

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

May 6, 2024

The Board convened in Council Study at 1:00 p.m. The Meeting was started at 1:08 p.m. by President Fisher.

PRESENT: John Fisher; Duane Garth; Audrey Harvey (via phone); Irv Lowenberg (via phone); Brent Wilson

ABSENT:

ALSO

PRESENT: Michael VanOverbeke, Legal Counsel/VMT; Brian Green, Investment Consultant/AndCo; Megan Battersby, Retirement Program Director/SFPRS

R.B. 24-037 **MOTION** by Harvey, supported by Wilson, to approve Regular Meeting Minutes, Southfield Fire and Police Retirement System Board, March 12, 2024. **MOTION CARRIED UNANIMOUSLY**

R.B. 24-038 **MOTION** by Harvey, supported by Wilson, to acknowledge receipt of Portfolio Summary Report as of March 31, 2024, in the amount of \$201,586,064.01. **MOTION CARRIED UNANIMOUSLY**

R.B. 24-039 **MOTION** by Wilson, supported by Garth, to approve payment of invoices as follow: Expense report from I. Lowenberg for March 12, 2024 meeting lunch; Credit card statement for charges for the period 03/03/24 – 04/02/24 in the amount of \$121.15; Invoice from YCM for asset management services for the period 01/01/2024 – 03/31/2024 in the amount of \$9,496.25; Invoice from NIS for asset management services for the quarter ended 03/31/24 in the amount of \$6,762.00; Invoice from Reinhart Partners for asset management services for the period Quarter 1, 2024 in the amount of \$22,016.00; Invoice from 1607 for asset management services for the period 1/1/24 through 3/31/24 in the amount of \$68,746.28; Invoice from Boyd Watterson for asset management services for the period 2/2/2024 through 3/31/2024 in the amount of \$6,590.00. **MOTION CARRIED UNANIMOUSLY**

R.B. 24-040 **MOTION** by Harvey, supported by Wilson, to acknowledge receipt of Informational Items as follows: YTD 2023-2024 Budget. **MOTION CARRIED UNANIMOUSLY**

R.B. 24-041 **MOTION** by Wilson, supported by Fisher, to acknowledge receipt and approval of Retirement Application from J. Martin. **MOTION CARRIED UNANIMOUSLY**

R.B. 24-042 MOTION by Harvey, supported by Fisher, to acknowledge receipt and approval of DROP Distribution Elections from J. Rakestraw, K. Snook, S. Rata, G. Lask, C. Swart, M. Duff, M. Lenhard, J. Martin, T. McCoy. MOTION CARRIED UNANIMOUSLY

R.B. 24-043 MOTION by Fisher, supported by Wilson, to acknowledge receipt and approval of Annuity Withdrawal Distribution Elections from D. Vanlacken, J. Martin. MOTION CARRIED UNANIMOUSLY

Investment Consultant presented the first quarter performance review as of March 31, 2024. The Market Summary was as follows:

Investors started the year anticipating numerous rate cuts from the Federal Reserve, potentially starting during the first quarter. However, strong economic data and persistent inflation measures led the Fed to delay any action during the quarter. The continued strength of the US economy and corporate earnings growth propelled the stock market higher. The S&P 500 rose 10.6% in the 1st quarter, outperforming mid cap and small cap stocks (Russell Mid Cap = 8.6%; Russell 2000 = 5.2%). International stocks posted solid returns (MSCI ACWI ex US = 4.7%) but lagged the US markets due in part to continued geopolitical risks. Interest rates drifted higher throughout the quarter as the timing of the Fed pivot was pushed into the second half of 2024. Fixed income suffered another round of losses this quarter (Bloomberg US Aggregate -0.8%). High yield was the lone bright spot in fixed income, rallying with the equity markets (Bloomberg US High Yield = 1.5%). Real estate continued to struggle with declining occupancy rates and higher borrowing costs.

