

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

**May 12, 2020**

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The Board convened via video conference at 11:30 a.m. with President Fisher presiding. The Meeting was started at 11:35 a.m.

**PRESENT:** John Fisher, Duane Garth, Audrey Harvey, Irv Lowenberg, Brent Wilson

**ABSENT:**

**ALSO**

**PRESENT:** Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultants/AndCo; Megan Battersby, Retirement Program Director/SFPRS; Zack Cziryak/Financial Investment News

It was noted that the April 7, 2020 regular meeting was cancelled due to COVID-19 circumstances and that the last regular Board meeting was on March 11, 2020.

**R.B. 20-042** **MOTION** by Garth, supported by Wilson, to approve Minutes of the Regular Meeting of Southfield Fire & Police Retirement System Board on March 11, 2020. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-043** **MOTION** by Wilson, supported by Garth, to acknowledge receipt of Cash & Asset Statements as of February 29, 2020 in the amount of \$185,690,959.17 and March 31, 2020 in the amount of \$167,398,669.65. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-044** **MOTION** by Garth supported by Wilson, to approve payment of invoices as follows: Invoice from Chase for credit charges for the period 03/03/20 – 04/02/20 in the amount of \$908.62; Invoice from Reinhart Partners for asset management services for the period Quarter 1, 2020 in the amount of \$11,532.00; Invoice from Champlain for asset management services for the period 1<sup>st</sup> Quarter 2020 in the amount of \$15,853.82; Invoice from 1607 for asset management services for the period 1/1/20 through 3/31/20 in the amount of \$53,512.23; Invoices from LSIA for asset management services for the period January 1, 2020 through March 31, 2020 in the amounts of \$5,028.47 and \$2,607.66; Invoice from QMA for asset management services for the period Jan 01, 2020 – Mar 31, 2020 in the amount of \$17,669.88. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-045** **MOTION** by Fisher, supported by Wilson, to acknowledge receipt of Informational Items including YTD 2019/2020 Budget; FOIA response dated April 7, 2020; Northern Trust memo invoice for period end date 12/31/2019 in the total amount of \$29,488.72; Northern Trust memo invoice for period end date 03/31/2020 in the total amount of \$22,019.29; Loomis Sayles memo invoice for period January 1, 2020 through March 31, 2020 in the amount of \$18,455.72; Correspondence received during the period March 11, 2020 – May 11, 2020. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-046** MOTION by Fisher, supported by Wilson, to acknowledge receipt of and approve DROP Applications from M. Lenhard and R. Rivera. MOTION CARRIED UNANIMOUSLY

**R.B. 20-047** MOTION by Fisher, supported by Wilson, to acknowledge receipt of Retirement Application from C. Miller effective June 12, 2020, and approve said application acknowledging verification of credited service by City Human Resources Department. MOTION CARRIED UNANIMOUSLY

**R.B. 20-048** MOTION by Fisher, supported by Wilson, to acknowledge receipt of and approve DROP Distribution Elections from G. Lask and R. Downing. MOTION CARRIED UNANIMOUSLY

**R.B. 20-049** MOTION by Fisher, supported by Wilson, to acknowledge receipt of and approve Annuity Withdrawal Distribution Elections from S. Biggens III and C. Miller. MOTION CARRIED UNANIMOUSLY

Legal Counsel discussed a memo from his office regarding the SECURE Act and its provisions which substantially affect private sector retirement plans but also pertain to governmental retirement plans. The most significant change applicable to governmental plans affects required minimum distribution rules. A sample updated safe-harbor rollover notice was presented and discussed.

**R.B. 20-050** MOTION by Fisher, supported by Wilson, to acknowledge receipt of memorandum from Legal Counsel Re: SECURE Act dated May 1, 2020 and approve revised IRC Section 402 notice as presented. MOTION CARRIED UNANIMOUSLY

Legal Counsel noted that he had input on a later agenda item, Apollo/Oaktree Update, under Investments.

An additional memo from his office dated May 7, 2020 regarding Electronic Signatures – Executive Order 2020-74 which extended provisions of Executive Order 2020-41 until June 30, 2020 and concerned authorization and rules for performing temporary remote notarizations and the use of electronic signatures was discussed.

Legal Counsel also informed the Board that, per the securities litigation policy, his office has submitted a records request regarding one investment in the Retirement System’s portfolio. He has had discussion with the Board President who has signed the required documents to proceed with the due diligence investigation.

**R.B. 20-051** MOTION by Garth, supported by Fisher, to acknowledge and receive Legal Report as presented. MOTION CARRIED UNANIMOUSLY

Board President stated that Retirement Program Director review still has not been finalized/discussed due to COVID-19 circumstances. Legal Counsel noted that the item can be removed from Old Business on future agendas and that final discussion can be completed when time allows. Retirement Program Director will follow-up with Board President concerning her questions.

