

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

November 15, 2022

The Board convened in Council Study at 11:30 a.m. The Meeting was started at 11:44 a.m. by President Fisher.

PRESENT: John Fisher; Duane Garth; Irv Lowenberg (early exit); Brent Wilson

ABSENT: Audrey Harvey

ALSO

PRESENT: Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS; Jeff Tebeau/GRS

R.B. 22-085 MOTION by Wilson, supported by Lowenberg, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, October 12, 2022. MOTION CARRIED UNANIMOUSLY

R.B. 22-086 MOTION by Wilson, supported by Garth, to acknowledge receipt of Cash & Asset Statement as of September 30, 2022, in the amount of \$179,130,712.60. MOTION CARRIED UNANIMOUSLY

R.B. 22-087 MOTION by Garth, supported by Wilson, to approve payment of invoices as follows: Expense report from I. Lowenberg for October 12, 2022 meeting lunch; Invoice from Reinhart for asset management services for the period Quarter 3, 2022 in the amount of \$18,698.00; Invoice from Champlain for asset management services for the period July 01, 2022 to September 30, 2022 in the amount of \$21,521.95; Invoice from 1607 for asset management services for the period 7/1/22 through 9/30/22 in the amount of \$55,742.31; Invoice from NCPERS for 2023 membership renewal in the amount of \$290.00; Expense report from M. Battersby for NCPERS Public Safety Conference; Statement from Chase Cardmember Services for credit charges for the period 10/03/22 – 11/02/22 in the amount of \$1,906.93; Invoice from MAPERS for 2023 Membership in the amount of \$200.00; Invoice from GRS for regular actuarial services for the period July 1, 2022 through June 30, 2023 including the June 30, 2022 annual valuation in the amount of \$16,800.00; Invoice from GRS for GASB Statements No. 67 and 68 and calculation of Michigan PA 202 disclosures in the total amount of \$12,500.00 (City to pay \$2,500.00); Authorization for electronic payment of \$185.00 for Form 8802 filing by Northern Trust; Expense report from Irv Lowenberg for ALTCHI2022 Conference; Expense report from Irv Lowenberg for MAPERS 2022 Fall Conference. MOTION CARRIED UNANIMOUSLY

R.B. 22-088 MOTION by Lowenberg, supported by Wilson, to acknowledge receipt of Informational Item as follows: YTD 2022-2023 Budget; Loomis Sayles quarterly memo invoice. MOTION CARRIED UNANIMOUSLY

R.B. 22-089 MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of Retirement Applications from M. Lenhard (10/31/2022), Scott Dickey (12/05/2022), Matthew Huber (12/06/2022), William Smarsty (12/06/2022). MOTION CARRIED UNANIMOUSLY

R.B. 22-090 MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of DROP Distribution Elections from D. Palmer, W. Smarsty. MOTION CARRIED UNANIMOUSLY

R.B. 22-091 MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of Annuity Withdrawal Distribution Elections from A. Gage, A. Rucinski, W. Bounds, M. Huber, S. Dickey, W. Smarsty, M. Lenhard. MOTION CARRIED UNANIMOUSLY

GRS was present to discuss the draft actuarial valuation as of June 30, 2022. They explained that the purpose of the annual valuation is to measure the System's funding progress and to determine the employer contribution rate for the fiscal year beginning June 30, 2023. Determination of the computed employer contribution rate, valuation assets and unfunded actuarial accrued liability, derivation of experience gain/loss, and asset smoothing were discussed. Key valuation results and funded ratio history was reviewed.

R.B. 22-092 MOTION by Fisher, supported by Wilson, to accept and approve draft City of Southfield Fire and Police Retirement System 70th Actuarial Valuation Report as of June 30, 2022 with a computed employer contribution rate of 46.68% and a minimum dollar contribution of \$10,525,164 for the fiscal year beginning July 1, 2023, and direct that the actuary finalize the report and that a copy be sent to the City when the final report is received. MOTION CARRIED UNANIMOUSLY

Proposed schedule of 2023 meeting dates was presented and discussed.

R.B. 22-093 MOTION by Wilson, supported by Lowenberg, to approve 2023 meeting dates as follows: January 10, February 7, March 14, April 18, May 9, June 13, July 11, August 8, September 19, October 10, November 14, December 12. MOTION CARRIED UNANIMOUSLY

Periodically the Board reviews their service professionals and review of Legal Counsel is scheduled for this year. The Board discussed the range and depth of review required. They determined that all aspects of performance, service, and knowledge were very favorable. They discussed other firms that provide similar services and concluded that billing was very competitive and that they were satisfied with the succession plan in place for the future. It was decided that Legal Counsel should be retained with no need for further review at this time.

Irv Lowenberg exited the meeting.

Legal Counsel presented the recommendation of his office to approve the EDRO, Dickey v. Dickey.

