

CITY OF SOUTHFIELD
MINUTES OF THE REGULAR MEETING
SOUTHFIELD EMPLOYEE RETIREMENT SYSTEM
Tuesday, December 11, 2018
Council Study – Main Municipal Building
26000 Evergreen Road, Southfield, MI

Board Members Present: Edward Gardella; David Hersh; Mark Jubas; Shirley Lightsey;
Ronald Miller; Donna Sanders

Board Members Absent: L. Susan Mannisto, Julius Maisano

Others Present: Megan Battersby, Retirement Administrator/SERS; Chris Kuhn,
Investment Consultant/AndCo; Michael VanOverbeke, Legal
Counsel/VMT; Fred Zorn, City Administrator

The meeting was called to order at 6:00 p.m. by Edward Gardella

APPROVAL OF AGENDA

MOTION #S-18-177

Motion by Jubas, supported by Hersh, to approve Tentative Agenda, Southfield Employee Retirement System, Regular Meeting, Tuesday, December 11, 2018. Motion Carried Unanimously

APPROVAL OF MINUTES

Review and approve November 13, 2018 Minutes of the Southfield Employee Retirement System Regular Meeting

MOTION #S-18-178

Motion by Hersh, supported by Jubas, to approve Minutes of the Regular Meeting, Southfield Employee Retirement System, Tuesday, November 13, 2018 with changes. Motion Carried Unanimously

Signature requirement for approved minutes

The Board discussed whether it was necessary for approved minutes to be signed by the Chair. Legal Counsel indicated that there was no requirement that they be signed and, if there was, it would typically be by the Board Secretary. Approved minutes should be sent to the City Clerk (if required), City HR Department and posted to the SERS website.

INVESTMENT CONSULTANT

Review/approval of all investment manager invoices

The Board discussed the payment of invoices and the consensus of the Board was that the following procedure be followed for fund manager invoices: upon receipt of an invoice by the Retirement Administrator, the invoice will be forwarded to the Investment Consultant for review and approval, upon which the invoice will be placed on the agenda for Board approval. All other invoices received by the Retirement Administrator are to be put on the agenda for review and approval by the Board.

Communication of invoice review process to fund managers

This is not necessary based on the procedure, above.

Portfolio Review

The Investment Consultant distributed updated market values and discussed the recent volatility in the markets. All allocations are within policy ranges; no action was recommended. He presented a Plan overview. The report reviewed the asset allocation for the SERS Fund and the manager structure for each asset class. The report included a brief market environment for each asset class, SERS's exposure to the asset class, and portfolio considerations. He recommended the Board consider the following items: 1) International Small Cap, 2) Distressed Debt, and 3) Real Assets. He indicated that the next step was to review potential replacements for the SouthernSun portfolio at the January meeting.

MOTION #S-18-179

Motion by Hersh, supported by Jubas, to receive and file Portfolio Review dated December 11, 2018 as presented by Investment Consultant/AndCo. Motion Carried Unanimously

Contract Expiration/Fees Memo to Board w/attachment

The Investment Consultant indicated that the current three-year fee arrangement had expired several months ago and presented a memo reviewing the consulting fee history. The memo outlined several of the Board's accomplishments while he has worked with them. He indicated that the Board has been paying the same fee for over 13 years, dating back to the original Gray contract. He requested increasing the fee from \$50,000 to \$70,000; this represents approximately a 3%/year increase over this 13-year period. He also distributed a fee survey conducted by MAPERS that showed that many funds with assets in the \$100MM range pay approximately 7 basis points. The new fee would equate to approximately 6.4 basis point – lower than the Plans in the MAPERS survey. The memo will be considered at the January meeting due to several Trustees being absent.

INVESTMENT POLICY

Discussion and adoption of Policy

The Board approved the Investment Policy Statement that had been submitted to City Council in August 2018.

MOTION #S-18-180

Motion by Hersh, supported by Jubas, to adopt Southfield Employee Retirement System Investment Policy Statement as presented. Motion Carried Unanimously

Administration of Policy

Legal Counsel indicated that delegation of responsibilities is clearly stated in the Investment Policy. This item will be carried over to January for input from the Chair regarding her intentions for addressing separately.

Fiduciary Liability Insurance Policy

Legal Counsel indicated that fiduciary liability insurance coverage has always been in place through the City. The Board has always been covered but will now have coverage as specific investment fiduciaries.

