

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

**February 7, 2023**

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The Board convened in Council Study at 12:00 p.m. The Meeting was started at 12:14 p.m. by President Fisher.

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

ABSENT: Duane Garth

ALSO

PRESENT: Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS; Alex Gilbert and Rachel Salerno and Alec Cornell/Artemis

**R.B. 23-010** MOTION by Harvey, supported by Lowenberg, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, January 10, 2023. MOTION CARRIED UNANIMOUSLY

**R.B. 23-011** MOTION by Harvey, supported by Wilson, to acknowledge receipt of Portfolio Summary Report as of December 31, 2022, in the amount of \$187,980,586.89. MOTION CARRIED UNANIMOUSLY

**R.B. 23-012** MOTION by Harvey, supported by Wilson, to approve payment of invoices as follows: Expense report from I. Lowenberg for January 10, 2023 meeting lunch; Invoice from YCM for asset management services for the period 10/01/2022 - 12/31/2022 in the amount of \$7,746.38; Invoice from Reinhart for asset management services for the period Quarter 4, 2022 in the amount of \$21,703.00; Invoice from Champlain for asset management services for the period October 01, 2022 to December 31, 2022 in the amount of \$23,468.82; Expense report from B. Wilson for Opal Public Funds Summit. MOTION CARRIED UNANIMOUSLY

**R.B. 23-013** MOTION by Harvey, supported by Wilson, to acknowledge receipt of Informational Item as follows: YTD 2022-2023 Budget; Loomis Sayles Memo Invoice. MOTION CARRIED UNANIMOUSLY

**R.B. 23-014** MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of DROP Application from C. Weertz (11/26/2022). MOTION CARRIED UNANIMOUSLY

**R.B. 23-015** MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of DROP Distribution Election from M. Duff. MOTION CARRIED UNANIMOUSLY

**R.B. 23-016** MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of Annuity Withdrawal Distribution Elections from C. Dilbert III and A. Sims. MOTION CARRIED UNANIMOUSLY

**R.B. 23-017** MOTION by Harvey, supported by Wilson, to approve 2023 Summary Annual Report as of June 30, 2022, as presented. MOTION CARRIED UNANIMOUSLY

**R.B. 23-018** MOTION by Fisher, supported by Harvey, to approve rejoining International Foundation of Employee Benefit Plans. MOTION CARRIED UNANIMOUSLY

Legal Counsel discussed the memo from his office regarding Secure 2.0 Act and reviewed the provisions that apply to defined benefit plans. He indicated it was informative as not many of the provisions were directly applicable to the Retirement System. He also mentioned House and Senate bills that are being considered that will eliminate or reduce the taxation of pensions and that he will continue to participate in the work group through MAPERS to address retirement issues needing attention in 2023 such as Open Meetings Act, FOIA, PA 314 and Act 345.

**R.B. 23-019** MOTION by Wilson, supported by Harvey, to receive and file Legal Report. MOTION CARRIED UNANIMOUSLY

Retirement Program Director did not have any matters to bring before the Board.

Artemis was present to provide an annual update to the Board. They provided an organization overview and reviewed various case studies. They answered questions from Trustee and Investment Consultant and talked about pipeline opportunities.

Investment Consultant discussed several charts and graphs related to fed funds rate increases, bond annual returns, daily trading volatility history, U.S. Treasury yield curve, historical performance of traditional balanced portfolios, and annual asset class performance over the last 15 years.

Investment Consultant presented the Investment Performance Review for the Period Ending December 31, 2022. The Executive Summary was as follows:

Inflation statistics improved during the quarter around the world. In anticipation that central banks are nearing the end of the current interest rate hiking cycle, the Federal Reserve and European Central Bank reduced their rate of increases during the quarter. As a result, the stock and bond markets posted impressive gains during the first half of the quarter. However, the rally was relatively short-lived as recession fears replaced inflation concerns and markets trended lower to finish the year. The S&P 500 gained 7.6% in the 4<sup>th</sup> quarter, trailing only mid cap and value stocks in the US. The Bloomberg US Aggregate generated its first positive quarter in 2022, advancing 1.9%. The international markets benefited from a depreciating dollar this quarter; the developed equity markets rose over 17% and the emerging equity markets returned just under 10%. Real estate had avoided the losses experienced by the public markets during the first three quarters but posted a negative return to end the year. 2022 was a difficult year for investors; stocks declined almost 20% and bonds fell over 13% turning in the worst year in fixed income in over 100 years.

1. Total Fund return of +6.58% outperformed the Policy Index return of 5.06% and ranked in the 23<sup>rd</sup> percentile. The primary drivers of the outperformance were Champlain, Reinhart, the overweight to Domestic Equity and overweight to International Equity.
2. For the trailing 1 year, the fund earned -11.68%, lagging the policy index return of -10.75% and ranking in the 19<sup>th</sup> percentile vs. peers.
3. Within the Large Cap allocation, the S&P 500 Value and Dividend Aristocrats significantly outperformed more growth-oriented indexes.
4. Within the small cap allocation, Champlain and Reinhart outperformed due to strong stock selection.
5. Within International Equity, 1607 matched their index. ABS Emerging underperformed due to being underweight Taiwan and Korea exposure.
6. Within Fixed Income, Loomis Sayles beat their benchmark for the quarter by 0.27%. Marathon sits at 72% called with an IRR of +8.98%. Bloomfield capital is 100% called and has generated a 9.5% 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 their multi strategy allocation.
8. PRISA III outperformed for the quarter, with I and II lagging their index.
9. JCR III and IV are fully deployed, with III actively harvesting. Both funds are ahead of performance expectations.
10. Landmark Fund VII had continued activity during the quarter and is approximately 51% called. IRR since inception is 19.2%.
11. TerraCap is 100% called and issued their first distributions in December. 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. Both Constitution Funds began deploying capital in Q4. The Co-invest fund called 99% of the commitment. The Partnership fund called 5% of capital.
13. As of quarter end the Total Fund was in compliance with Public Act 314.

**R.B. 23-020** MOTION by Lowenberg, supported by Wilson, to approve the quarterly market rate of return of 6.5759% for the quarter ended December 31, 2022. MOTION CARRIED UNANIMOUSLY

On the agenda was annual review of Investment Policy Statement. Investment Consultant had no recommended changes.

**R.B. 23-021** MOTION by Fisher, supported by Lowenberg, to receive and file Investment Policy Statement as of February 2023, as presented, with the understanding that there have been no material changes. MOTION CARRIED UNANIMOUSLY

Investment Consultant discussed the February 1, 2023 official announcement from Reinhart Partners regarding the acquisition agreement with Sprouting Rock, change of control, and resulting assignment of investment advisory agreement for purposes of SEC law, even though services and fees will remain unchanged.

**R.B. 23-022** MOTION by Wilson, supported by Harvey, to acknowledge and consent to the assignment of the Reinhart investment advisory agreement as outlined in the letter from Reinhart dated February 1, 2023 and direct that Board President sign provided Acknowledgement and Consent, subject to review by Legal Counsel. MOTION CARRIED UNANIMOUSLY

There being no further business to come before the Board, the meeting was adjourned at 2:20 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on March 14, 2023