

**CITY OF SOUTHFIELD
REGULAR MEETING
SOUTHFIELD EMPLOYEE RETIREMENT SYSTEM BOARD
Tuesday, March 15, 2016
Council Conference Room – Main Municipal Building
26000 Evergreen Road, Southfield, MI**

MINUTES

SERS Board Members Present: L. Susan Mannisto, Chair; David Hersh; Jeannie Jackson (*Telephonically*); Mark Jubas; Shirley Lightsey; Julius Maisano

SERS Board Members Absent: Coretta Houge; James Pierce

Others Present: Lauri Siskind, Human Resources Director/SERS Plan Liaison
Christopher Kuhn, The Bogdahn Group
Michael VanOverbeke; VanOverbeke, Michaud & Timmony, PC
Penelope Scharmberg, Administrative Assistant HR/LR/SERS Secretary

The meeting was called to order at 5:56 p.m.

AGENDA

1. *Approval of Agenda.*
MOTION #S-16-033
Motion by Jubas, supported by Maisano to approve the agenda of the March 15, 2016 SERS Regular meeting.
Motion carried.

MINUTES

1. *Review and approve Minutes of the Southfield Employee Retirement System Board Regular Meeting of February 16, 2016.*
MOTION #S-16-034
Motion by Lightsey, supported by Hersh to approve the Minutes of the Southfield Employee Retirement System Board Regular Meeting of February 16, 2016.
Motion carried.

APPLICATIONS FOR RETIREMENT

1. *Review and approve Application for Normal Retirement from Edmund Mutsulavish, City Attorney's Office, effective April 2, 2016.*
MOTION #S-16-035
Motion by Jubas, supported by Hersh to approve Application for Normal Retirement from Edmund Mutsulavish, City Attorney's Office, effective April 2, 2016.
Motion carried.
2. *Review and approve Application for Normal Retirement from B L Hammond, Human Resources, effective April 23, 2016.*
MOTION #S-16-036
Motion by Jubas, supported by Hersh to approve Application for Normal Retirement from B L Hammond, Human Resources, effective April 23, 2016.
Motion carried.

AUTHORIZATION OF BENEFITS

1. *Review and approve monthly benefit payment to Mark Soave.*

MOTION #S-16-037

Motion by Hersh, supported by Maisano to approve monthly benefit payment to Mark Soave.

Motion carried.

2. *Review and approve monthly benefit payment and accumulated contributions to Donald Young.*

MOTION #S-16-038

Motion by Hersh, supported by Maisano to approve monthly benefit payment and accumulated contributions to Donald Young.

Motion carried.

INVESTMENT CONSULTANT

1. *Bloomfield Capital Presentation.*

Nicholas S Coburn, Jason F. Jarjosa, and Michael Lucci, Jr. presented an overview of Bloomfield's background and expectations. As bridge loaners, money is lent on a short term basis to major property owners needing a "quick fix" and unable to wait for a traditional bank loan. With a historic duration of 14.5 months, this fast turnover allows them to charge more for the loan. Over the last 8 years, their investments have resulted in steady and consistent returns of 9%+. Referrals come from intermediaries: i.e. attorneys, title companies, mortgage brokers; however, of hundreds of funding opportunities reviewed, they only close on one or two properties a month.

The 2015 BCIF II update showed that 14 new investments were originated for \$33.5M and 11 loans paid off \$22.8M. Twelve loans for \$31M were extended during the year, distributing an annualized 9% to investors.

The SERS investment of \$2.2M net IRR for the year was 10.5% giving the portfolio an equity value of \$2,217,525.

BCIF III will be invested with geographic diversity similar to BCIF II however the minimum commitment will be \$500,000 with a preferred return of 8% to allow more investment flexibility. This fund will close in November 2016.

The members of Bloomfield Capital were thanked for their presentation and exited the meeting.

Mr. Kuhn stated Bloomfield Capital did everything they said they would. They are a niche business where the fixed income market will be challenging elsewhere. He mentioned that the only downside to BCIF III was lack of diversification in funding opportunities from BCIF II. He also mentioned that they were not certified by The Bogdahn Group because they participate below investment grade; although they expect a modification with the new investment flexibility.