APPLICATIONS FOR RETIREMENT

Review and approve Application for Retirement from Kost Kapchonick, Parks and Recreation, effective January 29, 2019

MOTION #S-18-181

Motion by Jubas, supported by Miller, to approve the Application for Retirement from Kost Kapchonick, Parks and Recreation, effective January 29, 2019. Motion Carried Unanimously

AUTHORIZATION OF BENEFITS

None

REFUND OF CONTRIBUTIONS

None

ACTUARIAL MATTERS

Response to outstanding actuarial valuation questions

A summary of the response from the City Finance Department to outstanding valuation asset questions was provided to the Board. The actuarial valuation has been revised at the request of the City Finance Department to reflect revised asset classifications but not for changes to administrative expenses which will be held and reflected in the next fiscal year.

MOTION #S-18-182

Motion by Hersh, supported by Jubas, to receive and file information from City Finance Department regarding expenses reflected in the actuarial valuation. Motion Carried Unanimously

Revised actuarial valuation

MOTION #S-18-183

Motion by Jubas, supported by Hersh, to receive and file City of Southfield Employees Retirement System Fifty-Third Actuarial Valuation Report as of June 30, 2018. Motion Carried Unanimously

Revised GASB report

MOTION #S-18-184

Motion by Jubas, supported by Miller, to receive and file City of Southfield Employees Retirement System GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pensions, June 30, 2018. Motion Carried Unanimously

LEGAL MATTERS

Review of Ordinance changes

The Ordinance change specifically designates the Board as trustees of the assets and investments of the Retirement System.

MOTION #S-18-185

Motion by Miller, supported by Jubas, to receive and file Ordinance No. 1698, enacted October 29, 2018 and published November 15, 2018. Motion Carried Unanimously

Adoption of Signatory Resolution

Because of the Ordinance change, Legal Counsel will prepare a resolution for the next meeting to designate authorized signers and to be forwarded to all investment managers.

FINANCIAL MATTERS

Review and approve payment of invoice to GRS for Strainovici EDRO calculation in the amount of \$1,300.00

Review and approve payment of invoice to M. Battersby for November administrative services in the amount of \$2,500.00

Review and approve payment of invoice to VanOverbeke Michaud & Timon, P.C. for legal services rendered during the period January 1, 2018 through March 31, 2018 in the amount of \$2,916.00

Review and approve payment of invoice to VanOverbeke Michaud & Timmons, P.C. for legal services rendered during the period April 1, 2018 through June 30, 2018 in the amount of \$2,502.00

Review and approve payment of invoice to MAPERS for 2019 membership renewal in the amount of \$200.00

The Board discussed how motions should be presented when multiple items are involved and it was the consensus of the Board to use a consent agenda approach whereby one motion would cover all items being approved.

MOTION #S-18-186

Motion by Jubas, supported by Hersh, to approve payment of invoices as follows: to GRS for Strainovici EDRO calculation in the amount of \$1,300.00; to M. Battersby for November administrative services in the amount of \$2,500.00; to VanOverbeke Michaud & Timon, P.C. for legal services rendered during the period January 1, 2018 through March 31, 2018 in the amount of \$2,916.00; to VanOverbeke Michaud & Timmons, P.C. for legal services rendered during the period April 1, 2018 through June 30, 2018 in the amount of \$2,502.00; to MAPERS for 2019 membership renewal in the amount of \$200.00. Motion Carried Unanimously

FINANCIAL REPORT

Review Financial Report as of June 30, 2018

The City Finance Department indicated that they will have financial reports updated since the last report to the Board as of June 30, 2018 for the next meeting.

OTHER MATTERS

Necessities for Board Members: Lead/Hersh, Timeframe/TBD

Dave Hersh passed out a list of items to be included in a Board Trustees Handbook.

Retirement Handbook: Lead/TBD, Timeframe/TBD

Separation of Personnel and Pension files: Lead/TBD, Timeframe/TBD

Review of all Policies and Procedures: Lead/VanOverbeke, Timeframe/TBD

Record Retention Policy Compliance: Lead/TBD, Timeframe/TBD

Administrator transition/limiting of former Administrator access: Lead/Mannisto, Timeframe/Jan 2019

Pension Calculator: Lead/Maisano, Timeframe/TBD

Maintenance of City SERS website: Lead/Battersby, Timeframe/TBD

The Retirement Administrator indicated that she has begun prospectively updating the SERS website. The Board advised that this item can be removed from future agendas.

Provision of final pension calculations to retirees: Lead/Battersby, Timeframe/Immediately

The Retirement Administrator was given authorization to provide a final benefit calculation upon retirement to members. She indicated that she would like final calculations reviewed. Both the Board and City Administrator concurred; this item will be removed from further agendas and an item addressing review of final calculations will be added.

Review Pension Eligibility and calculation: Lead/Battersby, Timeframe/Q3 2019

PUBLIC COMMENT

No comments were made.

Meeting adjourned at 8:04 p.m.

Prepared by Megan Battersby, Retirement Administrator

Approved by Board Motion on January 15, 2019