

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

**May 10, 2022**

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The Board convened in Council Study at 11:30 a.m. The Meeting was started at 11:37 a.m. by President Fisher.

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

ABSENT:

ALSO

PRESENT: Frank Judd, Legal Counsel/VMT (via phone); Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS; William Goldsmith, Libby Greenstone, and Eric Strzempek/Nantucket (via phone)

**R.B. 22-030** MOTION by Harvey, supported by Wilson, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, April 12, 2022. MOTION CARRIED UNANIMOUSLY

**R.B. 22-031** MOTION by Harvey, supported by Wilson, to acknowledge receipt of Cash & Asset Statement as of March 31, 2022, in the amount of \$208,949,883.69. MOTION CARRIED UNANIMOUSLY

**R.B. 22-032** MOTION by Harvey, supported by Wilson, to approve payment of invoices as follows: Expense report from I. Lowenberg for April 12, 2022 meeting lunch; Invoice from Champlain Investment Partners for asset management services for the period January 01, 2022 to March 31, 2022 in the amount of \$26,398.36; Invoice from Reinhart Partners for asset management services for the period Quarter 1, 2022 in the amount of \$22,165.00; Invoice from YCM for asset management services for the period 1/1/2022 to 3/31/22 in the amount of \$9,578.72; Invoice from 1607 Capital Partners for asset management services for the period 1/1/22 through 3/31/22 in the amount of \$73,394.99. MOTION CARRIED UNANIMOUSLY

**R.B. 22-033** MOTION by Lowenberg, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2021/2022 Budget; Loomis Sayles memo invoice. MOTION CARRIED UNANIMOUSLY

**R.B. 22-034** MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of DROP Distribution Elections from G. Lask, K. Rochon. MOTION CARRIED UNANIMOUSLY

Legal Counsel did not have a formal report to present.

Retirement Program Director indicated that the change to two-tier approval at Northern Trust is completed for Benefit Payments transactions.

Investment Consultant presented Investment Performance Review for the period ending March 31, 2022. Executive Summary was as follows:

The markets did not react kindly to the Federal Reserve's shift in monetary policy and the conflict in the Ukraine during the 1<sup>st</sup> quarter. The Fed indicated that they would reduce their bond purchases and raise rates more aggressively, in an attempt to control inflation. Investors also continued to factor in new variants of COVID-19, rising oil prices, a slowing economy, and supply chain issues. The Fed's actions caused the yield curve to shift upward; the 2-year Treasury rose from 0.7% to 2.3% during the quarter, the 10-year Treasury and 30-year Treasury both gained over 50 basis points and ended over 2.3%. After two challenging months to start the year, equities managed a modest gain in March. The market favored large cap and value stocks during the 1<sup>st</sup> quarter; value outperformed growth by a wide margin across all capitalization. The S&P 500 was the best performing major index during the quarter, declining only 4.6%. The fixed income markets suffered similar losses with the Barclays US Aggregate falling 5.9%; this was the 3<sup>rd</sup> worst quarter for the benchmark since 1980. High yield performed slightly better, losing only 4.8%. Overall, it was a painful quarter for investors.

1. Total Fund return of -4.36% lagged the Policy Index return of -2.76%. Notably, the return ranked in the 33<sup>rd</sup> percentile. The primary drivers of the underperformance were Nantucket, 1607 and ABS Emerging Markets.
2. For the trailing 1 year, the fund earned +6.24%, lagging the policy index return of +7.98% and ranking in the 21<sup>st</sup> percentile vs. peers.
3. Within the Large Cap allocation, the allocation was benefited by the value bias as the S&P 500 Value and Dividend Aristocrats outperformed more growth-oriented indexes.
4. Within the small cap allocation, Reinhart outperformed due to strong stock selection. Champlain lagged due to a lack of energy exposure and their growth bias.
5. Within International Equity, 1607 underperformed for the quarter by -2.53%, with performance driven by NAV expansion. JP Morgan's Emerging Markets was consolidated into ABS at the end of the quarter. ABS Emerging underperformed due to stock selection in their Asian managers.
6. Within Fixed Income, Loomis Sayles matched their benchmark for the quarter. Marathon sits at 55% called with an IRR of +33.85%. Bloomfield capital is 100% called and has generated a 9.74% 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 and III were all in behind their benchmark in a very strong quarter of performance for real estate. PRISA II outperformed.

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 ahead of expectations for both funds.
10. Landmark Fund VII had continued activity during the quarter and is approximately 38% called. IRR since inception is 17.62%.
11. TerraCap is 100% called. Artemis and Centerbridge have yet to call any capital, though both have been actively investing capital using their line of credit.

As of 3/31/2022, 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.

Nantucket presented an update to the Board via phone. They provided a firm overview as well as team update. 2021 performance was recapped as was the performance for Q1, 2022. Portfolio additions since the last update were discussed and the Nantucket Fund historical track record was reviewed.

**R.B. 22-035** MOTION by Lowenberg, supported by Wilson, to approve first quarter, 2022 investment return of -4.3612%. MOTION CARRIED UNANIMOUSLY

Duane Garth exited the meeting.

The Board discussed PRISA redemption timing and amounts per fund.

Audrey Harvey exited the meeting.

**R.B. 22-036** MOTION by Lowenberg, supported by Wilson, to enter redemption requests of \$2,000,000 for each of PRISA I, PRISA II, and PRISA III for the September 30, 2022 window, with the decision to be revisited before the redemption occurs. MOTION CARRIED UNANIMOUSLY

Investment Consultant provided an overview of private equity categories and vehicles. Pros and cons of private equity secondaries and fund of funds were discussed. Candidates were reviewed, focusing on selection criteria and historical performance.

Audrey Harvey returned to the meeting.

The Board decided to invite PA Capital, HarbourVest Partners, and Constitutional Capital Partners to present at the June meeting. The annual update from 1607 Capital Partners scheduled for June will be delayed a month.

There being no further business to come before the Board, the meeting was adjourned at 2:25 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on June 14, 2022