



CITY OF SOUTHFIELD

**SOUTHFIELD EMPLOYEE RETIREMENT SYSTEM
(SERS)**

SUMMARY ANNUAL REPORT

JUNE 30, 2019

SERS Board

Julius Maisano, Chair
Mark Jubas, Vice Chair
Edward Gardella, Secretary
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SERS Retirement Administrator

Megan Battersby
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The Southfield Employee Retirement System (“SERS” or “Retirement System”) is designed to help employees in meeting their financial needs should they retire, become disabled, or die. Eligible employees of the City of Southfield and the 46th District Court are automatically enrolled into the SERS pension system upon employment.

This Summary Report will provide a general overview of the Retirement System and its funding. However, a summary cannot cover all the details of the Retirement System, which is governed by the provisions of the City’s Retirement Ordinance, state and federal regulations, Administrative Rules, Union Contracts and the SERS Board’s official rules and regulations. Any conflict between statements in this Report and the above documents will be governed by those documents.

RETIREMENT SYSTEM SUMMARY

The Southfield Employee Retirement System provides retirement benefits as identified in the plan document, Chapter 9 of the City of Southfield Code, as from time to time amended by City Council ordinance, as well as modifications produced as a result of collective bargaining. SERS includes all career employees of the City of Southfield and the 46th District Court, other than sworn members of the Police and Fire Departments and others excluded from membership according to the plan document. Unclassified Management Employees hired after August 1, 2007 are permitted the option upon hire to become a member of SERS or elect participation in a 401(a) defined contribution plan.

A SERS pension benefit is payable upon attaining the required age and credited service. The calculation of the normal retirement benefit consists of the years of Credited Service times the Final Average Compensation times the multiplier. The current multiplier for members hired prior to June 1, 2005 is 2.5%, unless otherwise specified in the plan document or collective bargaining agreements. The current multiplier for members hired on or after June 1, 2005 is 2.0%, unless otherwise specified in the plan document or collective bargaining agreements.

The normal form of benefit is a Ten Year and Certain benefit. This benefit provides for a monthly pension for the retired employee, continuing until his/her death. If death occurs before a full ten years of benefits have been paid, the difference between 120 monthly payments (i.e., 10 years) and the number of payments actually paid prior to the member's death will be paid in a lump sum to the member's beneficiary. In addition, a married member may choose either a 100% or 50% joint and survivor pension option. Information on the pension benefits can be obtained by contacting the SERS Administrator at (248) 796-4700.

SERS assets are held in trust for the benefit of the members and their beneficiaries. The SERS Board serves as Trustee of the Retirement System's assets and is responsible for the administration of the plan. No soft dollars are used to pay expenses in this Retirement System. They are assisted by a number of professional advisors, listed below:

Gabriel, Roeder, Smith & Company (Actuary)
Comerica Bank (Custodian)
AndCo Consulting (Investment Consultant)
VanOverbeke, Michaud & Timmony, P.C. (Legal Counsel)
Consulting Physicians/MedSource (Medical Director)
Investment Managers:
AEW Core Property Trust
Bloomfield Capital
Champlain Investment Partners
Great Lakes Advisors
LSV Asset Management
Magnitude Institutional
Metropolitan Real Estate
Pacific Income Advisers
QMA
RMK Global Timberland Resources Fund
SouthernSun Asset Management
Templeton Global Bond
Titan Masters
Walthausen & Company
WCM Focused Growth International
World Asset Management

SUMMARY RESULTS OF THE ACTUARIAL VALUATION

The financial objective of SERS is to establish and receive contributions which will remain approximately level from year to year and will not have to be increased for future generations of taxpayers. Contribution levels are expressed in terms of percents of the City's active member payroll.

To determine an appropriate employer contribution level for the next fiscal year and to gauge how the Retirement System's funding is meeting this fundamental objective, the independent actuarial firm of Gabriel, Roeder, Smith & Company conducts annual actuarial valuations.

