

**CITY OF SOUTHFIELD
REGULAR MEETING
SOUTHFIELD EMPLOYEE RETIREMENT SYSTEM BOARD
Tuesday, June 21, 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; Shirley Lightsey (*Alternate*); Julius Maisano; James Pierce

SERS Board Members Absent: Mark Jubas

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

The meeting was called to order at 5:48 p.m.

AGENDA

1. *Approval of Agenda.*
MOTION #S-16-094
Motion by Houge, supported by Pierce to approve the agenda of the June 21, 2016 SERS Regular meeting.
Motion carried.

MINUTES

1. *Review and approve Minutes of the Southfield Employee Retirement System Board Regular Meeting of May 17, 2016.*
MOTION #S-16-095
Motion by Houge, supported by Pierce to approve the Minutes of the Southfield Employee Retirement System Board Regular Meeting of May 17, 2016.
Motion carried.

AUTHORIZATION OF BENEFITS

1. *Review and approve monthly benefit payment and accumulated contributions to Timothy Duncan.*
MOTION #S-16-096
Motion by Houge, supported by Hersh to approve monthly benefit payment and accumulated contributions to Timothy Duncan, effective April 30, 2016.
Motion carried.
2. *Review and approve monthly benefit payment to Josephine Lentine-Tomaszeczki.*
MOTION #S-16-097
Motion by Houge, supported by Hersh to approve monthly benefit payment to Josephine Lentine-Tomaszeczki, effective May 7, 2016.
Motion carried.

INVESTMENT CONSULTANT***Consultant Recommendations***

Mr. Kuhn recommended retention of Templeton for the global fixed income mandate and fund the strategy with a 2% allocation. This recommendation is based on Templeton's financial stability, the portfolio managers' work experience, their disciplined investment approach, the superior risk/return statistics, and their reasonable fee structure. The selection of Templeton also contributes to the overall diversification of the fixed income allocation. He mentioned that the mutual fund will lower document and liquidation complexity. A 4% yield is expected in less than year duration. Additional investment will be made at the end of the summer. The city attorney will review the paperwork prior to investment.

MOTION #S-16-098

Motion by Houge, supported by Hersh to authorize Bogdhan Group, investment consultants to proceed with investment in the Templeton institutional class mutual fund with the transfer of \$2M from International Equity funds; after review of documentation by the City Attorney's Office.

Motion carried.

Target Return Overview

Mr. Kuhn reported that the assumed rate of return assumption is used by the actuary to project future market values and discount liabilities, and therefore impacts funding ratios and contribution rates. Unfortunately, the forecasting of future returns is not an exacting science. Many variables influence the performance of different asset classes including GDP growth rates, inflation expectations, interest rates, yield curve slope, and equity valuations.

Asset allocation is a tool to manage a portfolio's risk. The models utilize three key statistics for each asset class – expected rate of return, standard deviation and their correlation coefficients, which all need to be estimated. Fixed income tends to have short-term predictive traits while equities offer longer-term qualities creating a time horizon imbalance. A more stable standard deviation is found over a longer period of time which leads to risk management.

There is no perfect asset allocation model. Proper diversification is achieved by utilizing multiple techniques, including asset allocation forecasting models and historical data. Based on the current capital market assumptions, a reasonable expectation for the next 10 years would fall between a 6% and 8% return. The current SERS portfolio has an expected return of 7% with a standard deviation of 3.7%. Therefore over a 10 year period, 68% of expected outcomes would fall between 3.3% and 10.7% and 95% would be between -0.4% and 14.4%.

Mr. Kuhn still believed 8% is a reasonable target return. He will share the report with Gabriel Roeder Smith & Company, and review with the actuaries at the August meeting.

MOTION #S-16-099

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

Motion carried.

LEGAL REPORT

VanOverbeke, Michaud & Timmony, P.C. had received fund documentation pertaining to the prospective investment of City of Southfield Employee Retirement System assets in the Templeton Global Total Return Fund to review and render an opinion. Mr. Judd noted that nothing was found that fell outside the permissible limitations set by Act 314. The board raised a motion for approval.

MOTION #S-16-100

Motion by Pierce, supported by Hersh to receive and file the legal opinion offered by VanOverbeke, Michaud & Timmony, P.C. on Templeton Global Total Return Fund compliance with the Public Employee Retirement System Investment Act.

Motion carried.

FINANCIAL REPORT

The board reviewed the financial report for the period ending April 30 2016, showing the net value of assets ending at \$100,489,963.

MOTION #S-16-101

Motion by Pierce, supported by Hersh to receive and file the SERS financial report as of April 30, 2016.

Motion carried.

FINANCIAL MATTERS

1. *Review and approve payment to VanOverbeke Michaud & Timmony, P.C. for legal services provided during the period 10/1/15 – 12/31/15, in the amount of \$2,988.00.*

MOTION #S-16-102

Motion by Pierce, supported by Houge to approve payment to VanOverbeke Michaud & Timmony, P.C. for legal services provided during the period 10/1/15 – 12/31/15, in the amount of \$2,988.00.

Motion carried.

2. *Review and approve reimbursement to Shirley Lightsey for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$151.20.*

MOTION #S-16-103

Motion by Pierce, supported by Houge to approve payment to Shirley Lightsey for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$151.20.

Motion carried.

3. *Review and approve reimbursement to Jeannie Jackson for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$177.53.*

MOTION #S-16-104

Motion by Pierce, supported by Houge to approve payment to Jeannie Jackson for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$177.53.

Motion carried.

4. *Review and approve reimbursement to L. Susan Mannisto for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$195.88.*

MOTION #S-16-105

Motion by Pierce, supported by Houge to approve payment to L. Susan Mannisto for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$195.88.

Motion carried.

5. *Review and approve reimbursement to Coretta Houge for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$169.94.*

MOTION #S-16-106

Motion by Pierce, supported by Houge to approve payment to Coretta Houge for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$169.94.

Motion carried.

6. *Review and approve reimbursement to David Hersh for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$179.20.*

MOTION #S-16-107

Motion by Pierce, supported by Houge to approve payment to David Hersh for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$179.20.

Motion carried.

7. *Review and approve reimbursement to James Pierce for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$43.20.*

MOTION #S-16-108

Motion by Pierce, supported by Houge to approve payment to James Pierce for expenses incurred during attendance at MAPERS Spring Conference, Soaring Eagle Conference Center, Mt. Pleasant, Michigan, 5/21/16 – 5/24/16, in the amount of \$43.20.

Motion carried.

8. *Review and approve payment to Comerica Bank Cardmember Service for purchases during the period 5/5/16 – 6/3/16.*

MOTION #S-16-109

Motion by Pierce, supported by Houge to approve payment to Comerica Bank Cardmember Service for purchases during the period May 5, 2016 – June 3, 2016.

Motion carried

PUBLIC COMMENTS

No member of the public was in attendance.

OTHER MATTERS

- Ms. Siskind announced the MAPERS Fall Conference would be held Sunday, September 18, 2016 through Tuesday, September 20, 2016 at the Grand Hotel, Mackinac Island, Michigan. She questioned if any of the members planned to attend due to advance bookings and early-bird reservation costs. Mr. Maisano and Ms. Mannisto expressed their interest in attending and Ms. Lightsey, Ms. Jackson, Ms. Houge and Mr. Pierce would notify her as soon as possible.

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-16-110

Motion by Pierce, supported by Hersh to adjourn the Southfield Employee Retirement System Board's June 21, 2016 Regular Meeting at 6:54 p.m.

Motion carried.

*Approved this 20th day of July 2016
L. Susan Mannisto, Chair
Southfield Employee Retirement System Board*