

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

**August 11, 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 11:32 a.m.

**PRESENT:** John Fisher, Audrey Harvey, Brent Wilson, Duane Garth (late arrival), Irv Lowenberg

**ABSENT:**

**ALSO**

**PRESENT:** Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultants/AndCo; Megan Battersby, Retirement Program Director/SFPRS; Andrew Lai and Jason Friedman/Marathon Asset Management

**R.B. 20-074** **MOTION** by Harvey, supported by Wilson, to approve Minutes of the Regular Meeting of Southfield Fire & Police Retirement System Board on July 14, 2020. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-075** **MOTION** by Harvey, supported by Lowenberg, to acknowledge receipt of Cash & Asset Statements as of June 30, 2020 in the amount of \$179,083,710.23. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-076** **MOTION** by Harvey, supported by Wilson, to approve payment of invoice as follows: Invoice from Reinhart for asset management services for the period Quarter 2, 2020 in the amount of \$14,103.00; Invoices from LSIA for asset management services for the period April 1, 2020 through June 30, 2020 in the amounts of \$2,780.37 and \$5,876.67; Invoice from Champlain for asset management services for the period April 01, 2020 to June 30, 2020 in the amount of \$19,492.32; Invoice from QMA for asset management services for the period Apr 01, 2020 – Jun 30, 2020 in the amount of \$17,429.47; Invoice from 1607 for asset management services for the period 4/1/20 through 6/30/20 in the amount of \$61,095.42. **MOTION CARRIED UNANIMOUSLY**

Duane Garth entered the meeting.

**R.B. 20-077** **MOTION** by Harvey, supported by Wilson, to acknowledge receipt of Informational Items including: YTD 2019/2020 Budget; YTD 2020/2021 Budget; Remote Public Meetings – Executive Order 2020-154 Memo dated July 23, 2020; Electronic Signatures – Executive Order 2020-158 Memo dated July 29, 2020; Loomis invoice (memorandum copy); Chase credit card summary. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-078** **MOTION** by Fisher, supported by Wilson, to acknowledge receipt of Retirement Applications from D. Palmer effective August 31, 2020 and P. Otenbaker effective September 10, 2020. **MOTION CARRIED UNANIMOUSLY**

**R.B. 20-079** MOTION by Fisher, supported by Wilson, to acknowledge receipt of and approve DROP Distribution Elections from K. Mukomel, P. Bourlier, P. Otenbaker, S. Kraemer, T. Boal. MOTION CARRIED UNANIMOUSLY

**R.B. 20-080** MOTION by Fisher, supported by Wilson, to acknowledge receipt of and approve Annuity Withdrawal Distribution Election from P. Otenbaker. MOTION CARRIED UNANIMOUSLY

Retirement Program Director informed the Board that, due to the fall conference cancelation, MAPERS will host the Annual Business Meeting virtually on Monday, September 14<sup>th</sup> at 11:00 AM. At this meeting, they will review business and programming plans for the coming year, provide a legislative update, and provide a legal update. Two four-year MAPERS Board Member positions are also up for election this year. Both candidates will be seeking re-election but MAPERS is currently accepting nominations for any additional Plan members interested in serving on the board. Plan Administrators will be asked to submit the names of two individuals to serve as delegates for the business meeting and board member election.

**R.B. 20-081** MOTION by Lowenberg, supported by Harvey, to designate John Fisher and Brent Wilson as delegates for the MAPERS Annual Business Meeting to be held September 14, 2020. MOTION CARRIED UNANIMOUSLY

Investment Consultant discussed market update as of July 31, 2020 and performance in the beginning of August. Overall, it was a positive month and 3 months of gains. As of Monday, the market has recovered all losses experienced since March, from a peak on 2/20/20 to a low on 3/10/20.

Legal Counsel entered the meeting.

Marathon Asset Management was present to address the Board. They provided an overview of the firm and discussed the investment opportunity, history, and performance associated with their distressed credit fund. They talked about the rapid deterioration experienced this year as well as the higher rated credit recovery, their distressed credit playbook, selections in distressed markets, and the phases of capital deployment.

After the presentation, Investment Consultant outlined that there is an average investment period of 2.5 years, an average harvest period of 2.5 years, limited partner-friendly terms, 1% management fee as opposed to 1.75% because of the aggregate \$100 mill plus AndCo investment, that fees are only charged on called capital, and that a subscription line is used to limit the frequency of capital calls.

