

City of Grand Rapids General Retirement System

***SUMMARY ANNUAL REPORT TO MEMBERS
DECEMBER 31, 2017***

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 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
- David J. Tryc – Vice Chairman
- Martin P. Timkovich – Member Trustee
- William D. Butts – Member Trustee
- Jon O’Connor – Employer Trustee
- Phillip Mitchell – Citizen Trustee
- Vacant – Citizen Trustee

Retirement System Service Providers

- Gabriel Roeder Smith and Company – Actuary
- Thomas Michaud, of VanOverbeke, Michaud & Timmony, P.C. – Legal Advisor
- Rehmann Robson – Auditor
- 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, 2017 and June 30, 2016

	2016	2017	Change From Prior Year	
			In Dollars	As %
Assets				
Cash and money market funds	\$ 4,925,891	\$ 4,133,132	\$ (792,759)	-16.1%
Stocks, equity mutual funds and partnerships	243,247,847	258,571,314	15,323,467	6.3%
Fixed Income	97,223,045	97,540,292	317,247	0.3%
Real estate	19,770,678	19,240,626	(530,052)	-2.7%
Private equity partnerships	9,762,068	13,247,350	3,485,282	35.7%
Commodities	14,675,001	14,371,330	(303,671)	-2.1%
Securities lending collateral	23,395,335	15,606,539	(7,788,796)	-33.3%
Total cash and investments	412,999,865	422,710,583	9,710,718	2.4%
Receivables	2,252,422	3,068,585	816,163	36.2%
Total Assets	415,252,287	425,779,168	10,526,881	2.5%
Liabilities				
Administrative expenses and investment management fees payable	333,052	336,473	3,421	1.0%
Pending trades - purchases	1,334,139	667,352	(666,787)	-50.0%
Amounts due broker under securities lending agreement	23,395,335	15,606,539	(7,788,796)	-33.3%
Total Liabilities	25,062,526	16,610,364	(8,452,162)	-33.7%
Net Position Restricted for Pension Benefits	\$ 390,189,761	\$ 409,168,804	\$ 18,979,043	4.9%

Statement of Changes in Plan Net Position as of June 30, 2017 and June 30, 2016

	2016	2017	Change From Prior Year	
			In Dollars	As %
Additions				
Contributions	\$ 12,723,273	\$ 13,250,010	\$ 526,737	4.1%
Net investment income	203,162	38,183,387	37,980,225	18694.6%
Securities lending	85,942	112,728	26,786	31.2%
Total Additions	13,012,377	51,546,125	38,533,748	296.1%
Deductions				
Benefits	36,917,726	32,009,058	(4,908,668)	-13.3%
Administrative expense	568,895	558,024	(10,871)	-1.9%
Total Deductions	37,486,621	32,567,082	(4,919,539)	-13.1%
Net Increase (Decrease)	(24,474,244)	18,979,043	43,453,287	177.5%
Net Position Restricted for Pension Benefits, beginning of year	414,664,005	390,189,761	(24,474,244)	-5.9%
Net Position Restricted for Pension Benefits, end of year	\$ 390,189,761	\$ 409,168,804	\$ 18,979,043	4.9%

Funded Status as of June 30, 2017 and June 30, 2016

	<u>2016</u>	<u>2017</u>
• Actuarial accrued liabilities	\$510,324,266	\$517,035,103
• Applied Assets	\$404,096,873	\$418,027,055
• % Funded	79.18%	80.85%

System Investment Performance as of 12/31/17 (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	14.2%	6.1%	8.5%	8.2%	6.1%

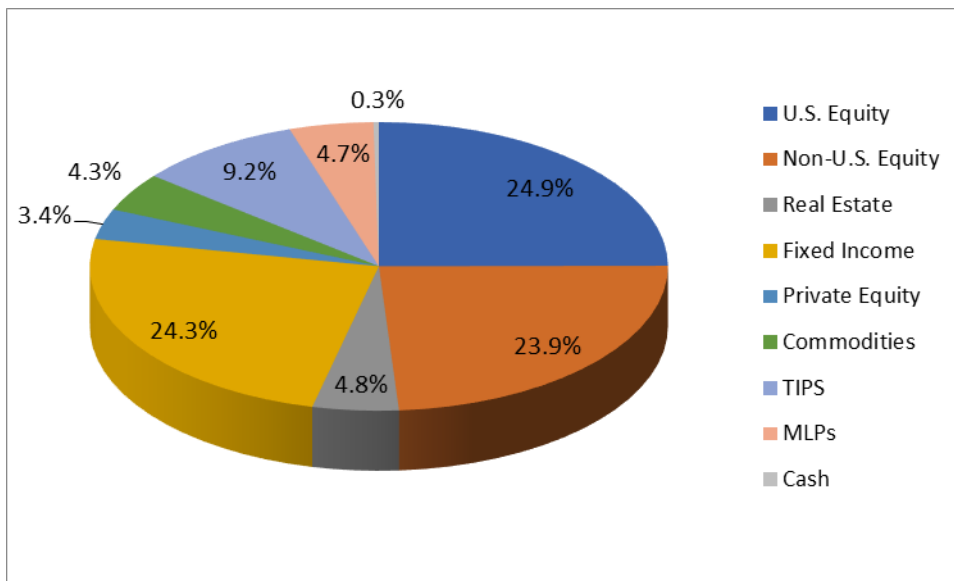
System Revenues and Expenditures as of June 30, 2017

