



CITY OF SOUTHFIELD

SOUTHFIELD EMPLOYEE RETIREMENT SYSTEM
(SERS)

SUMMARY ANNUAL REPORT

JUNE 30, 2016

SERS Board

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The Southfield Employee Retirement System (“SERS” or “Retirement System”) is designed to help employees in meeting their financial needs should they retire, become disabled, or die. Eligible employees of the City of Southfield and the 46th District Court are automatically enrolled into the SERS pension system upon employment.

This Summary Report will provide a general overview of the Retirement System and its funding. However, a summary cannot cover all the details of the Retirement System, which is governed by the provisions of the City’s Retirement Ordinance, state and federal regulations, Administrative Rules, Union Contracts and the SERS Board’s official rules and regulations. Any conflict between statements in this Report and the above documents will be governed by those documents.

RETIREMENT SYSTEM SUMMARY

The Southfield Employee Retirement System provides retirement benefits as identified in the plan document, Chapter 9 of the City of Southfield Code, as from time to time amended by City Council ordinance, as well as modifications produced as a result of collective bargaining. SERS includes all career employees of the City of Southfield and the 46th District Court, other than sworn members of the Police and Fire Departments and others excluded from membership according to the plan document. Management Employees hired after August 1, 2007 are permitted the option upon hire to become a member of SERS or elect participation in a 401(a) defined contribution plan.

A SERS pension benefit is payable upon attaining the required age and credited service. The calculation of the normal retirement benefit consists of the years of Credited Service times the Final Average Compensation times the multiplier. The current multiplier for members hired prior to June 1, 2005 is 2.5%, unless otherwise specified in the plan document or collective bargaining agreements. The current multiplier for members hired on or after June 1, 2005 is 2.0%, unless otherwise specified in the plan document or collective bargaining agreements.

The normal form of benefit is a Ten Year and Certain benefit. This benefit provides for a monthly pension for the retired employee, continuing until his/her death. If death occurs before a full ten years of benefits have been paid, the difference between 120 monthly payments (i.e., 10 years) and the number of payments actually paid prior to the member's death will be paid in a lump sum to the member's beneficiary. In addition, a married member may choose either a 100% or 50% joint and survivor pension option. Information on the pension benefits can be obtained by contacting the SERS Administrator at (248) 796-4708.

SERS assets are held in trust for the benefit of the members and their beneficiaries. The City Council serves as Trustee of the Retirement System's assets, while the SERS Board is responsible for the administration of the plan. The Council and the SERS Board work cooperatively to oversee the investment of the Retirement System's assets. They are assisted by a number of professional advisors, listed below:

Gabriel, Roeder, Smith & Company (System Actuaries)
VanOverbeke, Michaud & Timmony, P.C. (General Counsel)
Comerica Bank (Custodian)
The Bogdahn Group (Investment Consultant)
AEW Core Property Trust (Investment Manager)
Bloomfield Capital (Investment Manager)
LSV Asset Management (Investment Manager)
Metropolitan Real Estate (Investment Manager)
Pacific Income Advisors (Investment Manager)
RMK Global Timberland Resources Fund (Investment Manager)
SouthernSun Asset Management (Investment Manager)
Victory Capital Management (Investment Manager)
WCM Focused Growth International (Investment Manager)
World Asset Management (Index Fund Investment Manager)
No soft dollars are used to pay expenses in this Retirement System.

SUMMARY RESULTS OF THE ACTUARIAL VALUATION

The financial objective of SERS is to establish and receive contributions which will remain approximately level from year to year and will not have to be increased for future generations of taxpayers. Contribution levels are expressed in terms of percents of the City's active member payroll.

To determine an appropriate employer contribution level for the next fiscal year and to gauge how the Retirement System's funding is meeting this fundamental objective, the independent actuarial firm of Gabriel, Roeder, Smith & Company conducts annual actuarial valuations.

These valuations are based on the Retirement System's past experience, information about current participation and financial markets, and assumptions concerning the Retirement System's future demographic and economic activity. SERS is open to new members. The results of the June 30, 2016 valuation are summarized below:

Normal Cost	10.36%
Employer Contribution (starting July 1, 2017)	25.57%
Weighted Employee Contribution	5.09%
Valuation Payroll	\$ 13,340,000
Total Pensions Benefits paid July 1, 2015- June 30, 2016	\$ 10,393,455
Average Pension Benefit	\$ 29,865

FUNDED STATUS

Actuarial Accrued Liabilities	\$154,501,425
Valuation Assets	\$110,739,313
Percent Funded	71.7%

MEMBERSHIP

Number of Active Members	269
Number of Retired Members	340
Number of Deferred Vested Members	43
Total	<u>652</u>

INVESTMENT RETURN AND EXPENSES

Market Value – July 1, 2015 \$ 115,094,332

Revenues

Employees' contributions	\$ 689,397
Employer contributions	2,866,029
Investment income	<u>(3,446,500)</u>
Total	\$ 108,926

Expenditures

Benefit payments (pension only)	\$ 10,393,455
Refund of member contributions	0
Health insurance premiums	<u>0</u>
Total	\$ 10,393,455

Market Value – June 30, 2016 \$104,809,803

Investment return (market value basis) (3.09)%

Administrative expenses:

Actuarial Fees (Actuarial Services + GASB report)	\$ 29,400	
Custodial Fees	\$ 70,644	
Education & Training, Expenses and Related Travel	\$ 10,150	
Fiduciary Insurance	\$ 12,118	
Legal Fees	\$ 7,002	
Membership Dues	\$ 260	
Misc fees and expenses	<u>\$ 5,233</u>	
<i>Total Administrative Expenses:</i>		\$ 134,807

Investment expenses:

Investment Consulting Fees	\$ 41,667	
Investment Management Fees	<u>\$ 466,208</u>	
<i>Total Investment Expenses:</i>		<u>\$ 507,875</u>

Total Administrative and Investment Expenses: \$ 642,682

INVESTMENT PERFORMANCE (NET OF FEES) as of DECEMBER 31, 2016

	Total Fund Return	Policy Index
One Year:	8.45%	9.99%
Three Year:	3.84%	5.53%
Five Year:	9.79%	9.78%
Seven Year:	10.26%	9.32%
Ten Year:	6.85%	6.08%

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percent
Remaining Amortization Period:	30 years
Asset Valuation Method:	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return:	7.50%
Projected salary increases*	3.0% - 6.0%
* Includes wage inflation at	3.00%
Post-Retirement Benefit Increases:	Ad-hoc as provided by ordinance
Actuarial Assumed Rate of Health Care Inflation:	N/A

REMARKS

SERS operates in accordance with actuarial principles of level percent of payroll financing. The Retirement System has received the required employer contributions for the year ended June 30, 2016. Detailed information on the Retirement System's funding is contained in the report of the Annual Actuarial Valuation as of June 30, 2016.

For further information regarding the Retirement System's administration and policies, please contact the SERS Administrator at (248) 796-4708.