**R.B. 20-082** MOTION by Lowenberg, supported by Harvey, to allocate \$5 mill to Marathon Distressed Credit Fund based on Investment Consultant recommendation and subject to review by Legal Counsel. MOTION CARRIED UNANIMOUSLY

Retirement Board reviewed a letter they received dated August 2, 2020 from Police Officer C. Bauman seeking clarification as to how selecting the annuity withdrawal option may or may not affect his pension benefits. There was some uncertainty as to what he was specifically asking for clarity regarding. Retirement Program Director was instructed to provide a response that outlined the history of annuity withdrawal offset and refund of accumulated contributions, as well as the status of both (offset and refund),

noting that the (refundable) annuity withdrawal amount must remain in the Retirement System and shall not be subject to withdrawal from the Plan until termination of employment.

Investment Consultant presented Investment Performance Review for the Period Ending June 30, 2020. The Executive Summary was as follows:

**Market Summary:**

The first half of 2020 has brought about seemingly insurmountable challenges and unpredictability on a global basis. Economic activity resumed in many countries despite the continued spread of the coronavirus. After stocks nosedived in the first quarter, the S&P 500 Index had its best quarter in over 20 years, returning 20.54% in the second quarter and erasing the bulk of the losses suffered in the first quarter. Year-to-date the S&P 500 is now only down 3.08%. Small cap stocks were the best performers, rising 25.42% for the quarter. However, smaller companies were hit harder in Q1 and are still down 12.98% YTD. International developed markets also rebounded strongly in the quarter, returning 14.88% for the quarter but are still down -11.34% in 2020. Value stocks have significantly underperformed growth stocks; in the first half of this year the Russell 1000 Value Index is down 16.26% and the Russell 1000 Growth Index is up 9.81%. Value indices contain many more businesses negatively affected by COVID-19. Corporate bonds rallied after a difficult first quarter and interest rates fell slightly with the 10-year U.S. Treasury yield declined from 0.68% to 0.65%. The Bloomberg Barclays U.S. Aggregate Bond Index increased 2.90% for the quarter and 6.14% for the first half of 2020. High yield bonds rallied 9.61% during the quarter, cutting the year-to-date loss to -4.78%.

1. Total Fund return of +11.77% beat the Policy Index return of +11.30%. The primary drivers of outperformance were 1607, Loomis, KStone and Nantucket.
2. Within the Large Cap allocation, the LSIA Low Volatility, 30/70 Equal Weight and Dividend Aristocrats large cap equity portfolios all lagged the strong gain of the S&P 500. As of July 31, 2020, the large cap rebalance was completed, with an equal weighting to the S&P Growth, Value and Dividend Aristocrats.
3. QMA Mid Cap underperformed their benchmark again for the quarter. This makes for underperformance in 5 of the last 8 quarters. Of the 3 quarters they have outperformed, their margin of excess performance was +0.04%, +0.23% and +0.37%. AndCo recommends watch status effective 7/1/2020 and are initiating a search for possible replacement.
4. Within the small cap allocation, both Champlain and Reinhart underperformed the broad small cap indexes. Of note, they still rose +22.44% and +23.20% respectively.
5. Loomis Sayles outperformed their benchmark for the quarter as investment grade corporate bonds rallied back from last quarter's losses.
6. Bloomfield Capital Fund V is now nearly 100% called. Investment activity continues as the portfolio fully deploys into loans. IRR remains attractive at +7.44%.
7. Within the hedge fund allocation, Nantucket recovered for the quarter, driven by their heavier equity allocation. KStone Partners rose +7.9% as credit markets recovered. Redemption proceeds are expected in mid-August from their return of capital.

8. PRISA I and III were ahead of their benchmarks for the quarter. PRISA II lagged the NCREIF due to retail related exposures.
9. JCR III made a call late in the quarter for 4% of the capital and remains approximately 71% called. JCR IV had no call activity and remains just over 46% called. Both funds are expected to fully call their unfunded commitments over the balance of 2020 and 2021.
10. Landmark Fund VII had no activity during the quarter and is still 40% called. IRR since inception is 15.5%.
11. As of 6/30/2020, the Total Fund is in compliance with Public Act 314.

**R.B. 20-083** MOTION by Fisher, supported by Wilson, to place QMA on watch status effective July 1, 2020. MOTION CARRIED UNANIMOUSLY

**R.B. 20-084** MOTION by Fisher, supported by Lowenberg, to approve the quarterly investment rate of return of 11.7716% for the quarter ended June 30, 2020. MOTION CARRIED UNANIMOUSLY

There being no further business to come before the Board, the meeting was adjourned at 1:16 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on September 8, 2020