

*City of Grand Rapids General Retirement System*

***SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2019***

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
- David J. Tryc – Vice Chairman
- Martin P. Timkovich – Member Trustee
- William D. Butts – Member Trustee
- Phillip Mitchell – Citizen Trustee
- Donijo DeJonge – Citizen Trustee
- Nathaniel Moody – Employer 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

- 50 South Capital Advisors – Private Credit
- Aberdeen Asset Management – Private Equity
- Adams Street Partners – Private Equity
- Baird Advisors – Core Fixed Income
- BlackRock Institutional Trust Company – Low Volatility
- Brown Brothers Harriman – Treasury Inflation Protected Securities
- CenterSquare Investment Management – Real Estate
- Grosvenor Capital Management – Private Credit
- 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 Fiduciary Net Position as of June 30, 2017, June 30, 2018, and June 30, 2019**

	2017	2018	2019	Change From Prior Year	
				In Dollars	As %
<b>Assets</b>					
Cash and money market funds	\$ 4,133,132	\$ 3,031,862	\$ 8,663,699	\$ 5,631,837	185.8%
Stocks, equity mutual funds and partnerships	258,571,314	253,245,257	207,130,070	(46,115,187)	-18.2%
Fixed Income	97,540,292	102,022,592	131,927,054	29,904,462	29.3%
Real estate	19,240,626	20,226,797	21,050,928	824,131	4.1%
Private equity partnerships	13,247,350	17,141,079	21,983,865	4,842,786	28.3%
Private credit partnerships	-	-	10,497,285	10,497,285	100.0%
Commodities	14,371,330	18,505,628	17,619,387	(886,241)	-4.8%
Securities lending collateral	15,606,539	15,000,228	20,754,055	5,753,827	38.4%
<b>Total cash and investments</b>	<b>422,710,583</b>	<b>429,173,443</b>	<b>439,626,343</b>	<b>10,452,900</b>	<b>2.4%</b>
Receivables	3,068,585	3,695,608	2,883,036	(812,572)	-22.0%
<b>Total Assets</b>	<b>425,779,168</b>	<b>432,869,051</b>	<b>442,509,379</b>	<b>9,640,328</b>	<b>2.2%</b>
<b>Liabilities</b>					
Administrative expenses and investment management fees payable	336,473	341,226	361,880	20,654	6.1%
Pending trades - purchases	667,352	627,686	2,178,392	1,550,706	247.1%
Amounts due broker under securities lending agreement	15,606,539	15,000,228	20,754,055	5,753,827	38.4%
<b>Total Liabilities</b>	<b>16,610,364</b>	<b>15,969,140</b>	<b>23,294,327</b>	<b>7,325,187</b>	<b>45.9%</b>
<b>Net Position Restricted for Pension Benefits</b>	<b>\$ 409,168,804</b>	<b>\$ 416,899,911</b>	<b>\$ 419,215,052</b>	<b>\$ 2,315,141</b>	<b>0.6%</b>

**Statement of Changes in Fiduciary Net Position as of June 30, 2017, June 30, 2018, and June 30, 2019**

	2017	2018	2019	Change From Prior Year	
				In Dollars	As %
<b>Additions</b>					
Contributions	\$ 13,250,010	\$ 13,505,513	\$ 15,598,225	\$ 2,092,712	15.5%
Net investment income	38,183,387	29,084,168	21,292,586	(7,791,582)	-26.8%
Securities lending	112,728	93,143	78,911	(14,232)	-15.3%
<b>Total Additions</b>	<b>51,546,125</b>	<b>42,682,824</b>	<b>36,969,722</b>	<b>(5,713,102)</b>	<b>-13.4%</b>
<b>Deductions</b>					
Benefits	32,009,058	34,395,575	34,058,491	(337,084)	-1.0%
Administrative expense	558,024	556,142	596,090	39,948	7.2%
<b>Total Deductions</b>	<b>32,567,082</b>	<b>34,951,717</b>	<b>34,654,581</b>	<b>(297,136)</b>	<b>-0.9%</b>
<b>Net Increase (Decrease)</b>	<b>18,979,043</b>	<b>7,731,107</b>	<b>2,315,141</b>	<b>(5,415,966)</b>	<b>-70.1%</b>
<b>Net Position Restricted for Pension Benefits, beginning of year</b>	<b>390,189,761</b>	<b>409,168,804</b>	<b>416,899,911</b>	<b>7,731,107</b>	<b>1.9%</b>
<b>Net Position Restricted for Pension Benefits, end of year</b>	<b>\$ 409,168,804</b>	<b>\$ 416,899,911</b>	<b>\$ 419,215,052</b>	<b>\$ 2,315,141</b>	<b>0.6%</b>

**Funded Status as of June 30, 2019 and June 30, 2018**

	<u>2019</u>	<u>2018</u>
• Actuarial accrued liabilities	\$539,265,786	\$526,954,073
• Applied Assets	\$429,105,052	\$426,989,004
• % Funded	80.0%	81.03%

**System Investment Performance as of 12/31/19 (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	18.43%	8.41%	5.88%	7.64%	8.50%

