

GENERAL RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
REGULAR MEETING  
SEPTEMBER 15, 2010 – 8:51 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, Mr. Michael Hawkins and Mr. Walter Gutowski.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Board and Mr. David Hoffman of Gabriel, Roeder, Smith and Company.

There were no public comments regarding agenda items.

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

- Minutes of the Regular Meeting of August 18, 2010.
- Purchase of credited service by the following General Retirement System member. Ms. Morgrette has requested to purchase her credited service by a lump sum pre-tax rollover from her deferred compensation account.

Jennifer L. Morgrette	\$13,351.82	24 months
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- Retirements: one early, one non-duty disability and 63 revised:

**Early Retirement:**

Name/Option	Credited Svc.	Ret. Date	Avg. Salary	Pension
<b>Pakiela, Cherilyne A.</b>	22 yrs. 0 mo.	10/30/2010	\$57,963.67	<u>\$1,983.30</u>
Option B-Pop-100: Life of Member				\$1,983.30
Beneficiary: Philip S. Pakiela, Husband				(potential to beneficiary)
Pop-up potential of \$2,251.17 if beneficiary predeceases retiree				

**Non Duty Disability Retirement:**

Name/Option	Credited Svc.	Ret. Date	Avg. Salary	Pension
<b>VanFleeren, Bonnie S.</b>	23 yrs. 9 mo.	08/18/2010	\$39,032.33	<u>\$1,471.99</u>
Option B-Pop-100: Life of Member				\$1,471.99
Beneficiary: Patricia Gibbs, Friend				(potential to beneficiary)
Pop-up potential of \$1,545.93 if beneficiary predeceases retiree				

**Revised Retirements:**

<u>Name/Option</u>	<u>Revised Benefit</u>	<u>Retirement Date</u>	<u>Refer to Minutes</u>
<b>Barton, Marc A.</b>	\$4,352.25	07/23/2010	05/19/2010
Option B-Pop-50	\$2,176.13		
Pop-up potential	\$4,620.76		
<b>Bartosiewicz, Susan K.</b>	\$3,223.16	03/27/2010	03/17/2010
Option B-Pop-75	\$2,417.37		
Pop-up potential	\$3,412.59		
<b>Buffington, Roger P.</b>	\$5,139.33	07/07/2010	06/16/2010
Option B-Pop-75	\$3,854.50		
Pop-up potential	\$5,524.97		
<b>Byron, Elizabeth V.</b>	\$6,274.70	01/01/2010	01/20/2010
Option B-Pop-50	\$3,137.35		
Pop-up potential:	\$6,523.37		
<b>Chapman, William H.</b>	\$4,612.60	05/16/2009	05/20/2009
Option B-100	\$4,612.60		
<b>Childers, Jr. George H.</b>	\$5,371.49	02/24/2010	01/20/2010
Option B-Pop-100	\$5,371.49		
Pop-up potential	\$6,292.67		
<b>Coffman, Jodene Y.</b>	\$2,923.00	03/23/2010	03/17/2010
Option A-Straight Life			
<b>Colon-Mercado, Miguel</b>	\$1,265.06	09/23/2009	08/19/2009
Option B-100	\$1,265.06		
<b>Czajkowski, Dorothy J.</b>	\$915.00	03/16/2010	02/17/2010
Option B-Pop-75	\$686.25		
Pop-up potential	\$1,062.42		
<b>Czyzyk, Gerald A.</b>	\$6,485.92	01/01/2010	12/16/2009
Option B-Pop-75	\$4,864.44		
Pop-up potential	\$7,154.67		
<b>Donald, Thomas E.</b>	\$2,984.70	06/02/2010	05/19/2010
Option B-100	\$2,984.70		
<b>Dzwonek, Janet L.</b>	\$3,360.55	03/18/2010	03/17/2010
Option A-Straight Life			
<b>Edmonds, Jeffrey R.</b>	\$4,913.20	03/08/2010	02/17/2010
Option B-Pop-25	\$1,228.30		
Pop-up potential	\$5,038.09		
<b>Engvall, Theresa R.</b>	\$1,026.76	05/29/2010	05/19/2010
Option A-Straight Life			
<b>Fisher, Randall J.</b>	\$8,014.93	03/31/2010	03/17/2010
Option A-Straight Life			

