

GENERAL RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
REGULAR MEETING  
NOVEMBER 20, 2013 – 9:43 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. Michael Hawkins, Mr. Walter Gutowski and Mr. William Butts. Absent: Mr. Bill Alphenaar.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Board, Ms. Pam Slagh of BDO USA, LLP, Mr. James Anderson of Gabriel, Roeder, Smith and Company, and Mr. Gregory Sundstrom, City Manager.

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

There were no public comments regarding agenda items.

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 18, 2013.
- Purchase of credited service by the following General Retirement System members:

Randal V. Erickson	\$16,195.22	24 months
Lora L. Fairman	\$8,465.75	14 months
Michael R. Kooistra	\$12,762.74	14 months
Jerald D. Piirala	\$13,368.36	24 months

- Purchase of prior military service – as required by Section 1.202 (5) of City Code, the approval of the purchase of five (5) years, eleven (11) months and twelve (12) days of prior military service by Mr. Randal V. Erickson was requested. The total amount of the purchase was \$60,851. The Retirement Systems Office noted substantiation by the Department of Defense Form 214 and actuarial approval of the amount and calculations.
- Retirements: three age & service, one deferred early and three early:

**Age & Service Retirements:**

<u>Name/Option</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Cunningham, William E.</b> Option A-Straight Life: Life of Member	33 yrs. 4 mo.	11/16/2013	\$65,267.00	\$4,895.02

<b>Peck, James R.</b> Option A-Straight Life: Life of Member	30 yrs. 6 mo.	12/28/2013	\$72,377.00	\$4,966.87
<b>Vegter, Karen L.</b> Option A-Straight Life: Life of Member	24 yrs. 0 mo.	12/03/2013	\$41,218.00	\$2,189.71

**Deferred Early Retirement:**

<u>Name/Option</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Heyer, Daniel L.</b> Option B-Pop-100: Life of Member Beneficiary: Linda Heyer, Wife Pop-up potential of \$743.95 if beneficiary predeceases retiree	11 yrs. 7 mo.	12/01/2013	\$45,706.00	<u>\$650.78</u> \$650.78 (potential to beneficiary)

**Early Retirements:**

<u>Name/Option</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Cunningham, Cathy A.</b> Option A-Straight Life: Life of Member	18 yrs. 4 mo.	10/29/2013	\$41,118.00	\$1,560.76
<b>Kooistra, Michael R.</b> Option B-Pop-100: Life of Member Beneficiary: Diana M. Kooistra, Wife Pop-up potential of \$1,914.74 if beneficiary predeceases retiree	13 yrs. 5 mo.	11/21/2013	\$74,735.67	<u>\$1,619.97</u> \$1,619.97 (potential to beneficiary)
<b>McCarville, Sarah M.</b> Option A-Straight Life: Life of Member	21 yrs. 9 mo.	11/28/2013	\$77,886.00	\$3,234.86

- Payment of administrative expenses of \$7,690.99 for the period 09/01/13 – 10/31/13.
- Payment of the investment management invoices as listed below for the quarter ending 09/30/13. Fee calculations, fees applied and stated amounts under management have been verified by the Retirement Systems office as correct:

\$27,287.87 – Baird Advisors for management of fixed income assets  
 \$35,864.24 – CBRE Clarion for management of global real estate assets  
 \$6,900.85 – Northern Trust Global Investments for management of equity assets  
 \$72,238.70 – Wellington Management Company for management of equity assets  
 \$50,083.79 – Ziegler Lotsoff Capital Management for management of equity assets

- Ms. Korzen noted payment of custody fees to Northern Trust for the quarter ending 09/30/13:

Benefit Payments:	\$6,011.00
Custody Fees:	<u>\$7,434.91</u>
Total:	\$13,445.91

**The motion carried.**

Ms. Korzen presented the Public Act 314 Asset Analyses showing market values of \$394,764,704 on September 30, 2013 and \$403,867,396 on October 31, 2013. The reports were received and filed by the Chairman. (Analyses on pages )

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the quarter ending 09/30/13 that disclosed a withdrawal of \$89,953.07 by six former members; three were vested. The report was received and filed by the Chairman. (Report on page )

