

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

May 11, 2021

The Board convened via video conference at 11:30 a.m. The Meeting was started at 11:37 a.m. by President Fisher.

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

ABSENT:

ALSO

PRESENT: Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS; Libby Greenstone and Eric Strzempek/Nantucket

R.B. 21-042 **MOTION** by Harvey, supported by Wilson, to approve Minutes of the Regular Meeting of Southfield Fire & Police Retirement System Board on April 13, 2021. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-043 **MOTION** by Wilson, supported by Harvey, to acknowledge receipt of Cash & Asset Statements as of March 31, 2021 in the amount of \$208,540,324.09. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-044 **MOTION** by Wilson, supported by Harvey, to approve payment of invoices as follows: Invoice from Reinhart for asset management services for the period Quarter 1, 2021 in the amount of \$20,578.00; Invoice from Champlain for asset management services for the period January 1, 2021 to March 31, 2021 in the amount of \$27,449.61; Invoice from LSIA for asset management services for the period 1/1/2021 through 3/31/2021 in the amount of \$10,135.01; Invoice from 1607 for asset management services for the period 1/1/21 through 3/31/21 in the amount of \$77,882.56; Invoice from GRS for Skierski EDRO benefit calculation in the amount of \$1,500.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-045 **MOTION** by Harvey, supported by Wilson, to approve request for reimbursement from City of Southfield for fiduciary liability insurance premiums in the amounts of \$21,912.40 for fiscal year 2019-2020 and \$22,610.00 for fiscal year 2020-2021. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-046 **MOTION** by Harvey, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2020/2021 Budget; FOIA Response; Memo Invoice from Loomis Sayles. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-047 MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of DROP Distribution Elections from R. Taylor, K. Polk, T. Krettlin, and G. Lask. MOTION CARRIED UNANIMOUSLY

R.B. 21-048 MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of Annuity Withdrawal Distribution Elections from K. Polk and E. Wells. MOTION CARRIED UNANIMOUSLY

Legal Counsel did not have a formal report.

Investment Consultant presented investment performance review for the period ending March 31, 2021. Equities returns were positive overall for both March and first quarter. One-year returns were staggering as they covered the period from the low last March and included the phenomenal rally over the past year. Executive Summary was as follows:

The positive trend for US stocks remained intact during the first quarter. The rotation in leadership that started during the 4th quarter continued into the 1st quarter with small cap and value stocks leading the way. The Russell 2000 Index (proxy for small companies) rose by 12.7% and the Russell 1000 Value increased by 11.3% during the quarter compared to 6.2% for the S&P 500. International equities also gained during the quarter, but their returns were not as strong (MSCI ACWI ex US +3.5%). The primary driver of stock prices has been the re-opening of the global economy and additional fiscal and monetary stimulus. This quarter end marks, almost to the day, the one-year anniversary of the rally in the equity markets – US equity indices have appreciated by over 50% or more in the past year.

While the momentum in stocks was decidedly positive during the quarter, that was not the case in fixed income. The yield on the US 10-Year Treasury bond increased 83 basis points during the quarter as investors anticipated rising inflation rates in the near future. Core fixed income suffered losses in all three months to start 2021; the BB US Aggregate declined 3.4% during the quarter. The lone bright spot in the bond market was high yield, benefiting from their stronger relationship to the equity markets than interest rates.

1. Total Fund return of +3.64% outpaced the Policy Index return of +3.07%. The primary drivers of performance were Reinhart Small Mid, ABS, Loomis, and PRISA III.
2. Within the Large Cap allocation, the allocation was driven by a strong return for Value, with the S&P 500 Value rising +10.90%.
3. 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.
4. Within International Equity, 1607 nearly matched their benchmark, rising +3.28% vs. +3.60%. Returns were impacted by their emerging markets exposure. JPM Emerging Markets lagged due to poor stock selection in Consumer Discretionary. ABS Emerging outperformed due to strong stock selection from many of their underlying managers.

5. Loomis Sayles outperformed their benchmark again for the quarter as investment grade corporate bonds rallied back from last quarter's losses.
6. Within the hedge fund allocation, Nantucket lagged for the quarter, driven by their heavier allocation to sectors like Tech and Healthcare. KStone Partners rose as credit markets recovered.
7. PRISA I, II and III were all in line or ahead of their benchmark for the quarter.
8. JCR III remains approximately 87% called. JCR IV remains just over 70% called. Both funds are expected to fully call their unfunded commitments over the balance of 2021. Performance is in line with expectations for both funds.
9. Landmark Fund VII had continued activity during the quarter and is approximately 33% called. IRR since inception is 8.81%.

As of 3/31/2020, 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. 21-049 MOTION by Harvey, supported by Lowenberg, to approve the first quarter, 2021 market rate of return of 3.6406%. MOTION CARRIED UNANIMOUSLY

Libby Greenstone and Eric Strzempek from Nantucket provided a 2020 and 2021 performance update. Their presentation included a review of the organization, investment strategy and investment objectives. Highlights from 2020 and performance recap were reviewed. Presenter provided answers to questions posed by Trustees and Investment Consultant.

Statement of Investment Policies, Procedures and Objectives, updated as of May 2021, was discussed. The major changes included memorializing that the objective is to meet or exceed the actuarial assumed rate of return and updating the language to be more timeless rather than specific. Current vs. recommended asset allocation tables were also presented and discussed.

R.B. 21-050 MOTION by Lowenberg, supported by Wilson, to approve Statement of Investment Policies, Procedures and Objectives as of May 2021 as presented, including updates as recommended by Investment Consultant. MOTION CARRIED UNANIMOUSLY

Market Update as of April 30, 2021 was discussed. Positive returns were posted for both equities and fixed income. Manager allocations and liquidity needs were reviewed and no rebalancing was recommended.

Retirement Program Director mentioned that the Board term for Duane Garth is set to expire on May 20, 2021.

R.B. 21-051 MOTION by Fisher, supported by Wilson, to authorize President to send letter to City Council Boards & Commissions Committee recommending the reappointment of Duane Garth to the Fire & Police Retirement System Board of Trustees. 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 8, 2021