

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

November 10, 2020

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

PRESENT: John Fisher/Oscoda County, MI; Brent Wilson/Oakland County, MI; Audrey Harvey/Oakland County, MI (early exit); Duane Garth/Oakland County, MI; Irv Lowenberg/Oakland County, MI

ABSENT:

ALSO

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

R.B. 20-105 **MOTION** by Harvey, supported by Wilson, to approve Minutes of the Regular Meeting of Southfield Fire & Police Retirement System Board on October 13, 2020. **MOTION CARRIED UNANIMOUSLY**

R.B. 20-106 **MOTION** by Harvey, supported by Wilson, to acknowledge receipt of Cash & Asset Statements as of September 30, 2020 in the amount of \$180,229,822.56. **MOTION CARRIED UNANIMOUSLY**

R.B. 20-107 **MOTION** by Harvey, supported by Wilson, to approve payment of invoices as follows: Invoice from Champlain Investment Partners for asset management services for the period July 1, 2020 to September 30, 2020 in the amount of \$20,675.67; Invoice from 1607 Capital Partners for asset management services for the period 7/1/20 through 9/30/20 in the amount of \$66,160.27; Invoice from Reinhart Partners for asset management services for the period Quarter 3, 2020 in the amount of \$15,791.00; Invoice from QMA for asset management services for the period Jul 01, 2020 – Sep 30, 2020 in the amount of \$18,576.72; Invoice from GRS for GASB Statement Nos. 67 and 68 Report plus Michigan P.A. 202 Disclosures as of June 30, 2020 in the amount of \$12,500.00; Invoice from GRS for regular actuarial services for the period July 1, 2020 through June 30, 2021, including the June 30, 2020 annual valuation in the amount of \$16,000.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 20-108 **MOTION** by Wilson, supported by Harvey, to acknowledge receipt of Informational Items as follows: YTD 2020/2021 Budget; Memo from Legal Counsel Re: Michigan Public Act 228 of 2020, Open Meetings Act Amendments dated October 20, 2020; Memo Invoice from Loomis Sayles. **MOTION CARRIED UNANIMOUSLY**

R.B. 20-109 MOTION by Wilson, supported by Harvey, to acknowledge receipt and approval of Retirement Applications from S. Ladouceur, K. Polk, T. Rettschlag, A. Skierski. MOTION CARRIED UNANIMOUSLY

R.B. 20-110 MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of DROP Distribution Elections from S. Ladouceur, G. Lask, T. Literacki, M. Douville, K. Rochon, D. McCormick. MOTION CARRIED UNANIMOUSLY

R.B. 20-111 MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of Annuity Withdrawal Distribution Election from S. Ladouceur. MOTION CARRIED UNANIMOUSLY

Legal Counsel briefly reviewed the memo issued by his office that includes guidance on how and when a public body may hold a virtual meeting and the new provisions added to the Open Meetings Act via PA 228.

Trustee Audrey Harvey indicated that she and the Investment Consultant had a preliminary conversation regarding review of Custodial Bank, Northern Trust, and will have a full report for the Board in December.

Jeff Tebeau from GRS presented the June 30, 2020 draft actuarial valuation to the Board. He summarized and discussed the purpose of the valuation, key results, gain/loss experience, and risk measures. Increases in employer contribution rates and unfunded liability were driven mainly by investment losses. The ratio of non-investment cash flow to assets is still stifling asset growth, however, an increase in active members and lower return assumptions should help. An Experience Study is scheduled for 2021 for the period of July 1, 2015 through June 30, 2020.

R.B. 20-112 MOTION by Harvey, supported by Garth, to accept and approve draft City of Southfield Fire and Police Retirement System 68th Actuarial Valuation Report as of June 30, 2020 with a computed employer contribution rate of 44.55% and a minimum dollar contribution of \$9,035,612 for the fiscal year beginning July 1, 2021, and direct that the actuary finalize the report. MOTION CARRIED UNANIMOUSLY

Actuary also presented the draft GASB report as of June 30, 2020 which is based on June 30, 2019 valuation results.

R.B. 20-113 MOTION by Garth, supported by Harvey, to accept and approve draft City of Southfield Fire and Police Retirement System GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pensions as of June 30, 2020 and direct that the actuary finalize the report. MOTION CARRIED UNANIMOUSLY

The F&P Retirement System Board meeting schedule for 2021 was discussed and set. Audrey Harvey indicated that, per direction of her employer, she cannot attend in-person meetings until April 2021.

