.37%, respectively). The emerging markets continued to struggle during the quarter and declined by 1.3%. For the year, the markets followed a similar pattern with the S&P 500 generating the strongest returns and EM suffering minor losses.

Inflation concerns and the Federal Reserve's policy shift impacted returns in the fixed income markets. The front end of the yield curve climbed during the quarter in anticipation of future rate hikes; the 2-year Treasury rose from 28 basis points to 73 basis points during the quarter. The longer end of the curve was more stable with 10-year and 30-year nearly unchanged. The Barclays US Aggregate returned 1 basis point in the 4th quarter. Investment grade and high yield bonds fared slightly better. For the year, the Aggregate declined by 1.5% and only high yield posted positive returns (+5.3%) in fixed income.

1. Total Fund return of +4.18% lagged the Policy Index return of +5.00%. The primary drivers of the underperformance were Nantucket and the timing of updated pricing from several real estate managers.
2. For the trailing 1 year, the fund earned +15.03%, beating the policy index return of +14.47% and ranking in the 23rd percentile vs. peers.
3. Within the Large Cap allocation, the allocation was impacted by the value bias, as the S&P 500 Value and Dividend Aristocrats trailed more growth-oriented indexes.
4. Within the small cap allocation, both Reinhart and Champlain outperformed due to strong stock selection.
5. Within International Equity, 1607 outperformed for the quarter by +1.19%, with performance driven by country selection. JP Morgan's overweight to China and consumer discretionary drove their underperformance. ABS Emerging outperformed due to their underweight to China.
6. Within Fixed Income, Loomis Sayles matched their benchmark for the quarter. Marathon sits at 46% called with an IRR of +41.2%. Bloomfield capital is 100% called and has generated a 9.32% IRR, the majority of that being paid in income back to F&P.

7. Within the hedge fund allocation, Nantucket underperformed for the quarter, driven by underperformance from Long/Short Equity. KStone Partners continues to unwind and return capital back to investors.
8. PRISA I, II and III were all in behind their benchmark in a very strong quarter of performance for real estate.
9. JCR III remains approximately 87% called with no additional calls expected. JCR IV remains just over 80% called. JCR IV is expected to fully call their unfunded commitment over the balance of 2022. Performance is in line with expectations for both funds.
10. Landmark Fund VII had continued activity during the quarter and is approximately 38% called. IRR since inception is 16.08%.
11. TerraCap is 100% called. Artemis and Centerbridge have yet to call any capital.
12. As of 12/31/2021, the Total Fund was in compliance with Public Act 314. The equity allocation was over the IPS maximum due to the underweight to hedge funds and real estate.

R.B. 22-011 MOTION by Lowenberg, supported by Wilson, to approve fourth quarter, 2021 investment return of 4.1777%. MOTION CARRIED UNANIMOUSLY

R.B. 22-012 MOTION by Lowenberg, supported by Wilson, to approve termination of JP Morgan Emerging Markets Fund and consolidate the proceeds into the ABS Emerging Markets Fund, as recommended by Investment Consultant. MOTION CARRIED UNANIMOUSLY

Jason Jarjosa and Mike Lucci from Bloomfield Capital provided an update on Fund V-A and Fund V-B. They reviewed investment summaries as of 12/31/2021, provided an overview of the current portfolios, and answered questions posed by Trustees and Investment Consultant.

Brent Wilson asked Legal Counsel to explain the requirements and procedures for a disability retirement.

Duane Garth asked the Board if they had any further thoughts about his proposal at the last meeting regarding the inclusion of African American and Latino Owned Emerging Manager firms in all future searches or the creation of a policy that a certain percentage of funds be earmarked toward management by African American and Latino Owned Emerging Manager firms. Investment Consultant indicated that criteria could be put in place up front to ensure minority firms were included in the search process. Board members felt that the fund wasn't big enough to earmark a certain percentage of assets for allocation only to firms that met strict criteria.

There being no further business to come before the Board, the meeting was adjourned at 2:34 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on March 8, 2022