These valuations are based on the Retirement System's past experience, information about current participation and financial markets, and assumptions concerning the Retirement System's future demographic and economic activity. SERS is open to new members. The results of the June 30, 2019 valuation are summarized below:

Normal Cost	11.86%
Weighted Employee Contribution	6.10%
Employer Contribution (starting July 1, 2020)	27.41%
Minimum Dollar Contribution	\$ 4,334,521
Valuation Payroll	\$ 15,059,719
Total Pensions Benefits paid July 1, 2018- June 30, 2019	\$ 11,497,785
Average Pension Benefit	\$ 31,329

FUNDED STATUS

	<u>6/30/2018</u>	<u>6/30/2019</u>
Actuarial Accrued Liabilities	\$158,867,883	\$169,587,186
Valuation Assets	\$116,020,350	\$114,203,951
Percent Funded	73.0%	67.3%

MEMBERSHIP

Number of Active Members	296
Number of Retired Members and Beneficiaries	367
Number of Deferred Vested Members	<u>45</u>
Total	678

INVESTMENT RETURN AND EXPENSES

Market Value – July 1, 2018 **\$ 115,172,535**

Revenues

Employees' contributions	\$ 772,659
Employer contributions	3,623,322
Investment income	<u>4,555,080</u>
Total	\$ 8,951,061

Expenditures

Benefit payments (pension only) & refund of member contributions	\$ 11,895,234
Administrative expenses	<u>61,018</u>
Total	\$ 11,987,520

Market Value – June 30, 2019 **\$ 112,136,076**

Change in Net Assets (\$ 3,036,459)

Investment return (market value basis) 4.09%

Administrative and Investment Expenses:

Actuarial Fees	\$ 32,925
Custodial Fees	\$ 70,378
Education & Training, Expenses and Related Travel	\$ 11,753
Legal Fees	\$ 22,430
Administration Fees	\$ 17,500
Membership Dues	\$ 200
Misc admin fees and expenses	\$ 1,601
Fiduciary Liability Insurance	\$ 7,328
Medical Director	\$ 4,050
Investment Consulting Fees	\$ 75,000
Investment Management Fees	<u>\$ 347,756</u>
	\$ 590,921

INVESTMENT PERFORMANCE (NET OF FEES) as of DECEMBER 31, 2019

	<u>Total Fund Return</u>	<u>Net of Fees</u>
One Year:	21.49%	20.96%
Three Year:	10.41%	9.76%
Five Year:	7.51%	6.91%
Seven Year:	9.39%	9.19%
Ten Year:	10.30%	10.02%

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent
Remaining Amortization Period:	27 years
Asset Valuation Method:	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return:	7.00%
Projected salary increases*	3.0% - 6.0%
* Includes wage inflation at	3.00%
Post-Retirement Benefit Increases:	Ad-hoc as provided by ordinance
Actuarial Assumed Rate of Health Care Inflation:	N/A

ANNUAL BUDGET 2019-2020

ACTUARIAL FEES	\$ 31,500
CUSTODIAL FEES	\$ 64,000
EDUCATION & TRAINING (incl. travel)	\$ 30,000
FIDUCIARY INSURANCE	\$ 13,000
INVESTMENT CONSULTANT	\$ 70,000
INVESTMENT MANAGEMENT	\$ 800,000
LEGAL	\$ 20,000
MEDICAL DIRECTOR	\$ 5,000
MEETING EXPENSES	\$ 2,200
MEMBERSHIP DUES	\$ 460
OTHER EXPENSES	\$ 1,000
PENSION BENEFITS	\$12,000,000

REMARKS

SERS operates in accordance with actuarial principles of level percent of payroll financing. The Retirement System has received the required employer contributions for the year ended June 30, 2019. Detailed information on the Retirement System's funding is contained in the report of the Annual Actuarial Valuation as of June 30, 2019.

For further information regarding the Retirement System's administration and policies, please contact the SERS Administrator at (248) 796-5220.