

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

February 14, 2017

The Board convened in Training Room 2 in the Human Resources Department at 9:00 a.m. with President Fisher presiding. The Meeting was started at 9:05 a.m.

PRESENT: John Fisher, Shawn Wells, Duane Garth, Audrey Harvey, Irv Lowenberg (late arrival at 9:15)

ABSENT:

ALSO

PRESENT: Michael VanOverbeke/Legal Counsel, George Vitta and Brian Green/Investment Consultant, Megan Battersby/Retirement Program Administrator, Lauri Siskind/HR Director, Matt Byron/Property Consultant (via phone), John Bussa/observer

R.B. 17-016 **MOTION** by Harvey, supported by Wells, to approve the January 17, 2017 meeting minutes. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-017 **MOTION** by Wells, supported by Harvey, to acknowledge receipt of the Cash & Asset Statement as of December 31, 2016 in the amount of \$192,969,431.17. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-018 **MOTION** by Harvey, supported by Garth, to approve payment of invoices as follows: Invoice from 1607 Capital Partners for asset management fees for the period 10/1/16 through 12/31/16 in the amount of \$36,802.52; Invoice from Loomis Sayles for asset management fees for the period October 1 – December 31, 2016 in the amount of \$21,681.98; Invoice from Morgan Dempsey for asset management fees for the period 4th Qtr 2016 in the amount of \$30,569.00; Invoice from GRS for EDRO Calculations for William and Elaine Foster in the amount of \$1,300.00; Invoice from LS Investment Advisors for asset management fees for the period October 1, 2016 through December 31, 2016 in the amount of \$3,468.71; Invoice from Keen Battle Mead & Company for Avignon liability insurance for the period 2/20/17 – 2/20/18 in the amount of \$2,215.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-019 **MOTION** by Wells, supported by Harvey, to acknowledge receipt of the Informational Items including YTD 2016/2017 Budget; Invoice from Loomis Sayles for asset management fees for the period October 1, 2016 through December 31, 2016 in the amount of \$11,043.86 (memo copy – direct debit); Invoice from The Northern Trust Company for total services for the period ending 12/31/16 in the total amount of \$16,536.11 (memo copy – direct debit); Invoice from Bradford & Marzec for asset management services for the period October 1, 2016 – December 31, 2016 in the amount of \$14,840.84 (memo copy – direct debit); Correspondence received during the period January 17, 2017 – February 13, 2017. **MOTION CARRIED UNANIMOUSLY**

R.B. 17-020 MOTION by Wells, supported by Fisher, to acknowledge receipt of DROP Application from M. Huber. MOTION CARRIED UNANIMOUSLY

R.B. 17-021 MOTION by Fisher, supported by Wells, to acknowledge receipt of Retirement Applications from E. Foster and E. Maresh. MOTION CARRIED UNANIMOUSLY

R.B. 17-022 MOTION by Wells, supported by Harvey, to acknowledge receipt of DROP Distribution Elections from G. Lask, R. Pollock and E. Maresh. MOTION CARRIED UNANIMOUSLY

R.B. 17-023 MOTION by Harvey, supported by Wells, to acknowledge receipt of Annuity Withdrawal Distribution Elections from E. Foster and E. Maresh. MOTION CARRIED UNANIMOUSLY

Irv Lowenberg entered the meeting.

In the legislative update, legal counsel explained the Governor's newly formed Responsible Retirement Reform Task Force to which he has been appointed as a member. There are 15 appointees from varying backgrounds and they have a very heavy schedule between now and April. They have been tasked to tackle both retiree health care (RHC) and pensions, but RHC is the bigger problem and should be addressed first. Better data is needed but they must move forward with what is currently available. The theme is that it is a complex problem with no one right answer and that a framework and boundaries should be established which allows for individual preferences at the municipal level.

The request by the Retirement Program Administrator for a title change was address. John Fisher indicated that further research needs to be done regarding retiree health care.

R.B. 17-024 MOTION by Fisher, supported by Lowenberg, to approve the title change for the Retirement Program Administrator to Retirement Program Director. MOTION CARRIED UNANIMOUSLY

The monthly Avignon letter from Livingston York was received and the Board had a conference call with Matt Byron who provided a general update regarding the sale of the property. The broker had indicated that there was some out of town interest and he was expecting an offer but it never materialized with the prospective client citing an inferior school district as the reason. Another concern related to the lack of off-site improvements such as roads and drainage. He did indicate that activity thus far is meeting his expectations; it is a less preferable location that is not fully entitled. There was some discussion regarding a possible partnership with a builder as well as discussion regarding how to improve salability such as lowering the asking price or getting entitlements for the property. There has been no decision yet from the appellate court on the Lauris property/bondholders issue.