Ms. Korzen presented Trustees with the Quarterly Report of Income for the quarter ending 09/30/13. Total Securities Lending income was \$10,450.48. Total Class Action Settlement receipts during the quarter were \$4,832.65. Chairman Scripps received and filed the report. (Report on page )

Mr. James Anderson of Gabriel, Roeder, Smith and Company (GRS) presented the 46<sup>th</sup> Annual Actuarial Valuation for the year ending June 30, 2013. Mr. Anderson noted that General Retirement System assets equal 77.5% of computed accrued liabilities. He also noted that the City's contribution rate for the fiscal year beginning 07/01/14 will be 22.55% 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 0.7 to 1, a recognized rate of return of 5.53% compared to 7.50% projected, and an initial computed employer rate of 7.84% amortized over a period of 25 years. He noted that liabilities exceeded assets (\$102,614,853 debit to unfunded actuarial accrued liability). Mr. Anderson also provided the history of employee/employer contributions as a percentage of payroll since 09/30/79. He noted that the ratio of assets computed under funding value relative to the market value of assets is 93% and he provided an overview on the projection of future amortization payments. Vice Chairman Tryc made the motion to approve the actuary's recommendation to transfer \$6,429,609 from the Benefit Reserve Fund to the Employer Accumulation Fund and \$4,801,327 from the Benefit Reserve Fund to the Income Expense Fund. (Ending balances in each reserve fund as of June 30, 2013, were assumed to be: Member Deposit Fund - \$30,220,355; Employer Accumulation Fund - (\$14,609,593); Benefit Reserve Fund - \$281,313,630; Income-Expense Fund - \$0). Seconded by Mr. Timkovich, the motion carried. Mr. Anderson commented that Trustees may wish to consider adopting a formal funding policy in the future due to the fact that the plan is closed to new members in all groups except the APAGR. When a pension plan is closed, financing benefits as a level percent of payroll may become inappropriate as payroll begins to decrease over time. The report was received and filed by the Chairman.

Ms. Pam Slagh of BDO USA, LLP presented Trustees with the annual audit for the fiscal year ending June 30, 2013. She provided Trustees with highlights from the audit and related statements. Some of the highlights included BDO's responsibilities, a report on internal controls, significant audit findings, any difficulties encountered in the audit and any disagreements with management. Ms. Slagh 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 will be some new disclosures due to GASB 67 beginning with the audit for the fiscal year ending 06/30/14. She stated that Trustees will need to determine whether the employer receivables that have been historically included in the financial statements are legally required; if they are not, then they cannot be included in the financial statements going forward. Ms. Slagh also reviewed the Audit Wrap-Up report that was provided to Trustees. The reports were received and filed by the Chairman.

Ms. Korzen provided Trustees with an update on the disability retiree re-examination process and noted that Ms. Bonnie VanFleeren had her I.M.E. with Dr. Robert Schneeberger on September 25, 2013. It is his opinion that Ms. VanFleeren remains totally and permanently disabled and should remain retired

as disabled as she continues to have a high degree of pain and is unable to tolerate a job in which she would have to sit, stand or walk during an 8-hour day.

There were no comments on items not on the agenda.

Ms. Korzen commented that at the September Board meeting, it was unclear as to which investment management account funds should be transferred from to fulfill Cash Account needs for November and December 2013. She stated that due to the drop in active membership, changes in contribution rates in July and the capital calls for the Private Equity accounts, an additional request of \$850,000 at the end of November and an additional \$675,000 for December has been requested. After review of the investment accounts, Mr. Bensus agreed with the Executive Director's recommendation to transfer \$1,075,000 from the Wellington Management (Equity) account to the Cash Account on November 1, 2013, \$850,000 from the NTGI account to the Cash Account on November 27, 2013 and \$1,000,000 from the Wellington Management (Equity) account and \$675,000 from the Ziegler Lotsoff Capital Management account to the Cash Account on December 2, 2013.

The meeting adjourned at 10:13 a.m.

The next General Retirement System Board Meeting will be held Wednesday, December 18, 2013, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General Retirement System