<b>Flinsky, Timothy J.</b> Option B-100	\$3,299.00 \$3,299.00	03/13/2010	03/17/2010
<b>Foley, Michael J.</b> Option B-Pop-75 Pop-up potential	\$3,691.07 \$2,768.30 \$4,055.01	09/26/2009	08/19/2009
<b>Francik, Terry A.</b> Option B-Pop-100 Pop-up potential Revised FAS:	\$4,704.80 \$4,704.80 \$5,240.66 \$72,036.67	12/02/2008	11/12/2008
<b>Gillis, Margaret A.</b> Option A-Straight Life	\$984.85	07/10/2010	06/16/2010
<b>Goethal, Amy D.</b> Option B-Pop-100 Pop-up potential	\$5,428.42 \$5,428.42 \$5,817.74	01/22/2010	12/16/2009
<b>Grygorzyk, Michael A.</b> Option B-Pop-25 Pop-up potential	\$3,701.86 \$925.47 \$3,848.05	03/30/2010	02/17/2010
<b>Hanna, Bruce F.</b> Option B-Pop-50 Pop-up potential	\$3,710.35 \$1,855.18 \$3,982.73	03/27/2010	03/17/2010
<b>Helton, Jr., John T.</b> Option B-Pop-100 Pop-up potential	\$1,316.60 \$1,316.60 \$1,677.73	11/17/2009	11/18/2009
<b>Hight, Dianette</b> Option B-Pop-25 Pop-up potential	\$4,583.83 \$1,145.96 \$4,751.81	03/30/2010	03/17/2010
<b>Holmes, Dale G.</b> Option A-Straight Life	\$3,331.98	03/27/2010	03/17/2010
<b>Ivey, Douglas J.</b> Option B-100	\$2,922.13 \$2,922.13	07/10/2010	05/19/2010
<b>Jelsema, Ron J.</b> Option A-Straight Life	\$3,559.73	07/07/2009	06/17/2009
<b>Kennebrew, Andrew</b> Option B-Pop-25 Pop-up potential	\$3,376.48 \$844.12 \$3,630.51	03/31/2010	03/17/2010
<b>King, Sharon D.</b> Option A-Straight Life	\$1,876.73	09/16/2009	08/19/2009
<b>Kleinheksel III, John H.</b> Option B-50	\$4,530.47 \$2,265.24	07/14/2009	06/17/2009
<b>Krzeminski, Edward J.</b> Option B-Pop-100 Pop-up potential	\$5,825.08 \$5,825.08 \$6,505.92	03/19/2010	01/20/2010

