

*City of Grand Rapids General Retirement System*

***SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2015***

Dear Retirement System Members and Retirants:

The Retirement System, which is managed by the Board of Trustees, is designed to help you meet your financial needs should you become disabled, retire or die.

The Board's fiduciary responsibility to you is to supervise the general administration of the System and invest its assets. Our Board retains professional advisors to assist us in fulfilling these duties.

We have prepared this summary report to give you a brief overview of the Retirement System and how it operates. We hope you will find it useful and informative. However, a summary cannot cover all the details of the System, which is governed by the provisions of Michigan Public Act 314 of 1965, as amended, the City of Grand Rapids Retirement Ordinance, and the Board's official rules and regulations. Additional information about the System, including the Retirement Ordinance and the actuarial valuation, is available online at [www.grpensions.org](http://www.grpensions.org) and in our office at 233 E. Fulton, Suite 216, Grand Rapids, MI.

Respectfully submitted,

***Board of Trustees  
City of Grand Rapids General Retirement System***

### Board of Trustees

- Michael Hawkins – Chairman
- J. Patrick Scripps – Citizen Trustee
- David J. Tryc – Vice Chairman
- Martin P. Timkovich – Member Trustee
- William D. Butts – Member Trustee
- Jane Hofmeyer – Citizen Trustee
- Elias Lumpkins, Jr. – Employer Trustee

### Retirement System Service Providers

- Gabriel Roeder Smith and Company – Actuary
- Thomas Michaud, of VanOverbeke, Michaud & Timmony, P.C. – Legal Advisor
- BDO, USA – Auditor (through 06/30/15)
- Rehmann Robson – Auditor (07/01/15 – )
- The Northern Trust Company – Custodial Bank
- Wilshire Associates, Inc. – Investment Consultant

### Investment Managers

- Aberdeen Asset Management – Private Equity
- Adams Street Partners – Private Equity
- Baird Advisors – Core Fixed Income
- Brown Brothers Harriman – Treasury Inflation Protected Securities
- CBRE Clarion – Real Estate
- Harding Loevner – American Depository Receipts
- Harvest Fund Advisors – Master Limited Partnerships
- Neuberger Berman – International Equity
- Northern Trust Asset Management – Passive Core Equity
- PIMCO – Enhanced Index Equity
- Wellington Management Company – Core/Growth Equity & Commodities
- Western Asset Management – Core Plus Fixed Income

### Statement of Plan Net Position as of June 30, 2015 and June 30, 2014

	<u>2014</u>	<u>2015</u>	Change from Prior Year	
			In Dollars	As %
Assets:				
Cash and money market funds	\$5,482,394	\$5,784,639	\$302,245	5.5%
Common stocks and equity mutual funds	252,318,292	261,054,376	8,736,084	3.5%
Fixed Income	122,961,861	103,127,139	(19,834,722)	(16.1%)
Real Estate	21,897,381	18,040,247	(3,857,134)	(17.6%)
Private Equity	4,756,531	7,632,179	2,875,648	60.5%
Commodities	21,951,943	16,859,122	(5,092,821)	(23.2%)
Securities Lending Collateral	<u>16,521,149</u>	<u>25,377,034</u>	<u>8,855,885</u>	<u>53.6%</u>
Total cash and investments	445,889,551	437,874,736	(8,014,815)	(1.8%)
Receivables	<u>1,254,442</u>	<u>3,144,229</u>	<u>1,889,787</u>	<u>150.6%</u>

Total assets	447,143,993	441,018,965	(6,125,028)	(1.4%)
<b>Liabilities</b>				
Administrative expenses and investment management fees payable	349,428	335,618	(13,810)	(4.0%)
Pending trades – purchases	1,467,878	642,308	(825,570)	(56.2%)
Amounts due broker under securities lending agreement	<u>16,521,149</u>	<u>25,377,034</u>	<u>8,855,885</u>	<u>53.6%</u>
Total liabilities	18,338,455	26,354,960	8,016,505	43.7%
<b>Net position restricted for pension benefits</b>	<b>\$428,805,538</b>	<b>\$414,664,005</b>	<b>(\$14,141,533)</b>	<b>(3.3%)</b>

