

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

February 9, 2021

The Board convened via video conference at 11:30 a.m. The Meeting was started at 11:32 a.m. by President Fisher.

PRESENT: John Fisher/Washtenaw County, MI; Brent Wilson/Oakland County, MI; Audrey Harvey/Oakland County; 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; Kevin Smith/PRISA

R.B. 21-011 **MOTION** by Wilson, supported by Garth, to approve Minutes of the Regular Meeting of Southfield Fire & Police Retirement System Board on January 12, 2021. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-012 **MOTION** by Lowenberg, supported by Harvey, to acknowledge receipt of Cash & Asset Statements as of December 31, 2020 in the amount of \$204,821,242.89. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-013 **MOTION** by Harvey, supported by Wilson, to approve payment of invoices as follows: Invoice from Champlain for asset management services for the period October 1, 2020 to December 31, 2020 in the amount of \$26,173.76; Invoice from Reinhart Partners for asset management services for the period Quarter 4, 2020 in the amount of \$20,597.00; Invoice from 1607 Capital Partners for asset management services for the period 10/1/20 through 12/31/20 in the amount of \$80,243.47; Invoice from VanOverbeke Michaud & Timmony for legal services rendered for the period July 1, 2020 through September 30, 2020 in the amount of \$4,435.20; Invoice from VanOverbeke Michaud & Timmony for legal services rendered for the period October 1, 2020 through December 31, 2020 in the amount of \$4,890.60; Invoice from LSIA for asset management services for the period 10/1/2020 through 12/31/2020 in the amount of \$9,633.89. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-014 **MOTION** by Harvey, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2020/2021 Budget; Memo Invoice from Loomis Sayles. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-015 **MOTION** by Wilson, supported by Fisher, to acknowledge receipt and approval of DROP Application from R. Ballerini. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-016 MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of Retirement Application from W. Bounds. MOTION CARRIED UNANIMOUSLY

R.B. 21-017 MOTION by Fisher, supported by Garth, to acknowledge receipt and approval of DROP Distribution Elections from D. Palmer, T. Barr. MOTION CARRIED UNANIMOUSLY

R.B. 21-018 MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of Annuity Withdrawal Distribution Elections from E. Wells, K. Rambus. MOTION CARRIED UNANIMOUSLY

Legal Counsel was not yet present due to technical difficulties joining the meeting.

R.B. 21-019 MOTION by Fisher, supported by Wilson, to acknowledge receipt of DRO referencing Keith R. Louden, III v. Kimberly S. Louden and approve Resolution as follows:

**CITY OF SOUTHFIELD
FIRE AND POLICE RETIREMENT SYSTEM**

RESOLUTION

Adopted: February 9, 2021

**RE: Keith R. Louden, III v. Kimberly S. Louden
Oakland County Circuit Court Case No. 19-879225-DO**

WHEREAS, the Board of Trustees is in receipt of a Domestic Relations Order dated December 30, 2020, wherein Kimberly S. Louden, the Alternate Payee, is awarded certain rights to the benefits of Keith R. Louden, III, the Participant, and

WHEREAS, the Alternate Payee is entitled to a portion of the Participant's monthly retirement benefits payable from the defined benefit plan and defined contribution plan of the Retirement System, and

WHEREAS, the Alternate Payee is also entitled to a portion of the Participant's DROP Account, and

WHEREAS, the payments from the plan to the Alternate Payee shall begin as soon as administratively feasible, and

WHEREAS, the Board's policy is to require that the cost for the actuary's calculations is to be borne by the parties to the domestic relations proceedings, and the order provides that the Participant and the Alternate Payee shall be equally responsible for any and all additional costs for actuarial services, and

WHEREAS, said matter had been discussed with legal counsel who has opined that the applicable terms of said court order are consistent with the provisions of the Retirement System and applicable law and that based on the provisions of the Order there is no need to forward the Order to the Board's Actuary for calculations, therefore be it

RESOLVED, that the Board acknowledges receipt of said court order, will pay pension benefits consistent with said order subject to the provisions of the order as soon as administratively feasible, and further

RESOLVED, that a copy of this resolution be immediately attached as the top sheet of the pension file and other appropriate records be kept for the Retirement System relative to this matter, and

RESOLVED, that copies of this resolution be sent to Keith R. Loudon, III, the Participant; Ronald W. Tolbert, II, Esq., attorney for the Participant; Kimberly S. Loudon, the Alternate Payee; and Ann-Marie Okros, Esq, attorney for the Alternate Payee.

MOTION CARRIED UNANIMOUSLY

R.B. 21-020 **MOTION** by Garth, supported by Harvey, to approve 2021 Summary Annual Report as of June 30, 2020 with updated investment performance as of December 31, 2020 as required and direct that a copy be posted on the City website, sent to City Administrator and Fiscal Services Director, and filed with Michigan Department of Treasury. **MOTION CARRIED UNANIMOUSLY**

Kevin Smith presented an annual update of PRISA investments to the Board. He provided an overview of PGIM Real Estate as well as the PRISA, PRISA II and PRISA III funds. He touched on market news and outlook along with the strategies and positioning of each fund. PRISA is the most enduring manger in the Retirement System portfolio with a relationship of 30 years.

