

**MINUTES OF THE REGULAR MEETING OF
SOUTHFIELD FIRE & POLICE RETIREMENT SYSTEM BOARD**

November 12, 2019

The Board convened in Council Study at 11:30 a.m. with President Fisher presiding. The Meeting was started at 11:40 a.m.

PRESENT: John Fisher, Brent Wilson, Irv Lowenberg, Audrey Harvey (via phone)

ABSENT: Duane Garth

ALSO

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

R.B. 19-113 **MOTION** by Wilson, supported by Lowenberg, to approve Minutes of the Regular Meeting of Southfield Fire & Police Retirement System Board on October 8, 2019. **MOTION CARRIED UNANIMOUSLY**

R.B. 19-114 **MOTION** by Lowenberg, supported by Wilson, to acknowledge receipt of Cash & Asset Statement as of September 30, 2019 in the amount of \$192,891,853.83. **MOTION CARRIED UNANIMOUSLY**

R.B. 19-115 **MOTION** by Wilson, supported by Lowenberg to approve payment of invoices as follows: Invoice from Morgan Dempsey for asset management services for the period 07/01/19 – 09/30/19 in the amount of \$22,355.63; Expense report from Irv Lowenberg for October 8, 2019 meeting lunch; Expense report from Irv Lowenberg for MAPERS 2019 Fall Conference; Invoice from GRS for GASB 67/68 Reporting and Accounting Schedules as of June 30, 2019 and PA 202 disclosures in the total amount of \$13,250.00; Invoice from GRS for regular actuarial services performed for the period July 1, 2019 through June 30, 2020 including June 30, 2019 actuarial valuation in the amount of \$15,950.00; Invoices from LSIA for asset management services for the period July 1, 2019 through September 30, 2019 in the amounts of \$3,206.33 and \$5,502.10; Invoice from 1607 Capital Partners for asset management services for the period 7/1/19 through 9/30/19 in the amount of \$66,335.03; Invoice from QMA for asset management services for the period July 1, 2019 – September 30, 2019 in the amount of \$27,619.64; Invoice from Chase Cardmember Services for VISA charges for the period 10/03/19 – 11/02/19 in the amount of \$1,152.06; Invoice from MAPERS for 2020 membership renewal in the amount of \$200.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 19-116 **MOTION** by Wilson, supported by Lowenberg, to acknowledge receipt of Informational Items including YTD 2019/2020 Budget and Correspondence received during the period October 8 – November 11, 2019 including: Memo invoice from Loomis Sayles for asset management services for the period July 1, 2019 through September 30, 2019 in the amount of \$9,625.97; Memo invoice from Tortoise for asset management services for the

period July 1, 2019 through September 30, 2019 in the amount of \$11,582.78. MOTION CARRIED UNANIMOUSLY

R.B. 19-117 MOTION by Wilson, supported by Fisher, to acknowledge receipt of and approve Retirement Application from D. Kopf. MOTION CARRIED UNANIMOUSLY

R.B. 19-118 MOTION by Wilson, supported by Fisher, to acknowledge receipt of and approve DROP Distribution Elections from D. Kopf and R. Downing. MOTION CARRIED UNANIMOUSLY

R.B. 19-119 MOTION by Wilson, supported by Fisher, to acknowledge receipt of and approve Annuity Withdrawal Distribution Elections from E. Wells and D. Kopf. MOTION CARRIED UNANIMOUSLY

Legal Counsel did not have any specific legal matters on which to report, noting that Lansing is still focused on roads and budget.

Jeff Tebeau was in attendance to present the draft actuarial valuation as of June 30, 2019. He reviewed the contributions required to provide benefits for the fiscal year beginning July 1, 2020. The employer normal cost remains steady but the unfunded accrued liability is growing due to lower than expected payroll and investment losses. He reviewed valuation assets and unfunded actuarial accrued liability, derivation of experience gain (loss) and the history and trends of computed employer contributions. The decreasing funded ratio was discussed as was the assumed rate of return which is currently 7.5% and at the very top of the recommended range. The actuary suggested a variety of options the Board could consider which would increase the funding level of the Plan such as lowering the assumed rate of return, shortening the amortization period and/or changing the normal cost method utilized for funding. Considerable discussion was exchanged regarding lowering the return assumption from 7.5% to 7.0% and the comparison of the employer contribution rate under both assumptions.

R.B. 19-120 MOTION by Fisher, supported by Wilson, to lower the actuarial assumed rate of return from 7.5% to 7.0% for the June 30, 2019 actuarial valuation. MOTION CARRIED, LOWENBERG OPPOSED

The F&P Retirement System Board meeting schedule for 2020 was discussed and set. Meetings will remain on Tuesdays at 11:30 a.m.

