

GENERAL RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
REGULAR MEETING  
NOVEMBER 16, 2011 – 9:27 a.m.  
233 East Fulton Street

The meeting was called to order by Chairman J. Patrick Scripps. Other members present: Vice Chairman David Tryc, Mr. Martin Timkovich, Mr. James Stokes, Ms. Dianette Hight and Mr. Michael Hawkins. Absent: Mr. Walter Gutowski.

Also present: Ms. Lisa Balkema, Retirement Services Specialist, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Board, Ms. Kelly Springer of Plante & Moran, PLLC, Mr. David Hoffman of Gabriel, Roeder, Smith and Company, and Mr. William Butts.

Chairman Scripps introduced Mr. William Butts, who was elected as the new Member Trustee of the General Retirement System to begin his term the first Monday in January 2012. Trustees welcomed Mr. Butts.

There were no public comments regarding agenda items.

Vice Chairman Tryc made the motion to excuse the absence of Mr. Gutowski. The motion was seconded by Mr. Hawkins and carried.

Moved by Mr. Timkovich and seconded by Vice Chairman Tryc, the following items were approved by the Board of Trustees pursuant to a consent agenda:

- Minutes of the Regular Meeting of September 21, 2011.
- Purchase of credited service by the following General Retirement System member:

Gail M. Hoorn	\$18,793.82	24 months
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- Retirements: one age & service, one deferred and two early:

**Age & Service Retirement:**

Name/Option	Credited Svc.	Ret. Date	Avg. Salary	Pension
<b>Smith, Percy</b>	32 yrs. 10 mo.	01/07/2012	\$40,028.00	<u>\$2,608.64</u>
Option B-Pop-75: Life of Member				\$1,956.48
Beneficiary: Ethel L. Smith, wife				(potential to
Pop-up potential of \$2,957.07 if beneficiary predeceases retiree				beneficiary)

**Deferred Retirement:**

Name/Option	Credited Svc.	Ret. Date	Avg. Salary	Pension
<b>Canales, Sharon S.</b>	9 yrs. 0 mo.	11/01/2011	\$33,038.00	<u>\$539.40</u>
Option B-Pop-75: Life of Member				\$404.55

Beneficiary: Joseph Gallapoo, Jr., Son  
Pop-up potential of \$669.02 if beneficiary predeceases retiree

(potential to  
beneficiary)

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**Early Retirement:**

Name/Option	Credited Svc.	Ret. Date	Avg. Salary	Pension
<b>Rojas, Carmen V.</b> Option B-Pop-100: Life of Member Beneficiary: Jesus M. Rojas, Husband Pop-up potential of \$2,341.43 if beneficiary predeceases retiree	22 yrs. 3 mo.	11/12/2011	\$69,340.33	<u>\$2,026.39</u> \$2,026.39 (potential to beneficiary)
<b>Schaefer, Bernard C.</b> Option B-Pop-100: Life of Member Beneficiary: Kimberly A. Schaefer, Wife Pop-up potential of \$2,236.65 if beneficiary predeceases retiree	16 yrs. 4 mo.	11/01/2011	\$104,196.67	<u>\$1,982.66</u> \$1,982.66 (potential to beneficiary)

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- Payment of administrative expenses of \$7,243.90 for the period 09/01/11 – 10/31/11.
- Payment of the investment management invoices as listed below for the quarter ending 09/30/11. Fee calculations, fees applied and stated amounts under management have been verified by the Retirement Systems office as correct:

\$25,728.42 – Baird Advisors for management of fixed income assets  
\$47,471.97 – Lotsoff Capital Management for management of equity assets  
\$7,407.32 – Northern Trust Global Investments for management of equity assets  
\$56,634.94 – Wellington Management Company for management of equity assets

- Ms. Korzen noted payment of custody fees to Northern Trust for the quarter ending 09/30/11:

Benefit Payments:	\$5,700.64
Custody Fees:	<u>\$7,384.27</u>
Total:	\$13,084.91

**The motion carried.**

Ms. Balkema presented the Public Act 314 Asset Analyses showing market values of \$313,736,226 on September 30, 2011 and \$337,144,331 on October 31, 2011. The reports were received and filed by the Chairman. (Analyses on pages )

