

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

February 11, 2020

The Board convened in Council Study at 11:30 a.m. with President Fisher presiding. The Meeting was started at 11:45 a.m.

PRESENT: John Fisher, Duane Garth, Brent Wilson, Audrey Harvey (via phone)

ABSENT: Irv Lowenberg

ALSO

PRESENT: Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultants/AndCo; Megan Battersby, Retirement Program Director/SFPRS; James Meadows, Martha Johnson, Penny Scharmberg/City HR; Jill Jacobs, Christine Miller, Tom Langewicz/City Police; Kevin Smith/PRISA

R.B. 20-013 **MOTION** by Garth, supported by Harvey, to approve Minutes of the Regular Meeting of Southfield Fire & Police Retirement System Board on January 21, 2020. **MOTION CARRIED UNANIMOUSLY**

R.B. 20-014 **MOTION** by Harvey, supported by Garth, to acknowledge receipt of Cash & Asset Statement as of December 31, 2019 in the amount of \$197,764,703.99. **MOTION CARRIED UNANIMOUSLY**

R.B. 20-015 **MOTION** by Garth, supported by Harvey, to approve payment of invoices as follows: Invoice from VanOverbeke, Michaud & Timmony for legal services rendered for the period July 1, 2019 – September 30, 2019 in the amount of \$4,159.15; Invoice from 1607 Capital Partners for asset management services for the period 10/1/19 through 12/31/19 in the amount of \$73,839.44; Invoice from Champlain Investment Partners for asset management fees for the period 4th Quarter 2019 in the amount of \$6,834.23; Invoice from Chase for credit charges for the period 01/03/20 – 02/02/20 in the amount of \$283.28; Invoice from QMA for asset management services for the period Oct 01, 2019 – Dec 31, 2019 in the amount of \$20,599.56. **MOTION CARRIED UNANIMOUSLY**

Because of persons in attendance, two New Business items on Additions to the Agenda were addressed. The Board was copied on letters from James Meadows, HR Director, to Jill Jacobs and Christine Miller of the Police Department Re: Adjusted Date of Hire for Pension Purposes and received directly a letter from Mr. Meadows requesting that Sergeant Jill Jacobs' date of retirement be adjusted consistent with credited service time. It was noted that the Board previously received and approved an application for retirement effective April 1, 2020 from Ms. Jacobs. James Meadows explained to the Board that Ms. Jacobs is currently on leave at 60% of pay. She has exhausted all banks and is currently receiving disability pay through an insurance plan. Mr. Meadows indicated that the City wants to be fair in their application of rules and regulations and consistent with Fire Fighters and Police Officers Retirement Act P.A. 1937, No. 345. Police Command Union President, Tom Langewicz, stated that a grievance has been filed.

R.B. 20-016 MOTION by Harvey, supported by Garth, to acknowledge that the Board previously approved a service retirement effective April 1, 2020 for Ms. Jill Jacobs, and acknowledge that the Board has received correspondence from Director of Human Resources, James Meadows, indicating Ms. Jacobs has been on a non-service related leave and that her service credit has been adjusted in accordance with Act 345 and requesting that Sgt. Jacobs' retirement date be amended to be consistent with her service credit pursuant to Act 345, and accordingly, the Board hereby rescinds its prior Motion R.B. 20-006 granting a service retirement to Ms. Jacobs effective April 1, 2020, and direct that Ms. Jacobs be notified that her service date is being adjusted per direction of the City HR Director and that any contributions to the Retirement System deducted in error should be returned to her. MOTION CARRIED, FISHER OPPOSED

The Board noted that better lines of communication are needed to address these types of issues in a timely manner. Ms. Jacobs stated that it was never clarified to her that this would be, or ever has been in the past, a problem. John Fisher stated that he has no recollection of past adjustments like this. Legal Counsel clarified that the Board has a fiduciary responsibility to the Retirement System to correct errors if they are discovered and indicated that contributions should be stopped immediately on any funds paid during a period ineligible for service credit, but that the City may want to wait to refund any monies until the grievance is resolved.

R.B. 20-017 MOTION by Garth, supported by Wilson, to acknowledge receipt of Informational Items including YTD budget and correspondence. MOTION CARRIED UNANIMOUSLY

John Fisher informed the Board that, as in the past, he received a holiday gift card from 1607 to be used to further education and it was given to the same teacher in Southfield as years past.

R.B. 20-018 MOTION by Fisher, supported by Wilson, to acknowledge receipt of and approve DROP Application from T. Rosenbergh. MOTION CARRIED UNANIMOUSLY

R.B. 20-019 MOTION by Fisher, supported by Wilson, to acknowledge receipt of and approve DROP Distribution Elections from S. Kraemer and J. Tinsman. MOTION CARRIED UNANIMOUSLY

R.B. 20-020 MOTION by Fisher, supported by Garth, to acknowledge receipt of and approve Annuity Withdrawal Distribution Election from J. Tinsman. MOTION CARRIED UNANIMOUSLY

Legal Counsel distributed a presentation on securities litigation for the Board to review. He will bring an updated policy to the next meeting and will be prepared to answer any questions the Board may have. Investment Consultant will contact Northern Trust to determine which securities litigation firms currently have access to Retirement System information.

Legal Counsel also indicated that he had a meeting in Lansing the previous day to discuss proposals to amend and clarify PA 202 language. He will provide an update to the Board at the next meeting.

R.B. 20-021 MOTION by Garth, supported by Fisher, to receive and file Legal Report. MOTION CARRIED UNANIMOUSLY

Retirement Program Director review was tabled until next month.

Retirement Program Director updated the Board on the Police Representative election process. Only one nomination was received and was for the incumbent, John Fisher. Unless there is written objection within the week, the election will be final and John Fisher will be re-elected to a four-year term from April 1, 2020 through March 31, 2024.