**Statement of Changes in Plan Net Position as of June 30, 2015 and June 30, 2014**

	<u>2014</u>	<u>2015</u>	Change from Prior Year	
			<u>In Dollars</u>	<u>As %</u>
<b>Additions:</b>				
Contributions	\$12,508,046	\$14,801,086	\$2,293,040	18.3%
Net investment income (loss)	65,256,091	11,438,747	(53,817,344)	(82.5%)
Securities Lending	<u>60,163</u>	<u>39,933</u>	<u>(20,230)</u>	(33.6%)
Total additions	77,824,300	26,279,766	(51,544,534)	(66.2%)
<b>Deductions</b>				
Benefits	28,207,712	39,853,430	11,645,718	41.3%
Administrative expense	<u>523,086</u>	<u>567,869</u>	<u>44,783</u>	<u>8.6%</u>
Total deductions	28,730,798	40,421,299	11,690,501	40.7%
Net increase (decrease)	49,093,502	(14,141,533)	(63,235,035)	(128.8%)
<b>Net position restricted for pension benefits:</b>				
Beginning of year	379,712,036	428,805,538	49,093,502	12.9%
<b>End of year</b>	<b>\$428,805,538</b>	<b>\$414,664,005</b>	<b>(\$14,141,533)</b>	<b>(3.3%)</b>

**Funded Status as of June 30, 2015 and June 30, 2014**

	<u>2014</u>	<u>2015</u>
• Actuarial accrued liabilities	\$460,585,801	\$500,205,954
• Applied Assets	\$385,153,710	\$401,743,923
• % Funded	83.62%	80.32%

**System Investment Performance as of 12/31/15 (Net of Fees)**

	<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>7-Years</u>	<u>10-Years</u>
Total Fund Return	-2.5%	7.0%	7.2%	11.6%	5.7%

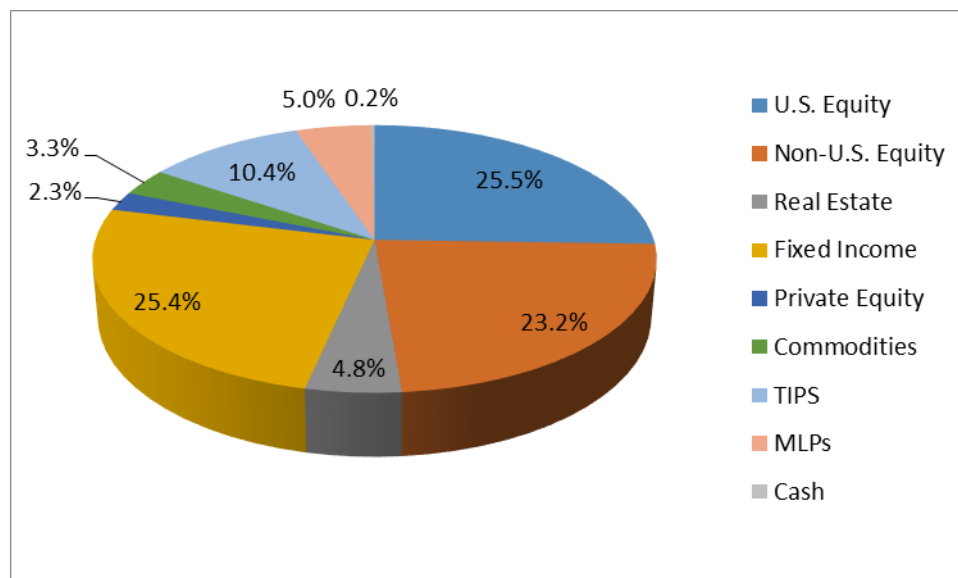
System Revenues and Expenditures as of June 30, 2015

June 30, 2015

1.	Balance – Beginning of Year	\$428,805,538
2.	Revenues:	
	a. Employee Contributions	\$3,473,382
	b. Employer Contributions	\$11,327,704
	c. Investment Income	<u>\$12,480,360</u>
	d. Total Revenues	\$27,281,446
3.	Expenditures:	
	a. Benefit Payments	\$28,955,079
	b. Supplemental Pension Distribution	\$10,615,264
	c. Refund of Member Contributions	\$283,087
	d. Expenses	<u>\$1,569,549</u>
	e. Total Expenditures	\$41,422,979
4.	Balance – End of Year	\$414,664,005

The Board of Trustees has confirmed that the General Retirement System provides for the payment of the required employer contribution and the employer contributions shown above represent the required employer contribution for the year covered. The System had \$0.00 of “soft dollar” expenses.