R.B. 22-094 MOTION by Fisher, supported by Garth, to acknowledge adoption of EDRO Resolution Re: Jennifer Suzanne Dickey v. Scott Lee Dickey as follows:

**CITY OF SOUTHFIELD
FIRE AND POLICE RETIREMENT SYSTEM**

RESOLUTION

Adopted: 11/15/2022

RE: **Jennifer Suzanne Dickey v. Scott Lee Dickey**
Macomb County Circuit Court Case No. 10-15577-DM

WHEREAS, the Board of Trustees is in receipt of an Eligible Domestic Relations Order dated August 11, 2016, wherein Jennifer Suzanne Dickey, the Alternate Payee, is awarded certain rights to the benefits of Scott Lee Dickey, the Participant, and

WHEREAS, the Alternate Payee is entitled to claim a portion of the Participant's retirement benefit from the defined benefit plan and the defined contribution (i.e. annuity withdrawal) plan, and

WHEREAS, the payments from the plan to the Alternate Payee shall begin when the Participant commences benefits, and

WHEREAS, the Board's policy is to require that the costs for the actuary's calculations are to be borne by the parties to the domestic relations proceedings, and the order provides that the Participant and the Alternate Payee shall be equally responsible for any and all additional costs for actuarial services, and

WHEREAS, said matter had been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law including Public Act 46 of 1991 (MCLA 38.1701) as amended, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order, will pay pension benefits consistent with the provisions of the EDRO, and further

RESOLVED, that a copy of this resolution be immediately attached as the top sheet of the pension file and other appropriate records be kept for the Retirement System relative to this matter, and

RESOLVED, that copies of this resolution be sent to Scott Lee Dickey, the Participant; Renee K. Gucciardo, Esq., attorney for the Participant; Jennifer Suzanne Dickey, the Alternate Payee; Akiva E. Goldman, Esq., attorney for the Alternate Payee; and the Board's actuary.

MOTION CARRIED UNANIMOUSLY

Otherwise, Legal Counsel did not have a formal report, although he and the Board discussed the shift in legislative power because of the Michigan election and what may be coming in the next year.

Investment Consultant reviewed trailing investment returns, market values and allocation, a withdrawal and liquidity plan, domestic equity and bond returns, and U.S. treasury yield curve and historic rate increases.

R.B. 22-095 **MOTION** by Fisher, supported by Wilson, to approve the transfer of \$1,600,000 from YCM S&P 500 Value Fund and \$1,000,000 from YCM Dividend Aristocrats Index Fund to Constitution/Ironsides Partnership Co-Investment Fund VI.
MOTION CARRIED UNANIMOUSLY

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

The markets started the 3rd quarter with a brief reprieve from their downward trend in 2022. Investors anticipated the Federal Reserve was nearing the end of rate hikes; stocks and bonds both enjoyed strong returns in July. However, comments from the central bank leaders in August crushed those hopes. The Fed raised the Fed Funds rate twice by 75 basis points in July and September and indicated they would continue to pursue higher rates to reduce inflation, regardless of the impact on the economy. These actions caused the equity and fixed income markets to sell off during the second half of the quarter. The S&P 500 declined by 4.9% with small cap and growth stocks performing slightly better during the quarter. The Bloomberg US Aggregate fell 4.3% for the quarter and is down 14.6% year-to-date, suffering its worst performance in over 40 years. The international equity markets suffered larger losses due to rising energy prices and the expectation of a severe recession across Europe (MSCI EAFE NR - 9.4%). Real estate continues to be the lone asset class to survive 2022, posting a slight gain for the quarter. 2022 has been a painful year for investors.

1. Total Fund return of -4.07% outperformed the Policy Index return of -4.20% and ranked in the 29th percentile. The primary drivers of the outperformance were Champlain, ABS and PRISA II / III.
2. For the trailing 1 year, the fund earned -13.32%, lagging the policy index return of -10.84% and ranking in the 26th percentile vs. peers.
3. Within the Large Cap allocation, the S&P 500 Value and Dividend Aristocrats underperformed more growth-oriented indexes.
4. Within the small cap allocation, Champlain outperformed due to strong stock selection. Reinhart lagged due to stock selection in Healthcare.

5. Within International Equity, 1607 underperformed for the quarter by -0.03%, with performance again driven by NAV expansion. ABS Emerging outperformed due to being underweight China and Korea exposure.
6. Within Fixed Income, Loomis Sayles beat their benchmark for the quarter by 0.20%. Marathon sits at 72% called with an IRR of +11.5%. Bloomfield Capital is 100% called and has generated a 9.50% 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 96% 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 47% called. IRR since inception is 19.2%.
11. TerraCap is 100% called. Artemis made a small call (1% of commitment) and Centerbridge has called 15% of capital. Both have been actively investing capital using their line of credit.
12. As of 9/30/2022, the Total Fund was in compliance with Public Act 314.

R.B. 22-096 MOTION by Fisher, supported by Garth, to approve the quarterly market rate of return of -4.0662% for the quarter ended September 30, 2022. MOTION CARRIED UNANIMOUSLY

Investment Consultant recommended that the Retirement System cancel its \$5 mill investment commitment in Harbourvest due to lack of resolution regarding a side letter. He will bring an asset allocation study to the Board in January which will look at other options.

There being no further business to come before the Board, the meeting was adjourned at 2:10 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on December 13, 2022