1. Total Fund return of +3.56% underperformed the Policy Index return of 4.54% and ranked in the 87th percentile. The primary drivers of the underperformance were Champlain and 1607.
2. Within the Large Cap allocation, the S&P 500 Growth led the way with a +12.8% return, with Value at +8.0% and Dividends at +7.0%.
3. Within the small cap allocation, Champlain underperformed due to stock selection in Healthcare. Reinhart outperformed due to stock selection in Financials.
4. Within International Equity, 1607 lagged their index due to UK holdings and small cap exposure. ABS Emerging nearly matched their index.
5. Within Fixed Income, the portfolio was converted from Loomis to Boyd and NIS in March. Marathon sits at 78% called with an IRR of +8.9% Distribution activity is increasing. Bloomfield Capital is 100% called.
6. Within the hedge fund allocation, Nantucket outperformed for the quarter, driven by their growth and technology bias.
7. Within Real Estate, only PRISA II outperformed for the quarter. JCR III and IV are both actively harvesting. Both funds are ahead of performance expectations. Ares (Landmark) Fund VII had continued activity during the quarter and is approximately 62% called. IRR since inception is 12.9%. TerraCap is 100% called. Artemis is 16% called and Centerbridge has called 35% of capital. Both have been actively investing capital using their line of credit. TerraCap had a significant write down in Q4 due to the appraisal of all holdings at year end.

8. Constitution Co-invest fund called 99% of the commitment. The Partnership fund has called 39% of capital.
9. As of quarter end the Total Fund was in compliance with Public Act 314.

R.B. 24-044 MOTION by Wilson, supported by Lowenberg, to approve the quarterly market rate of return of 3.5642% for the quarter ended March 31, 2024. MOTION CARRIED UNANIMOUSLY

Investment Consultant did not recommend any rebalancing measures and indicated that cash flow was good until July.

R.B. 24-045 MOTION by Wilson, supported by Garth, to receive and file Investment Report as presented. MOTION CARRIED UNANIMOUSLY

In April, Board members participated in an educational session about private debt and were introduced to various strategies. Candidates in two strategies stood alone, global shipping and global corporate distressed debt, but the U.S. corporate direct lending strategy had multiple fund offerings. Investment Consultant presented a senior direct lending review with various candidates to consider. With \$15 million available to commit, the Board approved allocations to two funds and will invite Churchill, Deerpath, and Monroe to present to the Board at the June meeting.

R.B. 24-046 MOTION by Wilson, supported by Garth, to approve an allocation of \$5,000,000 to EnTrust Global Partners LLC Blue Ocean Onshore Fund II LP and an allocation of \$5,000,000 to Marathon Asset Management L.P. MDCF II, LP Fund, subject to legal review. MOTION CARRIED UNANIMOUSLY

R.B. 24-047 MOTION by Garth, supported by Harvey, to change the June meeting date from June 11 to June 4, 2024. MOTION CARRIED UNANIMOUSLY

Legal Counsel reviewed draft Rules of Procedure document. He asked trustees to review and provide any comments and the document would be considered as unfinished business next month.

R.B. 24-048 MOTION by Fisher, supported by Garth, to designate Brent Wilson and Megan Battersby as official delegates for the MAPERS 2024 Spring Conference. MOTION CARRIED UNANIMOUSLY

The commission recapture program was briefly discussed. It hasn't been active since 2019 so the Board considered terminating the program.

R.B. 24-049 MOTION by Fisher, supported by Harvey, to terminate the commission recapture program with Cowen due to inactivity. MOTION CARRIED UNANIMOUSLY

Audrey Harvey informed the Board that she was recently reconfirmed as a trustee on the Fire & Police Retirement System Board. Duane Garth indicated that he had also been contacted to be reappointed as a trustee and would be completing the process shortly.

There being no further business to come before the Board, the meeting was adjourned at 2:30 p.m.

Prepared by Megan Battersby, Retirement Program Director

Approved by Board Motion on June 4, 2024