<b>Ledesma-Burns, Christina S.</b>	\$3,510.55	03/30/2010	02/17/2010
Option B-Pop-25	\$877.64		
Pop-up potential	\$3,590.36		
<b>Levandoski, James M.</b>	\$3,249.33	01/05/2010	12/16/2009
Option A-Straight Life			
<b>Makarewicz, David B.</b>	\$3,536.64	07/28/2010	08/18/2010
Option B-Pop-50	\$1,768.32		
Pop-up potential	\$3,812.10		
<b>Mason, Craig M.</b>	\$4,004.58	03/31/2010	03/17/2010
Option B-Pop-100	\$4,004.58		
Pop-up potential	\$4,661.96		
<b>Mills, Patricia A.</b>	\$1,950.17	10/17/2009	09/16/2009
Option B-Pop-25	\$487.54		
Pop-up potential	\$2,083.80		
<b>Neuman, Kenneth W.</b>	\$3,528.11	03/09/2010	02/17/2010
Option A-Straight Life			
<b>Noordyke, Jr., John C.</b>	\$3,584.50	03/30/2010	02/17/2010
Option B-Pop-100	\$3,584.50		
Pop-up potential	\$4,030.79		
<b>Paasche, Jr., Robert G.</b>	\$5,159.31	03/31/2010	03/17/2010
Option B-75	\$3,869.48		
<b>Palasek, Gail A.</b>	\$2,222.36	03/20/2010	02/17/2010
Option B-Pop-100	\$2,222.36		
Pop-up potential	\$2,617.37		
<b>Payne, Peggy A.</b>	\$2,956.59	09/24/2010	08/18/2010
Option A-Straight Life			
<b>Pierce, Jeffrey J.</b>	\$5,126.11	03/31/2010	03/17/2010
Option B-50	\$2,563.06		
<b>Poll, Linda P.</b>	\$2,235.47	07/11/2009	05/20/2009
Option B-Pop-100	\$2,235.47		
Pop-up potential	\$2,632.82		
<b>Poll, Jr., Benjamin</b>	\$1,415.78	01/05/2010	12/16/2009
Option B-Pop-100	\$1,415.78		
Pop-up potential	\$1,658.58		
<b>Postma, Timothy J.</b>	\$4,663.58	03/30/2010	02/17/2010
Option B-100	\$4,663.58		
<b>Rowley, Thomas W.</b>	\$3,491.21	09/11/2010	08/18/2010
Option B-50	\$1,745.61		
<b>Shenoskey, Richard G.</b>	\$2,618.96	09/22/2010	08/18/2010
Option A-Straight Life			

<b>Sikkema, Cynthia L.</b> Option B-Pop-25 Pop-up potential	\$3,141.54 \$785.39 \$3,213.46	03/31/2010	02/17/2010
<b>Smith, Edward</b> Option A-Straight Life	\$2,926.15	06/10/2009	05/20/2009
<b>Szczepanek, Elizabeth</b> Option B-Pop-50 Pop-up potential	\$3,392.84 \$1,696.42 \$3,546.73	03/19/2010	02/17/2010
<b>Toogood, Joseph F.</b> Survivor Allowance	\$1,383.04	07/14/2010	08/18/2010
<b>Truss, Joyce A.</b> Option A-Straight Life	\$2,430.97	01/08/2010	12/16/2009
<b>VanWyngaarden, Thomas</b> Option A-Straight Life	\$2,073.16	04/24/2010	05/19/2010
<b>Webb, Claire</b> Option A-Straight Life	\$4,088.56	03/11/2010	02/17/2010
<b>Wessely, John D.</b> Option B-Pop-100 Pop-up potential	\$1,928.45 \$1,928.45 \$2,352.91	04/30/2010	03/17/2010
<b>Wierzbicki, Jeffrey A.</b> Option B-Pop-100 Pop-up potential	\$3,352.68 \$3,352.68 \$3,704.99	03/17/2010	02/17/2010
<b>Williams, Juanita J.</b> Option B-Pop-25 Pop-up potential	\$4,232.50 \$1,058.13 \$4,478.69	07/22/2010	08/18/2010
<b>Wolski, Michael E.</b> Option B-Pop-100 Pop-up potential	\$6,001.88 \$6,001.88 \$6,571.14	02/17/2010	01/20/2010
<b>Zelent, Eileen M.</b> Option B-Pop-75 Pop-up potential	\$4,083.36 \$3,062.52 \$4,386.65	03/25/2010	03/17/2010
<b>Zelinski, Thomas M.</b> Option B-100	\$5,839.92 \$5,839.92	06/06/2009	05/20/2009
<b>Zerfas, Henry J.</b> Option B-100	\$4,065.12 \$4,065.12	04/08/2010	03/17/2010
<b>Zuidema, Raymond T.</b> Option B-75	\$2,211.49 \$1,658.62	06/25/2010	06/16/2010
<b>Zukerman, Morton E.</b> Option A-Straight Life	\$2,386.32	04/28/2009	03/18/2009

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- Payment of administrative expenses of \$2,223.56 for the period 08/01/10 – 08/31/10.

