

**REGULAR MEETING MINUTES
SOUTHFIELD FIRE AND POLICE RETIREMENT SYSTEM BOARD**

August 10, 2021

The Board convened via video conference at 11:30 a.m. The Meeting was started at 11:31 a.m. by President Fisher.

PRESENT: John Fisher/Oscoda County, MI; Brent Wilson/Oakland County, MI; Duane Garth/Oakland County, MI; Audrey Harvey/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; Christopher Harms and Christopher Lazzaro/Loomis Sayles

R.B. 21-070 **MOTION** by Harvey, supported by Wilson, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, July 13, 2021. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-071 **MOTION** by Harvey, supported by Lowenberg, to acknowledge receipt of Cash & Asset Statement as of June 30, 2021 in the amount of \$219,391,943.78. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-072 **MOTION** by Harvey, supported by Lowenberg, to approve payment of invoices as follows: Fiduciary Liability Insurance premium for the policy year 7/1/21-22 in the amount of \$23,566.32; Invoice from YCM for asset management services for the period 04/01/2021 – 06/30/2021 in the amount of \$9,611.28; Invoice from Reinhart Partners for asset management services for the period Quarter 2, 2021 in the amount of \$21,083.00; Invoice from 1607 Capital Partners for asset management services for the period 4/1/21 through 6/30/21 in the amount of \$82,853.62; Invoice from Champlain Investment Partners for asset management services for the period April 01, 2021 to June 30, 2021 in the amount of \$28,747.24; Invoice from AndCo for consulting services and performance evaluation for the period January 2021 – March 2021 in the amount of \$25,500.00; Invoice from AndCo for consulting services and performance evaluation for the period April 2021 – June 2021 in the amount of \$25,500.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-073 **MOTION** by Harvey, supported by Garth, to acknowledge receipt of Informational Items as follows: YTD 2020/2021 Budget; YTD 2021/2022 Budget; FOIA response dated July 13, 2021. **MOTION CARRIED UNANIMOUSLY**

R.B. 21-074 MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of DROP Distribution Elections from R. Downing and K. Rochon. MOTION CARRIED UNANIMOUSLY

R.B. 21-075 MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of Annuity Withdrawal Distribution Election from G. Stirling. MOTION CARRIED UNANIMOUSLY

Legal Counsel asked that the legal opinion regarding DROP/Premium Member Account interest accrual method be tabled until September. After discussion with Board President, he would like to include as documentation in the opinion the results of a comparison of interest accrual methods performed by Retirement Program Director.

Retirement Program Director inquired about the Board's preferred meeting format for September. If the City extends the emergency declaration through year end as they intend to do, the Board will continue to meet virtually for the remainder of 2021.

Investment Consultant presented investment performance review for the period ending June 30, 2021. Executive Summary was as follows:

Equity markets continued their torrid pace in the 2nd quarter, finishing the period at near all-time highs. As concerns over the pandemic began to fade, investors turned their focus toward the rebound in the economy and the potential for earnings growth and multiple expansion. All but one of the S&P 500's sectors provided positive absolute returns during the period. Not surprisingly, sectors that have traditionally exhibited positive correlation to rising inflation did well, including real estate and energy. Historically, these sectors are able to pass along rising input costs to consumers more quickly than other sectors. Technology also performed well as US interest rates fell during the quarter. Foreign stocks also enjoyed a strong quarter, with developed markets slightly outpacing emerging markets during the period. Economic growth accelerated, especially in Europe and the UK, as local economies reopened. These results were achieved despite the US dollar appreciating during the quarter relative to most currencies.

Fixed income returns were solid for the 2nd quarter with the Bloomberg Barclays US Aggregate Bond Index rising 1.8% for the period. Inflationary fears waned during the quarter as investors balanced longer-term pricing pressures with Federal Reserve actions. Generally, credit markets performed well during the quarter, led by lower investment grade corporate bonds. That segment of the market has a longer duration which acted as a tailwind as interest rates declined. Finally, US TIPS performed well during the quarter as investors looked to mitigate inflation risk.

1. Total Fund return of +4.88 lagged the Policy Index return of +5.13%. The primary drivers of the underperformance were the value bias of YCM Dividend, YCM SP 500 Value and Reinhart Small / Mid.
2. For the fiscal year, the fund earned +29.85%, beating the policy index return of +23.96% and ranked in the 16th percentile vs. peers.

3. Within the Large Cap allocation, the allocation was impacted by the value bias, as the S&P 500 Value and Dividend Aristocrats trailed more growth-oriented indexes.
4. Within the small cap allocation, Reinhart underperformed due to their value bias. Champlain outperformed in a growth-oriented market.
5. Within International Equity, 1607 outperformed for the quarter by +0.98%. JPM's growth bias drove their outperformance. ABS Emerging outperformed due to strong stock selection from their Latin American managers.
6. Loomis Sayles outperformed their benchmark again for the quarter as rates fell.
7. Within the hedge fund allocation, Nantucket outperformed for the quarter. KStone Partners underperformed as credit markets rallied. KStone continues to make return of capital payments.
8. PRISA I, II and III were all in line or ahead of their benchmark for the quarter.
9. 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.
10. Landmark Fund VII had continued activity during the quarter and is approximately 33% called. IRR since inception is 10.47%.
11. As of 6/30/2021, 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 and real estate.

R.B. 21-076 MOTION by Lowenberg, supported by Wilson, to approve the second quarter, 2021 market rate of return of 4.8783%. MOTION CARRIED UNANIMOUSLY

Christopher Harms and Christopher Lazzaro from Loomis Sayles provided a performance update to the Board. Their presentation included a review of the organization, asset classes and investment performance. Economic environment and outlook were discussed. Presenter provided answers to questions posed by Trustees and Investment Consultant.

There being no further business to come before the Board, the meeting was adjourned at 12:30 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on September 14, 2021