

**CITY OF SOUTHFIELD  
REGULAR MEETING  
SOUTHFIELD EMPLOYEE RETIREMENT SYSTEM BOARD  
Tuesday, April 19, 2016  
Council Conference Room – Main Municipal Building  
26000 Evergreen Road, Southfield, MI**

**MINUTES**

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

**SERS Board Members Absent:** Mark Jubas; James Pierce

**Others Present:** Lauri Siskind, Human Resources Director/SERS Plan Liaison  
Christopher Kuhn, The Bogdahn Group  
Michael VanOverbeke; VanOverbeke, Michaud & Timmony, PC  
Judith Kermans & Jeffrey Tebeau, Gabriel Roeder Smith & Co., Actuaries  
Penelope Scharmberg, Administrative Assistant HR/LR/SERS Secretary

**The meeting was called to order at 5:54 p.m.**

**AGENDA**

1. *Approval of Agenda.*

**MOTION #S-16-060**

Motion by Hersh, supported by Houge to approve the agenda of the April 19, 2016 SERS Regular meeting.  
Motion carried.

**MINUTES**

1. *Review and approve Minutes of the Southfield Employee Retirement System Board Regular Meeting of March 15, 2016.*

**MOTION #S-16-061**

Motion by Hersh, supported by Maisano to approve the Minutes of the Southfield Employee Retirement System Board Regular Meeting of March 15, 2016.  
Motion carried.

2. *Review and approve Minutes of the Southfield Employee Retirement System Board Special Meeting of March 23, 2016.*

**MOTION #S-16-062**

Motion by Houge, supported by Hersh to approve the Minutes of the Southfield Employee Retirement System Board Special Meeting of March 23, 2016.  
Motion carried.

**APPLICATIONS FOR RETIREMENT**

1. *Review and approve Application for Normal Retirement from Timothy Duncan, Physical Plant Maintenance, effective April 30, 2016.*

**MOTION #S-16-063**

Motion by Hersh, supported by Houge to approve Application for Normal Retirement from Timothy Duncan, Physical Plant Maintenance, effective April 30, 2016.  
Motion carried.

2. *Review and approve Application for Early Retirement from Josephine Lentine-Tomaszewski, Assessing Department, effective May 7, 2016.*

**MOTION #S-16-064**

Motion by Hersh, supported by Houge to approve Application for Early Retirement from Josephine Lentine-Tomaszewski, Assessing Department, effective May 7, 2016.

Motion carried.

**AUTHORIZATION OF BENEFITS**

1. *Review and approve monthly benefit payment and accumulated contributions to Lynn Schmeling.*

**MOTION #S-16-065**

Motion by Hersh, supported by Maisano to approve monthly benefit payment and accumulated contributions to Lynn Schmeling.

Motion carried.

2. *Review and approve monthly benefit payment and accumulated contributions to Edmund Mutsulavish.*

**MOTION #S-16-066**

Motion by Hersh, supported by Maisano to approve monthly benefit payment and accumulated contributions to Edmund Mutsulavish.

Motion carried.

3. *Review and approve monthly benefit payment and accumulated contributions to Daniel McCracken.*

**MOTION #S-16-067**

Motion by Hersh, supported by Maisano to approve monthly benefit payment and accumulated contributions to Daniel McCracken.

Motion carried.

**GRS EXPERIENCE STUDY**

Judith Kermans and Jeffrey Tebeau, the board's actuaries from Gabriel Roeder Smith (GRS) presented their initial findings of the SERS Experience Study for the period July 1, 2010 – June 30, 2015.

An experience study is an important component to a fiscally-sound pension plan. The experience study tests the economic and demographic assumptions that drive the actuarial valuation, examining the actual plan experience vs. the assumptions. The actuaries then recommend adjustments to the assumptions that align with the noted changes. The SERS plan conducts regular, periodic assumption/experience studies, approximately every five years.

Key findings and recommendations that were discussed include:

- Recommend lowering the investment return assumption to 7.5% or below
- Recommend decreasing the wage inflation assumption from 3.5% to 3.25%
- Recommend changing the mortality table
- Recommend change in the actuarial cost method
- Recommend separate funding of administrative expenses
- Recommend modifying the salary increase assumptions
- Recommend modifying the retirement rate assumptions
- Recommend maintaining the withdrawal rate assumptions and disability rate structure

It was noted that the change in the investment return assumption, mortality table, and actuarial cost method will significantly increase the required contribution rate. The board discussed these issues at length with the actuaries, as well as the investment consultant and attorney. Since the last experience study in 2010, there have been changes to Actuarial Standards which impact what assumptions GRS can and cannot endorse.

