

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

November 10, 2015

The Board convened in Council Study at 9:00 a.m. with President Fisher presiding.

PRESENT: John Fisher, Shawn Wells, Irv Lowenberg

ABSENT: Duane Garth, Audrey Harvey

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta/Asset Consultant, Megan Battersby/Retirement Program Administrator, Lauri Siskind/HR Director, Lyn Roberts/Finance Director, Judy Kermans and Jeff Teabeau/GRS

R.B. 15-121 MOTION by Wells, supported by Lowenberg, to approve the October 13, 2015 regular meeting minutes. MOTION CARRIED UNANIMOUSLY

R.B. 15-122 MOTION by Lowenberg, supported by Wells, to acknowledge receipt of the Cash & Asset Statement as of August 31, 2015 in the amount of \$185,996,758.62. MOTION CARRIED UNANIMOUSLY

R.B. 15-123 MOTION by Wells, supported by Lowenberg, to acknowledge payment of invoices as follows: Invoice from Chase Card Services for VISA charges for the period 09/03/15 – 10/02/15 in the amount of \$501.80; Invoice from LS Investment Advisors for asset management services for the period July 1, 2015 through September 30, 2015 in the amount of \$3,873.12; Invoice from Loomis Sayles for asset management services for the period July 1, 2015 through September 30, 2015 in the amount of \$20,292.38; Invoice from Loomis Sayles for asset management services for the period July 1, 2015 through September 30, 2015 in the amount of \$19,920.65 (directly debited - memorandum copy only); Invoice from The Northern Trust Company for total asset management services for the period ended 09/30/15 in the amount of \$18,923.53 (directly debited - memorandum copy only); Invoice from 1607 Capital Partners for asset management services for the period 7/1/15 through 9/30/15 in the amount of \$22,904.41; Invoice from NCPERS for membership renewal through December 31, 2016 in the amount of \$250.00. MOTION CARRIED UNANIMOUSLY

R.B. 15-124 MOTION by Lowenberg, supported by Wells, to acknowledge receipt of the Informational Items including YTD 2015/2016 Budget and Correspondence received during the period October 13, 2015 through November 9, 2015. MOTION CARRIED UNANIMOUSLY

R.B. 15-125 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of DROP Application from T. Literacki. MOTION CARRIED UNANIMOUSLY

R.B. 15-126 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of Retirement Applications from G. Lask, P. Meyer and D. Clarkson. MOTION CARRIED UNANIMOUSLY

R.B. 14-127 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of DROP Distribution Election from D. Clarkson. MOTION CARRIED UNANIMOUSLY

R.B. 14-128 MOTION by Wells, supported by Lowenberg, to acknowledge receipt of Annuity Withdrawal Distribution Elections from G. Lask, P. Meyer, G. Stirling and D. Clarkson. MOTION CARRIED UNANIMOUSLY

There was discussion regarding the Pensions & Investments invoice and subscription for Duane Garth. Trustees that currently subscribe to this publication receive it at no cost because they are pension plan trustees. The consensus of the Board was that perhaps there was a charge for Mr. Garth's subscription because he lists himself as affiliated with investments rather than as a trustee. Mr. Lowenberg will contact Pension & Investments to question the charge and determine whether it can be provided at no cost to the System.

In the legislative update, Mr. VanOverbeke indicated that a big concern is that the governor, through staff, is targeting pension issues and may try to force defined contribution plans on troubled systems. The question remains: what is the definition of a troubled system? The monthly Avignon letter was received. Legal counsel indicated that Livingston York contacted the solar company that exhibited interest in the property but nothing developed. It seems clear that the county is looking for high density residential developments.

R.B. 15-129 MOTION by Wells, supported by Lowenberg, to pay Avignon invoices as follows: Invoice from Villages of Avignon CDD for reimbursable expenses as of 10/9/15 in the amount of \$4,452.71; Invoice from Birkitt Environmental Services, Inc. for Avignon 2015 Reporting, Maintenance & Monitoring final completion of tasks in the amount of \$937.00; Avignon 2015 real estate taxes in the total amount of 11,680.85 if paid by 12/03/15. MOTION CARRIED UNANIMOUSLY

The item regarding inclusion of vacation payouts in Average Final Comp was discussed. Ms. Siskind indicated that no determination has been made. Ms. Battersby stated that DROP or retirement calculations to be performed in the next month will be impacted by this decision. Legal counsel explained that the Board can wait for the City to provide their determination or they can ask legal counsel to render a legal opinion as to whether vacation payouts during employment are considered pensionable earnings. He explained that the Board is vested with the general operation and administration of the Retirement System and the ultimate resolution of the issue is in the Board's hands. It would be helpful, however, to know the City's position. Ms. Siskind pledged that she will have the City's position by the next meeting on December 8.