Investments as of December 31, 2015



System Itemized Budget as of June 30, 2015

<u>Expense</u>	<u>Actual</u> <u>YTD</u>	<u>FYE 06/30/15</u> <u>Target</u>	<u>Variance</u> <u>to Target</u>	<u>Expended by</u> <u>06/30/14</u>	<u>Variance to</u> <u>06/30/14</u>
<b>Professional Services</b>					
- Actuarial	\$50,600	\$41,600	\$9,000	\$38,300	\$12,300
- Audit	\$12,400	\$11,500	\$900	\$11,300	\$1,100
- Consultant	\$110,750	\$112,500	(\$1,750)	\$109,375	\$1,375
- Custodial*	\$57,835	\$56,200	\$1,635	\$54,162	\$3,673
- Investment Mgmt.	\$987,770	\$994,000	(\$6,230)	\$1,065,611	(\$77,841)
- Legal Services	\$0	\$300	(\$300)	\$39	(\$39)
<b>Insurance</b>					
- Business Owners	\$403	\$350	\$53	\$380	\$23
- Fiduciary Liability	\$17,993	\$16,753	\$1,240	\$32,703	(\$14,710)
- Life & Disability	\$724	\$724	\$0	\$724	\$0
- Worker's Compensation	\$194	\$842	(\$648)	\$786	(\$592)
<b>Due Diligence &amp; Education</b>					
- Due Diligence	\$2,470	\$1,300	\$1,170	\$466	\$2,004
- Conferences	\$16,067	\$13,000	\$3,067	\$11,757	\$4,310
- Other Education	\$2,588	\$3,800	(\$1,212)	\$2,429	\$159
<b>Administration</b>					
- Accufund Consultant	\$886	\$1,000	(\$114)	\$886	\$0
- Medical Evaluations	\$8,033	\$9,000	(\$967)	\$2,928	\$5,105
- Meetings	\$681	\$525	\$156	\$495	\$186
- Occupancy Rental	\$13,750	\$13,750	\$0	\$13,750	\$0
- Office Supplies	\$17,076	\$16,000	\$1,076	\$10,973	\$6,103
- Memberships	\$500	\$650	(\$150)	\$600	(\$100)
- Salaries & Wages	<u>\$250,230</u>	<u>\$221,000</u>	<u>\$29,230</u>	<u>\$224,059</u>	<u>\$26,171</u>
<b>Total Expenses</b>	<b>\$1,550,951</b>	<b>\$1,541,794</b>	<b>\$36,157</b>	<b>\$1,581,724</b>	<b>(\$30,773)</b>

\*Custody fees shown above are before offset from Securities Lending income. Total income for FYE 06/30/15 was \$39,933.

**Disclaimer:** The data above is a summary of expenses compared to arbitrarily selected "targets." These "targets" are not intended to be goals or budget objectives, just simple comparisons. Many of the figures are contractual or uncontrollable, such as asset manager fees (based on market values), occupancy (based on rental agreement) and Medical Evaluations (the number of which is purely based on the number of disability retirement applications). The use of this document is intended to monitor expenses, not judge the System's performance.

The System's total aggregate cost for professional training and education, including travel costs, authorized by Michigan Public Act 314 for a fiscal year shall not exceed \$150,000 or an amount equal to the total number of system board members multiplied by \$12,000, whichever is less. Beginning January 1, 2013, the Department of Treasury shall adjust the dollar amounts for these costs by an amount determined by the State Treasurer at the end of the immediately preceding calendar year to reflect the cumulative annual percentage change in the Consumer Price Index.

Actuarial Valuation Information as of June 30, 2015

• Active Members:	653
• Number of Retirees/Beneficiaries:	1,126
• Average Annual Retirement Allowance:	\$26,186
• Total Annual Retirement Allowance:	\$29,485,147
• Valuation Payroll:	\$38,492,586
• Employer's Normal Cost as % of Valuation Payroll:	7.63%
• Employer's Contribution Rate:	29.15%
• Weighted Average of Member Contributions:	7.96%
• Actuarial Assumed Rate of Investment Return:	7.25%
• Actuarial Assumed Rate of Long-Term Wage Inflation:	3.5% - 7.7%
• Smoothing Method Utilized:	5-Year Smoothed Market
• Amortization Method Utilized:	Level Dollar, Closed
• Amortization Period Remaining:	30 Years
• Actuarial Cost Method Utilized:	Individual Entry Age
• System Membership Status:	Closed