Ms. Balkema next presented Trustees with the Quarterly Report of Account Refunds for the quarter ending 09/30/11 that disclosed a withdrawal of \$59,901.09 by four members, three of whom were vested. The report was received and filed by the Chairman. (Report on page )

Ms. Balkema presented Trustees with the Quarterly Report of Income for the quarter ending 09/30/11. Total Securities Lending income was \$6,675.78 and total Class Action Settlement receipts were \$947.26. Chairman Scripps received and filed the report. (Report on page )

Ms. Kelly Springer of Plante & Moran, PLLC (PM) presented Trustees with the annual audit for the fiscal year ending June 30, 2011. She provided Trustees with highlights from the audit and related statements. Some of the highlights included Plante & Moran's responsibilities, significant audit findings, any difficulties encountered in the audit and any disagreements with management. Ms. Springer noted that the plan is being run efficiently, no unusual items were noted during their testing and there are no issues with the System's

internal controls. She did comment that there are some new disclosures in this audit statement; the additional disclosure of Securities Lending information in the Statement of Plan Net Assets and the Foreign Currency Risk disclosures in the Notes to Financial Statements section reflect these updates. She commented that going forward there will be some additional disclosures required by ERISA plans pertaining to investments and although the Retirement System is not bound by ERISA, Trustees and staff may wish to consider these for inclusion in their statements as it may be beneficial. Mr. Timkovich expressed his concern regarding the listing of investments held as collateral for securities lending in the Statement of Plan Net Assets as compared to the listing in the Notes to Financial Statements section. She stated that the information that is disclosed in the notes section comes directly from Northern Trust. Northern Trust provides PM both the asset pools that the investments are in as well as the cash collateral credit that the Retirement System is receiving. She explained that while the funds are invested in the Core USA Collateral Section, the breakdown on the disclosure and the Statement of Plan Net Assets shows the various allocations within that fund. Mr. Timkovich was concerned because the information that Northern Trust has shared with Trustees regarding the Securities Lending program is different than what is being reported. Mr. Hawkins asked if Mr. Timkovich felt the line item in the Statement of Plan Net Assets regarding investments held as collateral for securities lending should be listed as money market or cash, not the detail that is shown; he agreed. Ms. Springer commented that she spoke with the City's auditors regarding this issue and stated that they agreed with PM's approach given the information they had received from Northern Trust. Mr. Timkovich stated that he believes the line item in the Statement of Plan Net Assets should be listed as cash equivalents. Ms. Springer stated she will go back to the detail that Northern Trust provided them and report back to the Board. Mr. Timkovich noted that Northern Trust will be at the January 2012 Board meeting so Trustees can explore this issue with them at that time. Ms. Hight asked if Ms. Springer does her research and does find an error has occurred, would PM issue an amendment to the audit; Ms. Springer said they would walk through the next steps associated with that should it occur. The report was received and filed by the Chairman.