**R.B. 20-052** MOTION by Fisher, supported by Wilson, to receive and file 2019 review of Retirement Program Director. MOTION CARRIED UNANIMOUSLY

Investment Consultant presented Investment Performance Review for the Period Ending March 31, 2020. Market update as of March 31, 2020, bear and bull market comparisons, trading day declines from peak-to-trough, and percentage of positive vs. negative rolling holding period returns were reviewed. The Executive Summary was as follows:

The first quarter of 2020 marked a return of a bear market across all parts of the equity markets. The S&P 500 peaked on February 20<sup>th</sup> before falling 33.8% to its low on March 23. For the quarter, the S&P 500 fell -19.60%. Mid cap stocks (-27.1%) and small cap stocks (-30.6%) were punished more severely as investors shunned the riskier segments of the markets. International markets also collapsed with the developed markets falling -22.8% (MSCI EAFE) and the emerging markets declining -23.6% (MSCI Emerging Markets). Treasuries provided a refuge during the equity market chaos, rising 8.2% as rates dropped. Corporate bonds traded in concert with the equity markets and generated negative returns, as Investment Grade Corporates fell -3.6% and High Yield fell -12.7%.

The Federal Reserve responded swiftly to stem the bleeding, using their GFC playbook and quickly deploying programs in that took months to design back in 2008. The response has been enormous with five times more liquidity being deployed now than in 2008. Additionally, a unified political response resulted in a \$2 trillion stimulus package for US consumers and businesses. These actions seem to have stabilized market functions and allowed stocks to reverse some losses from earlier in the month. Much of the commentary around individual manager performance seeks to provide context, not consolation.

1. Total Fund return of -16.05% lagged the Policy Index return of -11.36%. The primary drivers of underperformance were KStone, Nantucket, Reinhart, QMA, Loomis and 1607. Performance for the quarter was primarily impacted by the Domestic Equity and Hedge Fund allocations. Performance over the trailing 1 year is impacted by the same, also negatively impacted by the underweight to Fixed Income vs. peers.
2. Within the Large Cap allocation, the LSIA 30/70 and Dividend Aristocrats large cap equity portfolios lagged the strong gain of the S&P 500. The Low Vol portfolio outperformed.
3. QMA Mid Cap underperformed their benchmark by 3.66% as value-oriented factors continued to weight on returns.
4. Within the small cap allocation, the value-oriented Reinhart underperformed while the growth oriented Champlain outperformed.
5. 1607 Capital Partners underperformed for the quarter, negatively impacted by their overweight to Emerging Markets.
6. Loomis Sayles underperformed their benchmark for the quarter as investment grade corporate bonds turned negative.
7. Bloomfield Capital Fund V is now nearly 100% called. Investment activity continues as the portfolio fully deploys into loans. IRR remains attractive at +7.0%.
8. Nantucket struggled for the quarter, impacted by their heavier equity allocation and poor performance from a single underlying fund.

9. KStone Partners fell nearly 16% for the quarter, impacted by drawdowns in structured credit and directional funds.
10. PRISA I, II and III were all ahead of their benchmarks for the quarter.
11. JCR III made multiple distributions during the quarter and remains approximately 67% called. JCR IV made another call just after the close of the quarter and is now just over 46% called. Both funds are expected to fully call their unfunded commitments over the balance of 2020 and 2021.
12. Landmark Fund VII had continued activity during the quarter and is now 40% called. IRR since inception is 15.5%.
13. As of 3/31/2020, the Total Fund is in compliance with Public Act 314.

**R.B. 20-053** MOTION by Harvey, supported by Lowenberg, to receive and file Investment Performance Review for the Period Ending March 31, 2020. MOTION CARRIED UNANIMOUSLY

**R.B. 20-054** MOTION by Fisher, supported by Wilson, to approve the quarterly investment rate of return of -16.0473% for the quarter ended March 31, 2020. MOTION CARRIED UNANIMOUSLY

Market Update as of April 30, 2020 was reviewed. There was a nice recovery in every segment of the market in April.

Legal Counsel presented a memo to the Board from him regarding Apollo Total Return Fund (Onshore) LP and Oaktree Global Credit Fund, LP. The memo informed and updated the Board on recent contract negotiations between his office and the two funds, specifically addressing concerns arising because of his office's review and negotiation of the contractual documentation pertaining to the prospective investment in the funds. While not uncommon for comingled fund managers to refuse to acknowledge a prudent person standard of care, representatives of both funds have also refused to accept other more routine provisions of the side letter agreement proposed by his office. Considering this, he felt it was necessary to bring these matters to the Board's attention prior to completion of either fund's subscription documents and recommended that the Board seek written opinion and recommendation from Investment Consultant.

Investment Consultant indicated that AndCo believes in the quality of the organizations and the investments, however, they are not necessarily comfortable if Legal Counsel is not comfortable. Legal Counsel stated that if AndCo said this was the perfect strategy and perfect time to invest in it and that these investments will yield unmatched returns, he would be more comfortable. AndCo, however, does not feel that is the case and that there are other current investments that are viable alternatives. He will present a deeper exploration of liquid markets to the Board in June.

**R.B. 20-055** MOTION by Fisher, supported by Harvey, to acknowledge receipt of Legal Memorandum Re: Apollo Total Return Fund (Onshore) LP and Oaktree Global Credit Fund, LP dated May 11, 2020 and discussion with Investment Consultant, and suspend further action per Motion 20-028 to invest in Apollo and Oaktree, and direct Investment Consultant to bring other investment recommendations/opportunities to the Board in June. MOTION CARRIED UNANIMOUSLY

There being no further business to come before the Board, the meeting was adjourned at 12:58 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on June 9, 2020