

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

**November 9, 2021**

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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/Oscoda County, MI; Brent Wilson/Wayne County, MI (early exit); Duane Garth/Oakland County, MI (early exit); Audrey Harvey/Wayne 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; Jeff Tebeau, Actuary/GRS

**R.B. 21-095** **MOTION** by Harvey, supported by Garth, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, October 12, 2021. **MOTION CARRIED UNANIMOUSLY**

**R.B. 21-096** **MOTION** by Harvey, supported by Lowenberg, to acknowledge receipt of Cash & Asset Statement as of September 30, 2021 in the amount of \$216,009,885.90. **MOTION CARRIED UNANIMOUSLY**

**R.B. 21-097** **MOTION** by Harvey, supported by Garth, to approve payment of invoices as follows: Credit card statement for the period 10/03/21 – 11/04/21 in the amount of \$275.00; Invoice from Reinhart Partners for asset management services for the period Quarter 3, 2021 in the amount of \$21,411.00; Invoice from YCM for asset management services for the period 07/01/2021 – 09/30/2021 in the amount of \$9,584.74; Invoice from Champlain Investment Partners for asset management services for the period July 01, 2021 to September 30, 2021 in the amount of \$24,596.49; Invoice from 1607 Capital Partners for asset management services for the period 7/1/21 through 9/30/21 in the amount of \$81,727.29; Expense report from Irv Lowenberg. **MOTION CARRIED UNANIMOUSLY**

**R.B. 21-098** **MOTION** by Harvey, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2021/2022 Budget; FOIA response dated October 6, 2021; FOIA response dated October 14, 2021; Loomis Sayles memorandum invoice for Q3 2021. **MOTION CARRIED UNANIMOUSLY**

**R.B. 21-099** **MOTION** by Wilson, supported by Fisher, to acknowledge receipt and approval of Retirement Applications for E. Schenkus (12/01/2021), T. Lewinski (12/05/2021), S. Rata (01/15/2022). **MOTION CARRIED UNANIMOUSLY**

**R.B. 21-100** MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of DROP Distribution Elections from P. Simerly, E. Schenkus, S. Rata. MOTION CARRIED UNANIMOUSLY

**R.B. 21-101** MOTION by Wilson, supported by Fisher, to acknowledge receipt and approval of Annuity Withdrawal Distribution Elections from E. Schenkus, S. Rata. MOTION CARRIED UNANIMOUSLY

Jeff Tebeau, Actuary from GRS, was present to discuss the draft actuarial valuation as of June 30, 2021. He explained that the purpose of the annual valuation is to compute the funding rate and review funding progress. An experience study was recently performed and the Board adopted all the recommended assumption changes, most notably a reduction in the actuarially assumed rate of return from 7.0% to 6.75%.

Duane Garth exited the meeting.

The Actuary reviewed key valuation results, gain/loss experience, and risk measures. Increases in employer contribution rates and unfunded liability were driven mainly by assumption changes, but were offset somewhat by investment gains and higher member contributions. Unrecognized gains will put downward pressure on the City's contribution rate in the next four years and the lower investment return assumption should help mitigate negative cash flow.

**R.B. 21-102** MOTION by Wilson, supported by Fisher, to accept and approve draft City of Southfield Fire and Police Retirement System 69<sup>th</sup> Actuarial Valuation Report as of June 30, 2021 with a computed employer contribution rate of 45.64% and a minimum dollar contribution of \$9,560,383 for the fiscal year beginning July 1, 2022, and direct that the actuary finalize the report. MOTION CARRIED UNANIMOUSLY

Actuary also presented the draft GASB report as of June 30, 2021 which is based on June 30, 2020 valuation results.

**R.B. 21-103** MOTION by Fisher, supported by Lowenberg, 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, 2021 and direct that the actuary finalize the report. MOTION CARRIED UNANIMOUSLY

The F&P Retirement System Board meeting schedule for 2022 was discussed and set. Brent Wilson asked that, if any changes were made to the dates as presented, dates he is on duty be considered per the Fire Chief's request.

**R.B. 21-104** MOTION by Harvey, supported by Wilson, to acknowledge 2022 meeting dates on Tuesdays at 11:30 a.m. as follows: January 11, February 8, March 8, April 12, May 10, June 14, July 12, August 9, September 13, October 11, November 8, and December 13. MOTION CARRIED UNANIMOUSLY

Brent Wilson exited the meeting.

The Board discussed a return to live meetings in 2022. Legal Counsel said that there is a house bill which has been presented in Lansing and it only applies to retirement and health care boards that would allow for the continuation of virtual meetings in 2022. He will report more information as it becomes available.