June 30, 2017

1.	Balance – Beginning of Year	\$390,189,761
2.	Revenues:	
	a. Employee Contributions	\$3,012,472
	b. Employer Contributions	\$10,237,538
	c. Investment Income	<u>\$39,307,524</u>
	d. Total Revenues	\$52,557,534
3.	Expenditures:	
	a. Benefit Payments	\$31,894,361
	b. Supplemental Pension Distribution	\$0
	c. Refund of Member Contributions	\$114,697
	d. Expenses	<u>\$1,569,433</u>
	e. Total Expenditures	\$33,578,491
4.	Balance – End of Year	\$409,168,804

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, 2017



System Itemized Budget as of June 30, 2017

<u>Expense</u>	<u>Actual YTD through 06/30/17</u>	<u>FYE 06/30/17 Budgeted Expense</u>	<u>Variance to Budgeted Expense</u>	<u>Expended by 06/30/16</u>	<u>Variance to 06/30/16</u>
Professional Services					
- Actuarial	32,295.00	50,000.00	(17,705.00)	52,987.50	(20,692.50)
- Audit*	14,000.00	14,000.00	0.00	13,910.00	90.00
- Consultant	110,625.00	115,000.00	(4,375.00)	111,750.00	(1,125.00)
- Custodial**	58,823.72	61,000.00	(2,176.28)	58,336.24	487.48
- Investment Management	1,007,153.81	1,000,000.00	7,153.81	977,018.55	30,135.26
- Legal Services	13,790.00	8,000.00	5,790.00	4,322.00	9,468.00
Insurance					
- Business Owners	318.50	435.00	(116.50)	419.00	(100.50)
- Fiduciary Liability	15,214.00	19,400.00	(4,186.00)	15,214.00	0.00
- Life & Disability	723.54	723.54	0.00	723.54	0.00
- Workers Compensation	624.00	825.00	(201.00)	997.00	(373.00)
Due Diligence & Education					
- Due Diligence	0.00	2,000.00	(2,000.00)	0.00	0.00
- Conference	9,743.06	16,000.00	(6,256.94)	6,278.88	3,464.18
- Other Education	7,663.76	3,800.00	3,863.76	4,086.76	3,577.00
Administration					
- Accufund Consultant	948.75	1,200.00	(251.25)	1,323.75	(375.00)
- Medical Evaluations	5,320.17	11,000.00	(5,679.83)	11,391.14	(6,070.97)
- Meetings	216.59	750.00	(533.41)	616.58	(399.99)
- Occupancy Rental	14,895.79	13,749.96	1,145.83	12,604.13	2,291.66
- Office Supplies	10,988.11	21,000.00	(10,011.89)	15,523.97	(4,535.86)
- Memberships	555.50	650.00	(94.50)	500.00	55.50
- Salaries & Wages	248,490.74	257,775.00	(9,284.26)	234,181.55	14,309.19
Total Expenses	1,552,390.04	1,597,308.50	(44,918.46)	1,522,184.59	30,205.45

*Additional fees possible due to GASB 67 advising.

**Custody fees shown above are before offset from Securities Lending Income. Total income for FYE 06/30/17 was \$112,728.26.

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, 2017

• Active Members:	533
• Number of Retirees/Beneficiaries:	1,183
• Average Annual Retirement Allowance:	\$27,508
• Total Annual Retirement Allowance:	\$32,541,968
• Valuation Payroll:	\$33,647,390
• Employer's Normal Cost as % of Valuation Payroll:	6.97%
• Employer's Contribution Rate beginning 7/1/18:	32.25%
• Weighted Average of Member Contributions:	7.94%
• Actuarial Assumed Rate of Investment Return:	7.25%
• Actuarial Assumed Rate of Long-Term Wage Inflation:	3.25% - 7.45%
• Smoothing Method Utilized:	5-Year Smoothed Market
• Amortization Method Utilized:	Level Dollar, Closed
• Amortization Period Remaining:	28.20 Years
• Actuarial Cost Method Utilized:	Individual Entry Age
• System Membership Status:	Closed
• Actuarial Assumed Rate of Health Care Inflation:	N/A