**The motion carried.**

Ms. Korzen next presented a report of Cash Account transfers for the period 10/01/10 – 12/31/10. The Retirement Systems Office staff projected a need for \$5,150,000 to be transferred to the cash account as follows: \$50,000 on September 30<sup>th</sup> (to cover retroactive benefit payments), \$1,700,000 on October 1<sup>st</sup>, \$1,700,000 on November 1<sup>st</sup> and \$1,700,000 on December 1<sup>st</sup>. Ms. Korzen recommended, and Mr. William Bensur of Wilshire Associates agreed to, making the transfers as follows:

September 30 <sup>th</sup>	Neuberger Berman	\$50,000
October 1 <sup>st</sup>	Neuberger Berman	\$700,000
October 1 <sup>st</sup>	ING Clarion	\$1,000,000
November 1 <sup>st</sup>	To be determined	\$1,700,000
December 1 <sup>st</sup>	To be determined	<u>\$1,700,000</u>
Total		\$5,150,000

As these accounts are overfunded, the transfers will serve to bring them back toward their target percentages. (Cash Account Report found on page )

The Executive Director provided Trustees with an update on the disability re-examination process and noted that Mr. Thomas Armock was re-examined by Dr. Harold Hollander, the physician who conducted the neutral I.M.E. in Mr. Armock’s disability retirement request. Ms. Korzen noted that per City Ordinance if a disability retiree is to be considered fit for duty again he or she must be deemed physically and mentally able and capable of resuming his or her duty as an employee in the position held by him or her at the time of his or her disability retirement. Dr. Hollander stated his opinion that he believes Mr. Armock is still totally and permanently incapacitated for performance of duty from his original job only and should remain retired as disabled from his original job only; however, Dr. Hollander believes there are significant psychological factors involved. Mr. Timkovich made the motion to accept the medical evaluation report from Dr. Hollander. The motion was seconded by Vice Chairman Tryc. Ms. Hight voiced her concern that when Trustees voted to grant Mr. Armock’s disability, it was on the basis of his physical limitations. Now Dr. Hollander is indicating that Mr. Armock may be physically able to perform some duties as an employee but may be suffering from emotional or psychological issues that lead Mr. Armock to believe he is disabled. Ms. Hight suggested it may be prudent to have Mr. Armock evaluated by a psychiatrist. Mr. Timkovich commented that it is not the Trustees’ job to prescribe treatment for an employee/retiree, and feels that perhaps this disability has not been given enough time to heal. Chairman Scripps stated since a psychological issue has been raised by Dr. Hollander, there is nothing prohibiting Trustees from having Mr. Armock evaluated by a psychiatrist. Ms. Hight asked for clarification on the medical committee for this process. Ms. Korzen stated that Mr. Armock would select a physician and then the Board would select a physician to make up the medical committee. She also stated that if Trustees decide to have Mr. Armock evaluated by a psychiatrist, depending upon the results of that evaluation, Trustees will need to decide which type of doctor Mr. Armock will need to choose (a throat specialist or psychiatrist). Mr. Tryc clarified that if a psychiatrist recommends treatment for Mr. Armock Trustees cannot force him to get the treatment. Mr. Timkovich stated that per the re-examination process in place Mr. Armock would be considered for re-examination in three years and perhaps it would be more prudent to wait until then to revisit this issue. Ms. White suggested that perhaps Trustees could send Mr. Armock to another throat specialist and if his/her findings agree with Dr. Hollander then a psychiatrist’s opinion could be sought. Mr. Timkovich withdrew his prior motion to accept Dr. Hollander’s report. Mr. Timkovich made the motion to send Mr. Thomas Armock for a second medical evaluation with another throat specialist to assist in clarifying the issues raised by Dr. Hollander. The motion was seconded by Mr. Gutowski and carried.