Mr. David Hoffman of Gabriel, Roeder, Smith and Company (GRS) presented the 44<sup>th</sup> Annual Actuarial Valuation for the year ending June 30, 2011. Mr. Hoffman noted that General Retirement System assets equal 80.8% of computed accrued liabilities. He also noted that the City's contribution rate for the fiscal year beginning 07/01/12 will be 18.01% as specified in Section 1.221(3) of City Code. He provided a detailed report that included a ratio of active to retired employees of 0.9 to 1, a recognized rate of return of 3.01% compared to 7.50% projected, and an initial computed employer rate of 7.87% amortized over a period of 27 years. He noted that liabilities exceeded assets (\$85,482,046 debit to unfunded actuarial accrued liability). Mr. Hoffman also provided the history of employee/employer contributions as a percentage of payroll since 09/30/77. He noted that the ratio of assets computed under funding value relative to the market value of assets is 100%. The requirement of some members to elect a pension benefit multiplier for future service was included in this valuation, which caused the weighted average member contribution to more than double. Mr. Hoffman provided a 5-year contribution rate projection based on market returns of 7.50% and a 27 year amortization period. These projections are based on all future experience matching exactly with GRS' assumptions. Gains and losses in other risk areas may also have a material effect on contribution rates in future years. Mr. Hoffman suggested that Trustees consider in the near future re-smoothing the future gains and losses over the next four years which would make the difference be close to zero each year and then decrease the volatility in the Employer contribution rate to keep it consistent at approximately 18.11% for the next four years. Mr. Hawkins asked if Mr. Hoffman will keep Trustees apprised as to what decisions would be in the best interest of the Retirement System as it gets closer to the next valuation; he agreed. Ms. Hight asked if the recent closure of the plan to new hires for most of the bargaining units could also impact future employer contribution rates; Mr. Hoffman said yes. Vice Chairman Tryc made the motion to approve the actuary's recommendation to transfer \$2,553,370 from the Income Expense Fund to the Employer Accumulation Fund and \$1,131,900 from the Income Expense Fund to the Benefit Reserve Fund. (Ending balances in each reserve fund as of June 30, 2011, were assumed to be: Member Deposit Fund - \$26,453,041; Employer Accumulation Fund - \$612,599; Benefit Reserve Fund - \$275,881,092; Income-Expense Fund - \$0). Seconded by Mr. Timkovich, the motion carried. The report was received and filed by the Chairman.

Chairman Scripps next addressed a request for a non-duty disability retirement from Mr. Jason D. Thompson. Following Trustee discussion, Vice Chairman Tryc made the motion to obtain a neutral doctor to evaluate Mr. Thompson. The motion was seconded by Ms. Hight and carried.

Chairman Scripps next addressed the disability re-examination process of Mr. Thomas Armock. Following Trustee discussion, Ms. Hight made the motion to require Mr. Armock to schedule an independent medical evaluation with his doctor and the General Retirement System will pay for that evaluation. The motion was seconded by Mr. Hawkins and carried. Ms. Hight clarified that the Retirement System paying for this medical evaluation was not a matter of policy but rather what was fair in this case.

Ms. Balkema next addressed the disability re-examination process of Mr. Robert Martin. Mr. Stokes made the motion to require Mr. Martin to schedule an independent medical evaluation with his doctor and the General Retirement System will pay for that evaluation. The motion was seconded by Ms. Hight and carried.

Ms. Balkema provided Trustees with the proposed disability retirement appeal procedure. She noted that the appeal procedure outlined in City Code is somewhat different than that in the Police & Fire Retirement System, so a separate policy was in order. The proposed draft procedure and appeal application incorporated changes as suggested by Trustees at the September meeting. Vice Chairman Tryc made the motion to approve the Disability Retirement Appeal Procedure and application as written. The motion was seconded by Mr. Hawkins and carried.

Ms. Balkema commented that at the September Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for Cash Account needs for November and December 2011. After review of the investment accounts, Mr. Bensus agreed with the Executive Director's recommendation to transfer \$875,000 from Western Asset Management to the Cash Account on November 1, 2011 and \$875,000 from Ziegler Lotsoff Capital Management to the Cash Account on December 1, 2011.

Ms. Balkema commented that at the May 18, 2011 Board meeting it was noted that there have been an increasing number of outstanding uncashed pension checks, primarily payable to a retiree's estate. Trustees agreed at that time to move unclaimed outstanding estate checks to the Income Expense Fund once they have remained outstanding for three years. She noted there is one outstanding check to be moved: the estate check of Ms. Rita Mogilnicki in the amount of \$740.73. Ms. Mogilnicki passed away October 13, 2008. The information was received and filed by the Chairman.

Ms. Balkema provided an update on the Member Trustee election by noting that two nominating petitions were filed. The result of the counting of the ballots was the election of Mr. William Butts to the Board. Mr. Butts will serve as Member Trustee on the General Retirement System Board for a four-year term ending the first Monday in January 2016.

The meeting adjourned at 11:00 a.m.

The next General Retirement System Board Meeting will be held Wednesday, December 21, 2011, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General Retirement System