GRS was present to discuss the draft actuarial valuation. The Retirement System is 84.6% funded based on the funding value of assets. The computed employer rate is 31.01%. An increase in unfunded accrued liability pushed normal cost up, however, the normal cost of benefits and member contributions were very

stable and decreased slightly. A decrease in the number of actives is disturbing to funding and an increase in the number of retirees shows the plan is maturing.

Overall, fund experience was less favorable than assumed during the year ending June 30, 2015, producing a total experience loss of approximately \$3.4 million. The \$3.4 million total loss was comprised of a \$2.1 million loss due to less than assumed investment returns on the funding value of assets and a \$1.3 million loss attributed to member experience during the year (members retiring, salary increases, mortality experience, etc.). The market value rate of return during the fiscal year ending June 30, 2015 was 1.50% for the pension only fund value which is less than the assumed rate of return of 7.75%. A portion of the investment loss was recognized in this valuation along with the recognition of deferred portions of the investment gains and losses that occurred during the previous three fiscal years. The net result of this year's market value loss and carryover gains and losses from prior years is a net loss of \$2.1 million and a recognized rate of return on the funding value of assets of 6.65%.

Various edits were discussed and GRS will have a final valuation ready for distribution at the December 8 meeting. They will finalize the GASB work and then would like to start on the Experience Study.

R.B. 15-130 MOTION by Wells, supported by Lowenberg, to authorize GRS to perform a five year Experience Study, as scheduled, upon completion of the actuarial valuation. MOTION CARRIED UNANIMOUSLY

R.B. 15-131 MOTION by Lowenberg, supported by Wells, to approve the 2016 meeting schedule as presented with dates as follows: January 12, February 9, March 8, April 12, May 10, June 14, July 12, August 9, September 13, October 11, November 8 and December 13. MOTION CARRIED UNANIMOUSLY

Mr. Vitta presented the economic and capital markets update for October. The U.S. economy is still growing but at a slow rate. Almost everything lost in the capital markets in the 3rd quarter was regained in October. The Investment Performance Analysis as of September 30, 2015 was presented. Recommendations and conclusions were as follows:

1. Total Fund return of -4.52% slightly trailed the Policy Index primarily due to significant underperformance from the Loomis Sayles Full Discretion Bond Fund.
2. In their second quarter of probation (4/01 - 9/30/2015), Morgan Dempsey exceeded their benchmark by 1.09%. Extending probation to 12/31/2015 was recommended.
3. In their second quarter of probation (4/01 - 9/30/2015), Brandes narrowly underperformed their benchmark by 73 basis points. Extending probation to 12/31/2015 was recommended.
4. Avignon Holdings LLC - carried at \$3.42 million book value. No investment activity this period.
5. The two new hedge fund of funds managers specializing in fixed income, Fintan and KStone, were funded with \$4 million each on 7/27/2015. Both received another \$6 million on 8/27/2015, completing their \$10 million target funding.
6. For the partial quarter, Fintan had a return of -0.52%. At quarter-end, its strategy bucket allocation was: 56% fixed income relative value; 33% credit; 10.5% long/short credit; <1% event-driven; and 0.4% cash.
7. For the partial quarter, KStone had a return of -1.22%. At quarter-end, its strategy bucket allocation was: 16.8% arbitrage; 18.3% relative value credit - MBS; 10.3% relative value credit -

high yield; 10.4% relative value credit - ABS; 8.8% multi-strategy; 23.4% long/short global credit; 4.6% event-driven credit; and 7.4% directional strategies.

8. No violations of investment policies or guidelines were detected.
9. As of 11/04/2015, asset allocations are within policy ranges.
10. An \$8.5 million redemption request to Nantucket is expected to be fulfilled during the first week of January 2016.

R.B. 15-132 MOTION by Lowenberg, supported by Wells, to accept and approve the quarterly rate of return as of September 30, 2015 of -4.5232%. MOTION CARRIED UNANIMOUSLY

R.B. 15-133 MOTION by Lowenberg, supported by Wells, to continue probationary status through December 31, 2015 for Morgan Dempsey and Brandes. MOTION CARRIED UNANIMOUSLY

R.B. 15-134 MOTION by Lowenberg, supported by Fisher, to pay the invoice from Chase for Master Card charges for the period 10/03/15 – 11/02/15 in the amount of \$1,896.70. MOTION CARRIED UNANIMOUSLY

Meeting adjourned at 11:02 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Audrey Harvey, Secretary