2. *Capital Market Review.*

Current and expected economic growth rates impact every aspect of the capital markets, including governmental and central bank policies and consequently the fixed income and equity markets. Emerging and developing markets are predicted to increase in the future although the United States continues to have the best growth prospects. Lack of inflation pressures is allowing central banks the latitude to implement policies to stimulate economic growth, still global markets remain negative. U.S. fixed income allocations offer diversification benefits and U.S. equity markets offer more attractive valuations to their long-term average. The real estate market appears to favor value added and opportunistic strategies, relative to core strategies. In the alternative investment arena, private equity is fairly balanced and interest falls in distressed debt, secondaries and co-investments; hedge funds favor strategies able to exploit currency, global macro interest rate movement and event driven global market risks; commodities remain volatile as created by a rapid change in demand and inability to adjust production supply. Due to the lack of perceived value in the traditional asset classes, alternatives may offer better return prospects.

3. *Consultant Recommendations.*

The Basket Clause allocation limit per PA 314 is 15%. Currently, the portfolio allocation is 9.8% with a target allocation of 10.4%. This will include Bloomfield Capital, Magnitude, Titan and RMK. As part of necessary reallocation, he suggested moving monies from the WAM account to the cash account until the City Council authorizes the investment with BCIF III. Further underweighting of international fixed income and equity allocations will take place later in the year. Review of additional alternative investment strategies, including real estate and direct lending, was recommended based on the current outlook for traditional fixed income and equity investments.

MOTION #S-16-039

Motion by Jubas, supported by Hersh to authorize a transfer of \$4M from World Asset Management S & P 500 equity account, to the cash account.

Motion carried.

MOTION #S-16-040

Motion by Jubas, supported by Hersh to proceed with the process to engage Bloomfield Capital, and invest \$4M from the cash account in their Fund III.

Motion carried.

MOTION #S-16-041

Motion by Jubas, supported by Hersh to receive and file the Capital Market and Asset Allocation Overview presented by Christopher Kuhn, The Bogdahn Group, investment consultants.

Motion carried.

LEGAL REPORT

Mr. VanOverbeke explained PA 149 was enacted in 1999 as part of the Public Employee Health Care Fund Investment Act, to provide for the creation of public employee health care funds by local government agencies of the State for the purpose of funding healthcare for retired employees.

He reviewed a draft of a MAPERS letter to the Committee on Financial Liability Reform regarding House Bill No. 5421, recently introduced by Representative Laura Cox. As it currently reads, HB 5421 would amend PA 149, in part, addressing Trustee removal and administrative requirements, addressing Trustee compensation, providing for the initiation of Trustee removal procedures and changes to Trustee compensation, thereby putting them under State control. The ramifications of these changes would be devastating to retirement healthcare. The board will be kept abreast of any further movement on this matter in the legislature.

MOTION #S-16-042

Motion by Houge, supported by Jubas to receive and file the legal report as presented by Michael VanOverbeke, VanOverbeke Michaud & Timmony, P.C., legal consultants.

Motion carried.

FINANCIAL REPORT

The board reviewed the SERS financial reports for December 31, 2015, showing a net asset value of \$100,300.621.

MOTION #S-16-043

Motion by Jubas, supported by Jackson to receive and file the SERS financial report for period ending December 31, 2015.

Motion carried.

PUBLIC COMMENTS

No members of the public were in attendance.

OTHER MATTERS

- Ms. Siskind mentioned that a disability retirement was expected to be on tonight's agenda however, the doctor did not answer the terms of the ordinance. The board agreed to a special meeting should the paperwork be returned before the next meeting.
- The pre-retirement planning workshop is scheduled for March 16, 2016.
- The investment manager roundtable was scheduled for July 26, 2016 at 5:30 p.m.
- MAPERS 2016 Spring Conference will be held Saturday, May 21 - Tuesday, May 24 at Soaring Eagle Resort Hotel, Mt. Pleasant, Michigan. Those interested in attending were: Mr. Hersh and Ms. Lightsey, Mr. Maisano and Ms. Mannisto with guests. Mr. Jubas and Ms. Jackson were unsure.

To Do List

- Service Provider Review – Actuarial RFI (JBP & LS)
- Service Provider Review – Attorney
- Pending Board Policies: (may be part of other policies)
 - Record Retention
 - Proxy Voting/Corporate Governance
 - Ordinance Overlooked Matters

With no further business to come before the board, a motion to adjourn was raised.

MOTION #S-16-044

Motion by Jubas, supported by Maisano to adjourn the Southfield Employee Retirement System Board's March 15, 2016 Regular Meeting at 7:43 p.m.
Motion carried.

*Approved this 19th day of April 2016
L. Susan Mannisto, Chair
Southfield Employee Retirement System Board*