Investment Consultant review was up for discussion per the Administrative Calendar. Trustees and Retirement Program Director voiced that they have no concerns with his performance. Audrey Harvey presented a motion to delay Investment Consultant review until January when the meeting would most likely be in person but no support was given.

The legal opinion regarding DROP/Premium Member Account interest accrual method was tabled until December. Legal Counsel reviewed the compliance letters regarding TerraCap and Centerbridge. AndCo was asked to provide a written recommendation as well considering Centerbridge's refusal to accept a prudent person standard of care; a memo from AndCo indicating that they felt Centerbridge is a judicious investment was also presented.

**R.B. 21-105** MOTION by Lowenberg, supported by Fisher, to receive and file the following: letter from Legal Counsel dated October 15, 2021 Re: TerraCap Partners V (Institutional) LP Compliance with Public Act 314 of 1965, as amended; letter from Legal Counsel dated October 29, 2021 Re: Centerbridge Partners Real Estate Fund II, L.P. Compliance with Public Act 314 of 1965, as amended; memo from Investment Consultant dated October 29, 2021 Re: Centerbridge Partners Real Estate Fund II. MOTION CARRIED UNANIMOUSLY

Retirement Program Director did not have anything specific to report to the Board.

Investment Consultant presented Investment Performance Review for the Period Ending September 30, 2021. The Executive Summary was as follows:

Economic growth in the US likely slowed during the 3rd quarter as the recovery continues to mature. The demand for workers continued to be strong and the unemployment rate declined to 4.8% in September. A variety of factors contributed to an increase in volatility in the US equity markets, including concerns related to the Delta variant, supply chain shortages, higher US interest rates, rising inflation, and fiscal policies in Washington. Stocks climbed to new all-time highs in early September only to give back those gains towards the end of the period; only large caps ended the quarter in positive territory. Despite the developed international equity markets posting positive results in local terms, US investors suffered additional losses as the dollar appreciated versus most currencies. Emerging markets dropped sharply on concerns related to increased regulatory oversight in China and the potential default of Evergrande, the largest Chinese property developer. Despite the continued concerns related to rising inflation and potential changes in Fed policies, US interest rates were essentially unchanged during the quarter. The US 10-Year Treasury bond rose only 2 basis points (0.02%) for the quarter to close at a yield of 1.48%. Performance across most US bond market sectors was muted during the quarter and was driven largely by the Fed's

messaging concerning the potential for beginning the process of raising interest rates in late-2022. Lower quality corporate bonds outperformed higher quality sectors during the quarter. The combination of larger relative coupons and shorter maturity profiles acted as tailwinds for lower quality during the period.

1. Total Fund return of +0.23 lagged the Policy Index return of +0.55%. The primary driver of the underperformance was Nantucket.
2. For the trailing 1 year, the fund earned +24.86%, beating the policy index return of +18.89% and ranking in the 3<sup>rd</sup> 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, both Reinhart and Champlain outperformed due to strong stock selection.
5. Within International Equity, 1607 outperformed for the quarter by +1.65%, with performance driven by country selection. JP Morgan's overweight to China and consumer discretionary drove their underperformance. ABS Emerging outperformed due to their underweight to China.
6. Loomis Sayles outperformed their benchmark again for the quarter.
7. Within the hedge fund allocation, Nantucket underperformed for the quarter, driven by underperformance from Global Macro and Long/Short Equity. KStone Partners made another return of capital in early November as the fund finishes its full wind down. Additional distributions are expected in Q1 and Q2 2022.
8. PRISA I, II and III were all in ahead of their benchmark in a very strong quarter of performance for real estate.
9. JCR III remains approximately 87% called. JCR IV remains just over 70% called. JCR IV is expected to fully call their unfunded commitment over the balance of 2021 and early 2022. 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. Marathon sits at 40% called with an IRR of +39.9%.

As of 9/30/2021, 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. 21-106** MOTION by Lowenberg, supported by Fisher, to approve the third quarter, 2021 market rate of return of .2303%. MOTION CARRIED UNANIMOUSLY

Liquidity Review was presented and Investment Consultant recommended that \$2 million be moved from 1607 to cash to cover cash flow needs for the next two months.

**R.B. 21-107** MOTION by Fisher, supported by Harvey, to approve the transfer of \$2,000,000 from 1607 Capital Partners to Cash. MOTION CARRIED UNANIMOUSLY

Market Update for October was positive across all market segments.

There were no public/trustee comments.

There being no further business to come before the Board, the meeting was adjourned at 1:11 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on December 7, 2021