R.B. 20-114 MOTION by Wilson, supported by Harvey, to acknowledge 2021 meeting dates on Tuesdays at 11:30 a.m. as follows: January 12, February 9, March 9, April 13, May 11,

June 8, July 13, August 10, September 14, October 12, November 9, and December 7.
MOTION CARRIED UNANIMOUSLY

Audrey Harvey exited the meeting.

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

The US equity markets continued to recover during the third quarter and reached new highs in early September. Stocks were buoyed by the continued assistance from the government and the uneven reopening of the economy. As the quarter came to an end, the markets retreated as a second stimulus package stalled in Washington; the S&P was up 8.9% for the quarter and 5.6% year to date. However, these results have been skewed by the performance of a handful of stocks – Amazon, Apple, Facebook, Google, and Microsoft. To demonstrate the return differential, large cap growth stocks (Russell 1000 Growth Index) are +24.3% year-to-date while large cap value stocks (Russell 1000 Value Index) are - 11.6% over the same period. Small caps and international stocks have lagged large cap stocks during the recovery; during the quarter, the Russell 2000 Index gained 4.9% (-8.7% YTD) and the MSCI EAFE Index rose 4.8 % (-7.1% YTD). The fixed income markets were relatively uneventful during the quarter as interest rates were relatively stable and spreads continued to tighten, although at a slower pace. For the quarter, the BB Aggregate Index rose 0.6% (6.8% YTD) and the BB Corporate High Yield Index gained 4.6% (0.6%).

1. Total Fund return of +4.72% matched the Policy Index return of +4.80%. The primary drivers of performance were 1607, Loomis, PRISA III and Nantucket.
2. Within the Large Cap allocation, the portfolio transitions in July to a blend of S&P 500 Growth, Value and Dividend Aristocrat.
3. QMA Mid Cap underperformed their benchmark again for the quarter. This makes for underperformance in 6 of the last 9 quarters. Watch status was implemented effective 7/1/2020 and a search is being conducted for possible replacement.
4. Within the small cap allocation, Champlain outperformed due to strong stock selection. Reinhart underperformed the broad small cap indexes due to their value focus and stock selection within financials.
5. 1607 turned in another great quarter, outperforming by +2.04%. Returns were driven by strong underlying fund selection and an overweight to emerging markets.
6. Loomis Sayles outperformed their benchmark for the quarter as investment grade corporate bonds rallied back from last quarter's losses.
7. Bloomfield Capital Fund V is now 86% called. Investment activity continues as the portfolio fully deploys into loans. IRR remains attractive at +7.58%. Bloomfield has exited their investment period.
8. Within the hedge fund allocation, Nantucket recovered again for the quarter, driven by their heavier equity allocation. KStone Partners rose +3.3-% as credit markets recovered. Redemption proceeds are expected in Mid November from their return of capital.

9. PRISA was well ahead of their benchmark for the quarter. PRISA I and II were inline.
10. JCR III remains approximately 80% called. JCR IV had more call activity and remains just over 54% called. Both funds are expected to fully call their unfunded commitments over the balance of 2020 and 2021. Performance is in line with expectations for both funds.
11. Landmark Fund VII had continued distribution activity during the quarter and is approximately 26% called. IRR since inception is 9.4%.
12. As of 9/30/2020, the Total Fund was in compliance with Public Act 314. The equity allocation was over the IPS maximum due to the underweight to hedge funds.

The market rally on Monday on news of a vaccine announcement was discussed. Board Trustees questioned why we haven't been able to meet the 7% actuarial rate of return and indicated that the overall portfolio allocation and manager selection may need to be reassessed.

R.B. 20-115 MOTION by Lowenberg, supported by Wilson, to approve quarterly investment rate of return of 4.7161% for the quarter ended September 30, 2020. MOTION CARRIED UNANIMOUSLY

Investment Consultant indicated that Bloomfield Capital has requested some Fund V contract modifications which require further analysis so the item is tabled until December. Market values and liquidity were reviewed and no current action is required. Underperformance by QMA was mentioned. It was agreed that Investment Consultant will review entire portfolio and make recommendations to rebalance. A special meeting will be held on Tuesday, November 17, at 1:00 p.m. to address asset allocation and investment manager review and which will include the mid-cap manager analysis.

R.B. 20-116 MOTION by Wilson, supported by Garth, to pay invoices as follows: MAPERS 2021 membership renewal in the amount of \$200; Invoice from GRS for Rettschlag EDRO recalculation due to retirement in the amount of \$900.00 (to be recouped by the Retirement System). MOTION CARRIED UNANIMOUSLY

There being no further business to come before the Board, the meeting was adjourned at 1:09 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on December 8, 2020