A draft Summary Plan Description as of June 30, 2019 was presented for review. Retirement Program Director indicated that Act 314 requires investment performance on a calendar year basis so the numbers will be updated based on the investment performance report the Investment Consultant is presenting today.

R.B. 20-022 MOTION by Fisher, supported by Harvey, to approve the 2020 Summary Annual Report as of June 30, 2019, as presented with updates. MOTION CARRIED UNANIMOUSLY

R.B. 20-023 MOTION by Garth, supported by Harvey, to approve the Annual Financial Report letter to City Council based on June 30, 2019 actuarial valuation results as presented and direct that the letter be signed by the Board President and sent to City Council. MOTION CARRIED UNANIMOUSLY

R.B. 20-024 MOTION by Fisher, supported by Garth, to make note that the Board did not take formal action to receive and file letters from James Meadows, HR Director, to Jill Jacobs and Christine Miller of the Police Department Re: Adjusted Date of Hire for Pension Purposes and letter from Mr. Meadows to the Board requesting that Sergeant Jill Jacobs' date of retirement be adjusted consistent with credited service time, so hereby does so now. MOTION CARRIED UNANIMOUSLY

Kevin Smith of Prudential Real Estate attended and provided an update on plan investments in PRISA I, II and III. Items covered included past performance, current portfolio positioning, areas of opportunity and areas of concern.

Investment Consultant presented Investment Performance Review for the Period Ending December 31, 2019. The Executive Summary was as follows:

The dual inspiration of a possible resolution to the trade war and stimulus from central banks drove the equity markets into full rally mode during the fourth quarter. The encouraging tone on US-China trade negotiations boosted the prospects of stronger global economic growth across the developed and emerging markets. Equities were further aided by a rate cut from the US Federal Reserve and continued stimulus from other major central banks. Domestically, small caps and growth led the way this quarter, as is often the case during strong "risk on" periods. The S&P 500 returned 9.1% during the quarter, lagging the Russell 2000's 9.9% gain (Russell 2000 Growth returned 11.4%). International markets benefited from a declining dollar with the Emerging Markets generating the biggest gains; the MSCI EAFE index rose 8.2% and the MSCI EM Index posted an 11.8%. After three quarters of strong performance to start 2019, the fixed income markets took a breather this quarter. Interest rates trended modestly higher as additional rate cuts were not anticipated. The BB US Aggregate Index returned 0.2% for the quarter; treasuries were the

weakest segment (-0.8%) and investment grade corporates the strongest (1.2%). 2019 was a great year for investors – fixed income was up over 8% and equities returned 20 – 30%.

1. Total Fund return of +4.86% outpaced the Policy Index return of +4.59%. The primary drivers of outperformance were 1607, Loomis, PRISA and Nantucket.
2. Within the Large Cap allocation, all 3 large cap equity portfolios lagged the strong gain of the S&P 500.
3. QMA Mid Cap outperformed their benchmark by 0.23%.
4. The Small Cap allocation was rebalanced during the quarter, with Reinhart Partners and Champlain Small Cap being hired.
5. 1607 Capital Partners had a great quarter (+2.52% over index) as Emerging Markets exposure boosted returns.
6. Both Domestic Fixed Income managers, Tortoise Credit and Loomis Sayles, outperformed their benchmarks for the quarter as investment grade corporate bonds rallied higher. The Tortoise portfolio was consolidated into the Loomis portfolio.
7. Bloomfield Capital Fund V is now over 80% called. Investment activity continues as the portfolio fully deploys into loans.
8. Nantucket benefitted from their heavier equity exposure outperforming benchmark and peers.
9. KStone Partners outperformed by 0.60% for the quarter but lagged for the year.
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 46% called. Both funds are expected to fully call their unfunded commitments.
12. Landmark Fund VII had continued activity during the quarter and is now 33% called. IRR since inception is 19.2%.
13. As of 12/31/2019, the Total Fund is in compliance with Public Act 314.

R.B. 20-025 MOTION by Fisher, supported by Garth, to approve the quarterly investment rate of return of 4.8629% for the quarter ended December 31, 2019. MOTION CARRIED UNANIMOUSLY

R.B. 20-026 MOTION by Fisher, supported by Garth, to receive and file Investment Consultant Report. MOTION CARRIED UNANIMOUSLY

Irv Lowenberg joined the meeting via phone.

Market Update as of January 31, 2020 was reviewed.

Statement of Investment Policies, Procedures and Objectives was reviewed. The objective annual rate of return was updated to 7.0% from 7.5% and the corresponding net real rate of return was updated to 3.75% from 4.25%. Commentary on unallocated or uncalled portions of target allocations was added. Amendment date was memorialized.

R.B. 20-027 MOTION by Fisher, supported by Wilson, to approve updated Statement of Investment Policies, Procedures and Objectives as of February 2020. MOTION CARRIED UNANIMOUSLY

Investment Consultant presented an analysis of Apollo and Oaktree to give the Board a clearer understanding of the opportunistic fixed income strategies and reviewed the underlying holdings to explain how they would qualify under Act 314. He recommended an initial allocation of \$5 million to be funded from Loomis and split equally between the two funds, with ongoing funding from KStone as that fund is drawn down.

R.B. 20-028 **MOTION** by Garth, supported by Harvey, to approve allocations of \$2.5 million to Apollo Total Return Fund and \$2.5 million to Oaktree Global Credit Fund to be funded from Loomis Sayles Intermediate Duration Fund as soon as administratively feasible upon review and approval of documents by Legal Counsel. **MOTION CARRIED UNANIMOUSLY**

There being no further business to come before the Board, the meeting was adjourned at 2:24 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on March 11, 2020