

**CITY OF SOUTHFIELD
REGULAR MEETING
SOUTHFIELD EMPLOYEE RETIREMENT SYSTEM BOARD
Tuesday, May 17, 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; Mark Jubas; Shirley Lightsey (*Alternate*); Julius Maisano

SERS Board Members Absent: 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 5:50 p.m.

AGENDA

1. *Approval of Agenda.*
MOTION #S-16-077
Motion by Houge, supported by Jubas to approve the agenda of the May 17, 2016 SERS Regular meeting.
Motion carried.

MINUTES

1. *Review and approve Minutes of the Southfield Employee Retirement System Board Regular Meeting of April 19, 2016.*
MOTION #S-16-078
Motion by Houge, supported by Jubas to approve the Minutes of the Southfield Employee Retirement System Board Regular Meeting of April 19, 2016.
Motion carried.

AUTHORIZATION OF BENEFITS

1. *Review and approve monthly benefit payment to David Blakeman.*
MOTION #S-16-079
Motion by Houge, supported by Hersh to approve monthly benefit payment to David Blakeman.
Motion carried.
2. *Review and approve monthly benefit payment and accumulated contributions to BL Hammond.*
MOTION #S-16-080
Motion by Houge, supported by Hersh to approve monthly benefit payment and accumulated contributions to BL Hammond.
Motion carried.
3. *Review and approve reimbursement of accumulated contributions to Robert Ellis.*
MOTION #S-16-081
Motion by Houge, supported by Hersh to approve reimbursement of accumulated contributions to Robert Ellis.
Motion carried.

INVESTMENT CONSULTANT*Portfolio Review.*

Mr. Kuhn reported that the first quarter proved volatile as equity markets declined significantly through the first half of the period due to global economic growth concerns, low and falling energy prices, and the prospect of rising interest rates in the U.S. February 11, 2016 proved to be the lowest point when the S&P 500 had fallen by -10.3%. During the second half of the quarter, the market reacted favorably to a recovery in commodity prices, improving economic data and central bank announcements of monetary policy easing. As a result, the S&P 500 appreciated 13% and finished the quarter with a positive return of 1.3%. The U.S. stock market reacted similarly; however, international markets did not fare well with MSCI EAFE finishing the quarter with a negative return. The U.S. Treasury yields curve flattened throughout the quarter with the interest rate expectation backing off. Emerging Markets managed to reverse their trend of underperformance with a 5.7% quarterly return, as commodity prices rebounded and the USD weakened providing a boost to the local currency returns.

By quarter end, the portfolio was up 1.47%. SouthernSun bounced back by 5% ending in the positive *and* the 1st quartile; Comerica S&P 500 was even with their benchmark and Victory and Walthausen below theirs. LSV and WCM fared better ending above their respective benchmarks. Pacific Income Advisors rebounded finishing in the 2nd quartile. In real estate, AEW lagged. Hedge funds continue to struggle and fund of funds declined.

MOTION #S-16-082

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

Consultant Recommendations

Mr. Kuhn suggested it may be time to initiate the funding of Templeton Global Fixed-Income. \$5M had previously been earmarked for transfer but due to the market conditions had been held in abeyance until the economic outlook was more favorable. His recommendation was for an entry of \$2.5M to come from International Equity funds.

MOTION #S-16-083

Motion by Jubas, supported by Jackson to authorize Bogdhan Group, investment consultants to initiate the process to fund Templeton Global Fixed Income with the transfer of \$2.5M from International Equity funds.
Motion carried.

Actuarial Investment Rate Assumption Alternatives

A discussion of the findings on assumption alternatives was initiated finding that the portfolio consistently returned at least 8% each year however, Gabriel Roeder Smith & Company (GRS) has become considerably more conservative on wage inflation and will no longer sign off on 8%. The State of Michigan is still 8% but MERS is 7.75% and most other plans have released the 8% as well. The auditors put their reliance on actuarial findings and would consider the report material hesitant without a qualified opinion. Therefore, the city will have to contribute a much greater amount from the budget. In an effort to moderate the contribution rate, the board agreed to the following: move wage inflation down to 3%, use an investment rate of 7.75%, amortization over 30 years, and retain the current cost method.

Ms. Siskind would meet with the auditors to present this decision for their input. With their agreement, GRS may more easily agree to the terms.