The Investment Performance Review for the Period Ending December 31, 2016 was presented. The total fund had a quarterly return of 1.79%. Thoughts on how to invest the \$4 million currently in cash will be presented in March. The investment performance evaluation was as follows:

1. Total Fund return of +1.79% exceeded the Policy Index return of +1.28%. The peer group rank was very strong (11th percentile) due to strong performance from the Small and Mid-Cap domestic equity allocations.
2. Brandes Emerging Markets return was negative, but well ahead of the benchmark for the quarter. For the trailing 12 months, Brandes outperformed their benchmark by over 14%.
3. Both bond managers provided above market results, while the overall bond market was negative.
4. Avignon Holdings LLC, carried at \$3.42 million book value, had no investment activity for the period.
5. By quarter-end, the Invesco International REIT portfolio was fully liquidated, with the proceeds being split between Brandes and 1607.
6. Several private market managers have not finalized 12/31/16 information as of this report so the most current information available was used. Managers include Fintan Partners and KStone where estimated returns were used, and JCR II and III.
7. Year-to-date and longer period results for the Total Fund's return, market risk, peer group standing and risk-adjusted returns continue to meet expectations.
8. No violations of investment policies or guidelines were detected.

It was noted that the Invesco International REIT portfolio was not fully liquidated at year end because of the

R.B. 17-025 MOTION by Lowenberg, supported by Garth, to approve the 4th quarter, 2016 investment rate of return of 1.7854%. MOTION CARRIED UNANIMOUSLY

The PRISA III Management Fee Modification was addresses. Concurrent with the fund's next re-opening, they intend to modify the management fee for future capital raises to provide for a lower base management fee and an incentive fee tied to the fund's total return. However, PGIM Real Estate is providing all existing PRISA III investors with a choice between two alternative fee structures for their existing account balances: Option A – Incentive Fee or Option B – Flat Management Fee of 180 bps. The investment consultants have recommended the Board select Option A – Incentive Fee.

R.B. 17-026 MOTION by Wells, supported by Harvey, to select the PRISA III proposed management fee Option A which has a base management fee of 1.30% per annum of the portion of the Adjusted NAV of Units with an incentive fee whereas on the three-year anniversary of the Closing Date, the General Partner will be allocated a Performance Allocation equal to 15% of the excess of (i) the Existing balance as of the Measurement Date over (ii) the hypothetical balance as of the Measurement Date if an 8% IRR has been achieved with respect to the Existing Balance during the three-year period, subject to a high-water mark and loss carry forward. And further, to authorize the Retirement Program Director to sign and return the Fee Election Form when it is received. MOTION CARRIED UNANIMOUSLY

The annual review of the Statement of Investment Policies, Procedures and Objectives was tabled pending the review of target allocations and possible fund realignment.

The Market Update as of January 31, 2017 was distributed. The monthly market index benchmarks were all positive. The Board requested that the S&P 500 Index be added back as a benchmark and that the font size be increases as it is too small.

The investment consultants distributed a Large Cap Passive Strategies report that compared the characteristics and historical performance of several large cap indices. The intent was to educate the Trustees on the differences between the indices and optimize the large cap allocation to the Board's objectives. The System currently utilizes LS Investment Advisors (LSIA) to manage a portion of the large cap allocation indexed to the S&P 500 Dividend Aristocrats (Div) and S&P 500 Low Volatility (LV) indexes. The other large cap mandate is an active large cap value strategy managed by Loomis Sayles. The S&P 500 Equal Weight Index (EW) was introduced which is the equally weighted version of the S&P Index which is rebalanced quarterly, resetting each stock to a 0.2% weight. Irv Lowenberg asked if there were any other large cap funds with stellar performance and the investment consultants replied that there were not. Duane Garth voiced his concern that terminating Loomis Sayles and placing the entire mandate with LSIA would result in too much of a concentration with one manager.

R.B. 17-027 MOTION by Harvey, supported by Lowenberg, to terminate Loomis Sayles as the Large Cap investment manager as soon as administratively feasible. MOTION CARRIED UNANIMOUSLY

R.B. 17-028 MOTION by Lowenberg, supported by Harvey, to move the Loomis Sayles Large Cap securities to LSIA to be further invested following the 30/40/30 split recommended by the investment consultant (30% LV/40% EW/30% Div). MOTION CARRIED, GARTH OPPOSED

R.B. 17-029 MOTION by Harvey, supported by Lowenberg, to approve payment of invoices as follows: Invoice from Chase Card Services for credit charges for the period 01/03/17 – 02/02/17 in the amount of \$124.98; Invoice from Villages of Avignon CDD for reimbursable expenses as of 3/6/17 in the amount of \$2,994.64. MOTION CARRIED UNANIMOUSLY

The Board was reminded that the first Manager Roundtable will be held following the next Board meeting on March 7. The meeting will convene in Council Study with lunch served at noon and the discussing commencing by 1:00.

Meeting adjourned at 11:45 a.m.

Prepared by Megan Battersby
Retirement Program Administrator

Approved by Board Motion on March 7, 2017