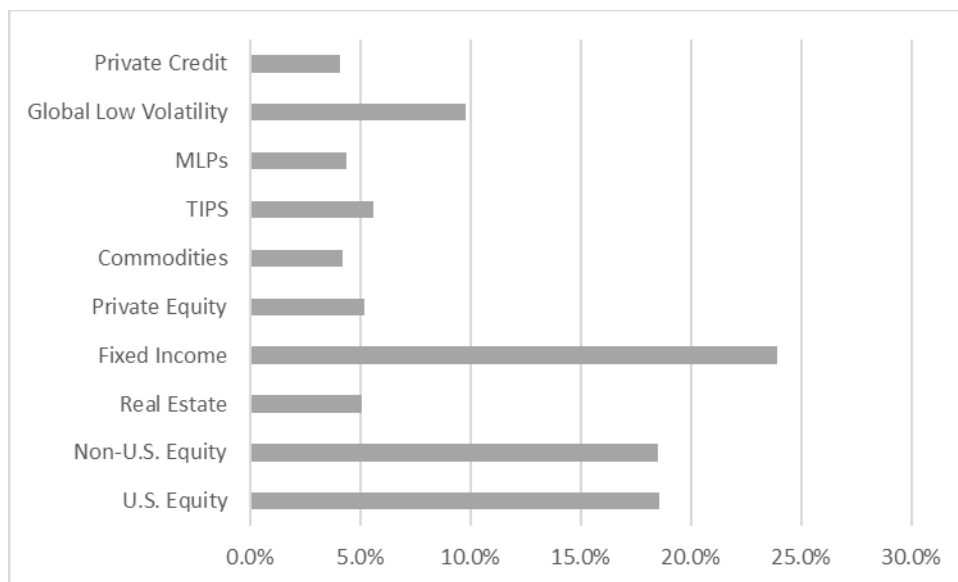
System Revenues and Expenditures as of June 30, 2019

**June 30, 2019**

1.	Balance – Beginning of Year	\$416,899,911
2.	Revenues:	
	a. Employee Contributions	\$2,677,960
	b. Employer Contributions	\$12,920,265
	c. Investment Income	<u>\$22,398,216</u>
	d. Total Revenues	\$37,996,441
3.	Expenditures:	
	a. Benefit Payments	\$34,016,875
	b. Supplemental Pension Distribution	\$0
	c. Refund of Member Contributions	\$41,616
	d. Expenses	<u>\$1,622,809</u>
	e. Total Expenditures	\$35,681,300
4.	Balance – End of Year	\$419,215,052

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, 2019



System Itemized Budget as of June 30, 2019

<u>Expense</u>	<u>Actual YTD through 06/30/19</u>	<u>FYE 06/30/19 Budgeted Expense</u>	<u>Variance to Budgeted Expense</u>	<u>Expended by 06/30/18</u>	<u>Variance to 06/30/18</u>
Professional Services					
- Actuarial	34,280.00	50,000.00	(15,720.00)	35,030.00	(750.00)
- Audit*	15,400.00	15,400.00	0.00	14,700.00	700.00
- Consultant	109,687.50	115,000.00	(5,312.50)	105,937.50	3,750.00
- Custodial**	45,847.87	65,000.00	(19,152.13)	43,965.81	1,882.06
- Investment Management	1,032,830.83	1,100,000.00	(67,169.17)	964,872.06	67,958.77
- Legal Services	15,248.00	8,500.00	6,748.00	0.00	15,248.00
Insurance					
- Business Owners	0.00	350.00	(350.00)	318.50	(318.50)
- Fiduciary Liability	15,214.00	16,500.00	(1,286.00)	0.00	15,214.00
- Life & Disability	723.54	723.54	0.00	569.53	154.01
- Workers Compensation	928.50	825.00	103.50	0.00	928.50
Due Diligence & Education					
- Due Diligence	1,948.12	8,000.00	(6,051.88)	617.63	1,330.49
- Conference	5,416.98	23,000.00	(17,583.02)	7,495.58	(2,078.60)
- Other Education	3,294.31	3,000.00	294.31	2,466.18	828.13
Administration					
- Accufund Consultant	1,567.50	1,000.00	567.50	1,023.75	543.75
- Medical Evaluations	8,935.79	10,000.00	(1,064.21)	5,700.00	3,235.79
- Meetings	336.23	600.00	(263.77)	129.66	206.57
- Occupancy Rental	14,101.08	13,749.96	351.12	12,604.13	1,496.95
- Office Supplies	18,348.52	20,000.00	(1,651.48)	11,419.02	6,929.50
- Memberships	525.00	650.00	(125.00)	425.00	100.00
- Salaries & Wages	253,820.48	285,000.00	(31,179.52)	224,943.54	28,876.94
<b>Total Expenses</b>	<b>\$1,578,454.25</b>	<b>\$1,737,298.50</b>	<b>(\$158,844.25)</b>	<b>\$1,432,217.89</b>	<b>\$146,236.36</b>

\*Additional fees possible due to to GASB 67 advising.

\*\*Custody fees shown above are before offset from Securities Lending Income. Total income for FYE 06/30/19 was \$78,910.59.

**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, 2019**

• Active Members:	446
• Number of Retirees/Beneficiaries:	1,186
• Average Annual Retirement Allowance:	\$28,768
• Total Annual Retirement Allowance:	\$34,119,043
• Valuation Payroll:	\$29,695,997
• Employer's Normal Cost as % of Valuation Payroll:	7.62%
• Employer's Contribution Rate beginning 7/1/20:	39.31%
• Weighted Average of Member Contributions:	7.79%
• Actuarial Assumed Rate of Investment Return:	7.00%
• 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:	26.54 Years
• Actuarial Cost Method Utilized:	Individual Entry Age
• System Membership Status:	Closed
• Actuarial Assumed Rate of Health Care Inflation:	N/A