R.B. 19-121 MOTION by Wilson, supported by Harvey, to acknowledge 2020 meeting dates as follows: January 21, February 11, March 10, April 7, May 12, June 9, July 14, August 11, September 8, October 13, November 10, and December 8. MOTION CARRIED UNANIMOUSLY

Investment Consultant discussed Market Update as of October 31, 2019. Emerging markets were the top performers for the month. He then presented Investment Performance Review for the Period Ending September 30, 2019. The Executive Summary was as follows:

Broad asset class returns were mixed during the 3rd quarter with more conservative segments faring better during this period. The Federal Reserve and slowing global economic growth played major roles in the

market's performance. Equities advanced in July in anticipation of rate cuts from the Fed. However, the U.S. central bank indicated additional stimulus was not anticipated, causing investors to fear a recession in coming quarters; the stock market sold off and the yield curve inverted further. As evidence of the slowing global economy mounted, the Fed suggested more accommodative policies would be forthcoming. Stocks rallied and interest rates rose to finish the quarter. Large cap posted positive results, but small caps and international markets ended in negative territory. Fixed income provided the strongest returns. Over the past 12 months core fixed income is up over 10%, handily beating all major equity indices, some of which are down over this period.

1. Total Fund return of +0.42% lagged the Policy Index return of +0.60%. The primary drivers of underperformance were Nantucket and KStone Partners.
2. Within the Large Cap allocation, the Low Volatility and Dividend Aristocrat allocations outpaced the broad S&P 500 by 4.07% and 2.03%, respectively. The Equal Weight portfolio lagged by -0.88%.
3. QMA Mid Cap outperformed their benchmark, returning 1.51% vs. +3.05%.
4. Morgan Dempsey (Small / Micro Cap Equity) underperformed their benchmark, returning -3.93% vs. -3.50% for the quarter. This marks the second quarter of their watch status, which began for underperformance on 3/31/2019.
5. 1607 Capital Partners slightly lagged their benchmark for the quarter, -1.87% vs. -1.70% for their benchmark.
6. Both Domestic Fixed Income managers, Tortoise Credit and Loomis Sayles, outperformed their benchmarks for the quarter as investment grade corporate bonds rallied higher.
7. Bloomfield Capital Fund V is now 75% called. Investment activity continues as the portfolio fully deploys into loans.
8. Nantucket underperformed for the quarter due to 3 underlying concentrated equity managers. Long term results remain strong vs. benchmark and peers.
9. KStone Partners underperformed their benchmark for the quarter again as bonds continued to rally.
10. PRISA I, II and III were all ahead of their benchmarks for the quarter.
11. JCR Fund III made multiple distributions during the quarter and remains approximately 65% called. JCR Fund IV made another call during the quarter and is now just over 40% called.
12. Landmark Fund VII had continued activity during the quarter and is now 33% called. IRR since inception is 22.2%.
13. As of 9/30/2019, the Total Fund is in compliance with Public Act 314.

R.B. 19-122 MOTION by Lowenberg, supported by Wilson, to approve the quarterly investment rate of return of 0.4231%. MOTION CARRIED UNANIMOUSLY

Investment Consultant discussed the request from Bloomfield Capital to extend the fund-raising period for Fund V, Series A. He stated that the extension allows for additional investors to commit capital, offering the opportunity for increased diversification and a cost reduction as fund expenses are spread over a larger pool of assets. Andco Consulting recommended approval of the extension request as did Legal Counsel.

R.B. 19-123 MOTION by Wilson, supported by Lowenberg, to approve Bloomfield Capital Fund V request for extension of the capital raise period closing from 11/16/19 to 11/15/20 and direct that the President sign the Amended and Restated Certificate of Creation of Series – Series A. MOTION CARRIED UNANIMOUSLY

The Board discussed the letter from Morgan Dempsey regarding the portfolio manager's extended leave of absence. AndCo recommended termination based on investment return results as well as the leave of absence. The Board discussed various options including interviewing prospective new managers or retaining one of the other two finalist from the recent Small Cap Equities manager search.

R.B. 19-124 MOTION by Lowenberg, supported by Wilson, to terminate Morgan Dempsey and transition the assets to Champlain Investment Partners. MOTION CARRIED UNANIMOUSLY

R.B. 19-125 MOTION by Lowenberg, supported by Fisher, to approve manager withdrawals to meet plan liquidity needs as follows: withdraw \$1 mill in December 2019 and \$1 mill in January 2020 from LSIA S&P 500 Low Vol Index Fund and withdraw \$1 mill in February 2020 and \$1 mill in March 2020 from 1607 Capital Partners and withdraw \$2 mill from PRISA I as soon as administratively feasible. MOTION CARRIED UNANIMOUSLY

There being no further business to come before the Board, the meeting was adjourned at 1:42 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on December 10, 2019