MOTION #S-16-084

Motion by Houge, supported by Jubas to receive and file the Actuarial Assumption Alternatives provided by The Bogdhan Group, investment consultants.
Motion carried.

LEGAL REPORT

Mr. VanOverbeke presented a new policy on re-employment of retired SERS members for discussion with the board. In order to maintain the qualified governmental pension plan status of the retirement system, it recommended that a separation of employment of at least 30 days occur prior to re-employment of a retiree in receipt of pension benefits from the plan. The IRC requires either the 30 day separation or that certain safe-harbor normal retirement age/in-service distribution rules are satisfied regardless of their status as a part-time or full-time employee or, as an elected or appointed official at the time. Accordingly, the board has a fiduciary duty to suspend the pension benefits of any retiree who is reemployed by the city unless the reemployment complies with the IRC and related regulations, and the retirement ordinance. A formal certification form for the reemployed retired member was also included.

A lengthy discussion took place which clarified certain scenarios. The board agreed to table this issue in order to review and edit the included form to cover all necessary information should the matter occur in the future.

Mr. VanOverbeke informed the board that he would be holding sessions on taxes and hybrid plans at the MAPERS conference this weekend.

FINANCIAL REPORT

The board reviewed the financial report for the period ending March 31, 2016, showing the net value of assets ending at \$101,027,893.

MOTION #S-16-085

Motion by Hersh, supported by Maisano to receive and file the SERS financial report as of March 31, 2016.

Motion carried.

FINANCIAL MATTERS

1. *Review and approve payment to WCM Investment Management for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$16,356.46.*

MOTION #S-16-086

Motion by Houge, supported by Jubas to approve payment to WCM Investment Management for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$16,356.46.

Motion carried.

2. *Review and approve payment to Victory Capital for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$23,031.00.*

MOTION #S-16-087

Motion by Houge, supported by Jubas to approve payment to Victory Capital for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$23,031.00.

Motion carried.

3. *Review and approve payment to Walhausen & Company for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$12,897.75.*

MOTION #S-16-088

Motion by Houge, supported by Jubas to approve payment to Walhausen & Company for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$12,897.75.

Motion carried.

4. *Review and approve payment to Pacific Income Advisors for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$7,388.00.*

MOTION #S-16-089

Motion by Houge, supported by Jubas to approve payment to Pacific Income Advisors for management investment services provided during the period January 1, 2016 – March 31, 2016, in the amount of \$7,388.00.

Motion carried.

5. *Review and approve payment to Carroll Court Reporting and Video for Realtime CART services provided during April 12, 2016 SERS Meeting, in the amount of \$395.00.*

MOTION #S-16-090

Motion by Houge, supported by Jubas to approve payment to Carroll Court Reporting and Video for Realtime CART services provided during April 12, 2016 SERS Meeting, in the amount of \$395.00.

Motion carried.

6. *Review and approve payment to Comerica Bank Cardmember Service for purchases during the period April 6, 2016 – May 3, 2016.*

MOTION #S-16-091

Motion by Houge, supported by Jubas to approve payment to Comerica Bank Cardmember Service for purchases during the period April 6, 2016 – May 3, 2016.

Motion carried.

MAPERS DELEGATES

Mr. Hersh and Ms. Houge both expressed interest in serving as delegates at MAPERS 2016 Spring Conference Saturday, May 21 - Tuesday, May 24 at Soaring Eagle Resort Hotel, Mt. Pleasant, Michigan

MOTION #S-16-092

Motion by Jubas, supported by Maisano to appoint David Hersh and Coretta Houge as voting delegates for the MAPERS Spring Conference to be held May 21, 2016 - May 24, 2016 at Soaring Eagle Resort, Mount Pleasant, Michigan.

Motion carried.

PUBLIC COMMENTS

No member of the public was in attendance.

OTHER MATTERS

- Birthday wishes were expressed to both Ms. Lightsey and Ms. Houge!

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
- Schedule Roundtable

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

MOTION #S-16-093

Motion by Houge, supported by Jubas to adjourn the Southfield Employee Retirement System Board's May 17, 2016 Regular Meeting at 7:37 p.m.

Motion carried.

*Approved this 21st day of June 2016
L. Susan Mannisto, Chair
Southfield Employee Retirement System Board*