Ms. Kermans indicated that GRS would require the change in the mortality table, and feels that the 10 year forward looking-model for the investment return assumption is valid. Mr. Kuhn felt that the historical returns and their forward-looking return models would support a higher return assumption, and offered to do an analysis for the board and actuaries to consider.

The assumptions should be adopted prior to the next valuation report. As that work is typically done in August-September, there would still be time over the next several meetings for the board to review and consider alternatives. The matter will be discussed at the next SERS board meeting, with the hope that Mr. Kuhn can provide the research results for consideration as well. Ms. Kermans and Mr. Tebeau will be happy to review and continue discussions with the board.

**MOTION #S-16-068**

Motion by Hersh, supported by Maisano to receive and file the presentation of a Draft of the SERS Experience Study for the period July 1, 2010 – June 30, 2015, noting that final adoption will be deferred pending receipt of additional research, analysis, and discussion.  
Motion carried.

**INVESTMENT CONSULTANT**

Mr. Kuhn informed the board that the portfolio was currently up \$1M, with a total fund of \$106M. He met with the Council Finance Committee on April 8, 2016, to discuss an increase allocation of \$4 million to Bloomfield Capital, this time in their BC Fund III. It would be put on the next consent agenda and in contract by June 30, 2016.

Mr. Kuhn also mentioned that Asset Strategies was recently acquired by The Bogdahn Group. The merger will present George Vitta with a logical succession plan and effectively gain resources for future investments. In addition, Mr. Kuhn informed the board that The Bogdahn Group's local offices will move to Southfield, to the Onyx building on 12 Mile and Telegraph.

**MOTION #S-16-069**

Motion by Hersh, supported by Maisano to receive and file the monthly report presented by Christopher Kuhn, The Bogdahn Group, investment consultants.  
Motion carried.

**LEGAL REPORT**

Mr. VanOverbeke reported that House Bill 5438 was introduced by Representative Pat Somerville and subsequently referred to Committee on Financial Liability Reform. The Bill prescribes the compensation used to calculate pension benefits for employees of certain public employers. Known as the Public Employee Retirement Benefit Calculation Act, it would limit retirement benefit compensation to base pay only; eliminating payment for overtime, sick leave, bonus, vacation, one-time lump-sum payments and any other remuneration paid for the specific purpose of increasing final average compensation. Mr. VanOverbeke felt this matter was a local issue and should have been meant only for troubled communities.

He also reported that House Bill No. 5421 had made it through the House and was waiting for committee in Senate. Once through, work would have to proceed on amending the Bill to reduce any harmful effects to local retirement healthcare plans.

**MOTION #S-16-070**

Motion by Houge, supported by Hersh 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 investment summary from Comerica Bank, showing a market value of \$106,328,828.60.

**MOTION #S-16-071**

Motion by Houge, supported by Hersh to receive and file the SERS investment summary as of April 19, 2016.  
Motion carried.

**PUBLIC COMMENTS**

No member of the public wished to make a comment.

**FINANCIAL MATTERS**

1. *Review and approve payment to The Bogdahn Group for management consulting services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$12,500.00.*

**MOTION #S-16-072**

Motion by Houge, supported by Hersh to approve payment to The Bogdahn Group for management consulting services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$12,500.00.  
Motion carried.

2. *Review and approve payment to LSV Management for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$18,872.00.*

**MOTION #S-16-073**

Motion by Houge, supported by Hersh to approve payment to LSV Management for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$18,872.00.

Motion carried.

3. *Review and approve payment to SouthernSun Asset Management for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$31,642.00.*

**MOTION #S-16-074**

Motion by Houge, supported by Hersh to approve payment to SouthernSun Asset Management for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$31,642.00.

Motion carried.

4. *Review and approve payment to Comerica Bank Cardmember Service for purchases during the periods February 4, 2016 – March 4, 2016 and March 5, 2016 – April 5, 2016.*

**MOTION #S-16-075**

Motion by Houge, supported by Hersh to approve payment to Comerica Bank Cardmember Service for purchases during the periods February 4, 2016 – March 4, 2016 and March 5, 2016 – April 5, 2016.

Motion carried.

**OTHER MATTERS**

1. Ms. Siskind informed the board that Mr. Blakeman's Non-Duty Disability application was processed however, she found that time to file an appeal on a non-duty disability application was 90 days, not 30. Also, a disability applicant has the right to receive benefits from the time they stop getting paid rather than from when they file a disability application so, Mr. Blakeman is owed additional monies.

2. Ms. Jackson informed Ms. Siskind she would be attending the MAPERS conference.

**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-16-076**

Motion by Houge, supported by Hersh to adjourn the Southfield Employee Retirement System Board's April 19, 2016 Regular Meeting at 8:00 p.m.

Motion carried.

*Approved this 17<sup>th</sup> day of May 2016  
L. Susan Mannisto, Chair  
Southfield Employee Retirement System Board*