Investment Consultant presented Investment Performance Review for the Period Ending December 31, 2020. The Executive Summary was as follows:

Global equity markets pulled back in October, generated some amazing results in November, and performed nicely in December, closing out 2020 at new record highs. The performance of the capital markets during the fourth quarter was astonishing, capping a year many are happy to put in the past. The markets were driven by positive economic data, additional stimulus package negotiations, and positive news on multiple COVID vaccines. The S&P 500 rose 11.7% for the quarter and 16.3% for the year. Small cap stocks (Russell 2000 Index) gained an astonishing 31.4% for the quarter, ending the year up 19.96%. International markets participated as well, with the MSCI EAFE gaining 16.1% for the quarter and 7.8% for the year. Emerging markets fared even better, gaining 19.7% in the fourth quarter and 18.3% in 2020.

The fixed income market also provided impressive returns, though notably lower than the equity markets. Core fixed income, as measured by the Bloomberg Barclays Aggregate Bond Index, appreciated 0.7% for the quarter and 7.5% for the year. High yield had an impressive recovery after suffering large losses in the first quarter, gaining 6.5% in the fourth quarter and 7.1% in 2020. However, forecasted returns for the asset class are muted; a shining example would be the 10-year Treasury ending the year with a yield of 91 basis points. Looking back, we can breathe a collective sigh of relief from an INVESTMENT standpoint, as 2020 was a solid year for investors.

1. Total Fund return of +12.99% outpaced the Policy Index return of +9.02%. The primary drivers of performance were Reinhart Small Mid, 1607, Loomis, PRISA III and Nantucket.
2. Within the Large Cap allocation, the allocation was driven by a strong return for Value, with the S&P 500 Value rising +14.40%. The combined large cap portfolio (Dividend, Growth, Value) gain of +12.17% for the quarter matched the S&P 500 gain of +12.15%.
3. QMA Mid Cap was terminated during the quarter, with the proceeds split between the Fidelity Extended Market Index Fund, JP Morgan Emerging Markets and ABS Emerging Markets. All 3 new funds were positive contributors.
4. Within the small cap allocation, Reinhart outperformed due to strong stock selection and a value bias. Champlain underperformed for the quarter due to an underweight in Energy.
5. Within International Equity, 1607 turned in another great quarter, outperforming by +2.04%. Returns were driven by strong underlying fund selection and an overweight to emerging markets. Both ABS and JPM were funded as emerging market managers during the quarter.
6. Loomis Sayles outperformed their benchmark again for the quarter as investment grade corporate bonds rallied back from last quarter's losses.
7. Bloomfield Capital Fund V has exited their investment period with a portfolio fully deployed into loans. IRR remains attractive at +7.57%.
8. Within the hedge fund allocation, Nantucket recovered again for the quarter, driven by their heavier equity allocation. KStone Partners rose as credit markets recovered.
9. PRISA I, II and III were all ahead of their benchmark for the quarter.
10. JCR III remains approximately 87% called. JCR IV 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 activity during the quarter and is approximately 33% called. IRR since inception is 9.65%.
12. As of 12/31/2020, 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.

R.B. 21-021 MOTION by Wilson, supported by Harvey, to approve the Q3, 2020 investment rate of return of 12.9911%. MOTION CARRIED UNANIMOUSLY

Legal Counsel indicated that he had not yet responded to HR Director regarding his December 2020 FOIA response. He reminded the Board that a listing of retiree names and benefit amounts was requested for the purpose of determining retiree health care hardship eligibility and that he provided verbiage to be included that noted that the information provided was confidential and to be used for the purpose as requested. Mr. Meadows responded that he did not believe the request needed to be honored. Legal Counsel has a letter prepared to send and will do so immediately.

Legal Counsel also indicated that there is a House Bill (4002) regarding repeal of the pension tax that has been introduced and he still believes that further FOIA amendments will be forthcoming as the recent amendments imposed greater restrictions to electronic participation after COVID. He also noted that Wolf Popper, a security litigation firm that works for the Retirement System, will not be moving forward with litigation against Pluralsight, Inc.

Investment Consultant discussed the draft Statement of Investment Policies, Procedures and Objectives noting that language had been standardized so that updates will no longer be necessary when an assumption or rate changes. A final version will be presented in March for approval.

A calendar of proposed manager reviews for 2021 was presented. Managers have been strategically scheduled throughout the year with intentional and deliberate planning to account for when returns are available and how funds are performing.

Liquidity was reviewed and should be good through at least May. The goal is to keep cash balances low to maximize earnings.

There being no further business to come before the Board, the meeting was adjourned at 1:05 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on March 9, 2021