

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

August 9, 2022

The Board convened in Council Study at 11:30 a.m. The Meeting was started at 11:40 a.m. by Vice-President Garth.

PRESENT: Duane Garth; Audrey Harvey; Irv Lowenberg

ABSENT: John Fisher; Brent Wilson

ALSO

PRESENT: Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS; Chris Lazzaro and EJ Tateosian/Loomis Sayles

R.B. 22-056 MOTION by Harvey, supported by Lowenberg, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, July 12, 2022. MOTION CARRIED UNANIMOUSLY

R.B. 22-057 MOTION by Lowenberg, supported by Harvey, to acknowledge receipt of Cash & Asset Statement as of June 30, 2022, in the amount of \$218,948,776.72. MOTION CARRIED UNANIMOUSLY

R.B. 22-058 MOTION by Harvey, supported by Lowenberg, to approve payment of invoices as follows: Expense report from I. Lowenberg for July 12, 2022 meeting lunch; Invoice from Champlain Investment Partners for asset management services for the period April 01, 2022 to June 30, 2022 in the amount of \$21,826.85; Invoice from Reinhart Partners for asset management services for the period Quarter 2, 2022 in the amount of \$19,626.00; Credit card statement for charges for the period 06/03/22 – 07/02/22 in the amount of \$1,090.23; Invoice from 1607 Capital Partners for asset management services for the period 4/1/22 through 6/30/22 in the amount of \$62,011.44; Invoice from VanOverbeke Michaud & Timmony for legal services rendered for the period 10/01/2021 thru 12/31/2021 in the amount of \$9,360.00. MOTION CARRIED UNANIMOUSLY

R.B. 22-059 MOTION by Harvey, supported by Lowenberg, to acknowledge receipt of Informational Item as follows: YTD 2021/2022 Budget; YTD 2022-2023 Budget; Loomis Sayles Memo Invoice. MOTION CARRIED UNANIMOUSLY

R.B. 22-060 MOTION by Harvey, supported by Lowenberg, to acknowledge receipt and approval of DROP Distribution Elections from A. Rodgers, M. McCann. MOTION CARRIED UNANIMOUSLY

R.B. 22-061 MOTION by Harvey, supported by Lowenberg, to acknowledge receipt and approval of Annuity Withdrawal Distribution Election from M. McCann. MOTION CARRIED UNANIMOUSLY

R.B. 22-062 MOTION by Harvey, supported by Lowenberg, to designate John Fisher and Brent Wilson as primary delegates and Irv Lowenberg and Megan Battersby as alternate delegates for the 2022 MAPERS Fall Conference. MOTION CARRIED UNANIMOUSLY

Legal Counsel Legal Counsel indicated that the Ironsides VI compliance letter is standard when a new investment is made and demonstrates compliance with Act 314.

R.B. 22-063 MOTION by Lowenberg, supported by Harvey, to receive and file letter dated July 22, 2022 from Legal Counsel Re: Ironsides VI Compliance with Public Act 314 of 1995, as amended. MOTION CARRIED UNANIMOUSLY

Legal Counsel also mentioned that Governor Whitmer signed and approved the 2022 State Budget on July 20, 2022 that included a section which provides for a one-time appropriation of up to \$750 million to the Department of Treasury to establish and operate a grant program for deposit into a local unit's retirement system(s).

Retirement Program Director indicated that reconciliation of administrator's pay for the fiscal year ended June 30, 2022 has been received from the City. They have determined that a one-time payment of \$10,222.70 will make the City whole for the fiscal year ended June 30, 2022 and they have recommended a monthly payment of \$12,000 for August 2022 through June 2023.

R.B. 22-064 MOTION by Harvey, supported by Lowenberg, to approve a one-time payment of \$10,222.70 for the fiscal year ended June 30, 2022 and monthly payments of \$12,000 for the months of August 2022 – June 2023 to the City of Southfield for administrator pay and benefits. MOTION CARRIED UNANIMOUSLY

Loomis Sayles presented an annual update to the Board. They provided a firm and team overview, reviewed portfolio performance as of June 30, 2022 as well as for the quarter, by sector. They fielded Trustee questions and addressed Federal rate hikes and inflation projections.

Investment Consultant presented the Investment Performance Review for the Period Ending June 30, 2022. The Executive Summary was as follows:

Market performance for the 2nd quarter followed the pattern of the 1st quarter, only worse. Inflation, and the Federal Reserve's aggressive rate hikes to combat rising prices, continued to dominate the headlines and impact the markets. The Fed raised the federal funds rate twice during the quarter (May and June) and additional rate hikes are expected; the Fed funds rate was increased by 125 basis points to a target range of 1.50% to 1.75%. In addition, economic growth has slowed, confirmed by a negative GDP during Q1 2022. Fears of a recession have dramatically increased. Inflation, higher interest rates, and slowing growth are global issues impacting markets. The US equity market declined about 16% during the quarter. Value and large cap stocks performed better than growth and small cap counterparts. The international equity markets fared slightly better

(MSCI EAFE -14.5% and MSCI EM -11.5%). Fixed income also struggled with core bonds declining over 4.5% and high yield falling almost 10%. One bright spot in an otherwise dismal quarter was real estate, which posted another strong quarter (over 4% for core real estate). The decline in stocks and bonds in 2022 has been painful but does improve the expected returns for both asset classes going forward.

1. Total Fund return of -9.58% lagged the Policy Index return of -8.87% and ranked in the 25th percentile. The primary drivers of the underperformance were Nantucket and 1607.
2. For the trailing 1 year, the fund earned -9.02%, lagging the policy index return of -6.41% and ranking in the 25th percentile vs. peers.
3. Within the Large Cap allocation, the allocation was again 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 was in line with their index.
5. Within International Equity, 1607 underperformed for the quarter by -1.83%, with performance again driven by NAV expansion. ABS Emerging underperformed due to smaller cap exposure.
6. Within Fixed Income, Loomis Sayles lagged their benchmark for the quarter by 0.09%. Marathon sits at 64% called with an IRR of +23.5%. Bloomfield capital is 100% called and has generated a 9.7% 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 outperformed for the quarter, with II and III nearly matching their index
9. JCR III remains approximately 87% called with no additional calls expected. JCR IV is just over 91% called, with the balance expected to be called in 2022. Performance is ahead of expectations for both funds.
10. Landmark Fund VII had continued activity during the quarter and is approximately 45% called. IRR since inception is 19.8%.
11. TerraCap is 100% called. Artemis made a small call (1% of commitment) and Centerbridge has yet to call any capital. Both have been actively investing capital using their line of credit.
12. As of 6/30/2022, the Total Fund was in compliance with Public Act 314.

Investment Consultant reviewed investment and manager allocations and cash flow needs.

R.B. 22-065 MOTION by Harvey, supported by Lowenberg, to allow any cash needs that may arise between now and the next Board meeting to be funded by raising \$1 million from YCM Dividend Aristocrats Index Fund. MOTION CARRIED UNANIMOUSLY

R.B. 22-066 MOTION by Lowenberg, supported by Garth, to approve the quarterly market rate of return of -9.5760% for the quarter ended June 30, 2022. MOTION CARRIED UNANIMOUSLY

There being no further business to come before the Board, the meeting was adjourned at 1:17 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on September 13, 2022