Mr. David Hoffman next presented Trustees with a 5-Year Experience Study for the period July 1, 2004 – June 30, 2009. Mr. Hoffman noted that experience studies are periodically conducted to assist

Trustees in determining whether or not the assumptions that are being made by the actuary each year in the valuations are adequate. He noted the following demographic experiences: 1) withdrawal rates were almost exactly as assumed for males and higher than previously assumed for females, and service based withdrawals (those occurring before five years of service) were higher than assumed; 2) retirement experience indicated more retirements than assumed; 3) disability experience was less favorable than previously assumed; 4) pay increase rates have been lower on average than assumed over a decade; 5) post-retirement mortality rates were higher than expected for males and females; and 6) pre-retirement mortality rates were unchanged. Mr. Hoffman reviewed the economic assumptions including long-term rates of investment return and wage inflation. Ms. Korzen stated that she and Mr. Hoffman would be asking the City if they have any strong feelings one way or the other about the Retirement Systems recognizing the 13<sup>th</sup> Check expense in the stated assumptions. The current investment return assumption is 7.5% per annum. This is net of expenses and assumed costs for the 13<sup>th</sup> Check program; the annual gross return assumption is 8.2%. Ms. Hight asked when all of the employees that retired during March 2010 would be taken into consideration actuarially. Mr. Hoffman stated they would be taken into consideration during the actuarial valuation for the fiscal year ending 06/30/10. The current wage growth assumption is 3.5% per annum. Mr. Hoffman provided Trustees with a comparison of present and alternate assumption scenarios and their impact on employer contribution rates:

	<u>06/30/09 Valuation</u>	<u>Proposed Demographic Assumptions and Indicated Economic Assumptions</u>		
	<u>Current</u>	<u>Current</u>	<u>Alt. #1</u>	<u>Alt. #2</u>
<u>Economic Assumptions:</u>				
Investment Return	7.50%	7.50%	7.25%	7.00%
Wage Inflation	3.50%	3.50%	3.50%	3.50%
Demographic Assumptions:	Current	New	New	New
		<u>% of Gross-up Payroll</u>		
Total Normal Cost	15.95%	14.94%	15.77%	16.66%
Member Contributions	<u>3.93%</u>	<u>3.93%</u>	<u>3.93%</u>	<u>3.93%</u>
Employer Normal Cost	12.02%	11.01%	11.84%	12.73%
Unfunded Actuarial Accrued Liabilities*	<u>1.10%</u>	<u>1.71%</u>	<u>2.57%</u>	<u>3.64%</u>
Computed Employer Rate	13.12%	12.72%	14.41%	16.37%
Funded Ratio	97.4%	96.0%	94.0%	91.5%

\*Amortized as a level percent-of-payroll over a period of 29 years.

Ms. Korzen asked Mr. Hoffman if the recently negotiated pension escalators and resulting potential impacts on beneficiary options were looked at during this study; Mr. Hoffman stated they were not and that would be a separate issue for Trustees to consider {Mr. Gutowski left the meeting at 9:27 a.m.}. Vice Chairman Tryc asked if the weighted average of member contributions would be expected to increase over time and the employer normal cost decrease due to the recent increase in member contribution rates for the non-bargaining members and anticipated increased contribution rates for the bargaining units in the City; Mr. Hoffman responded yes. Mr. Hoffman reminded Trustees that if they wish to compare their assumptions with other plans, they need to remember that an additional ¼% needs to be added to the investment return due to funding for a possible 13<sup>th</sup> Check. He stated one possibility for Trustees to consider is to make one explicit assumption for retirees who are eligible to receive a 13<sup>th</sup> Check and another for retirees who will receive a pension escalator. Trustees asked Mr. Hoffman which set of assumptions he would recommend; he recommended Alternate #1. He stated his opinion that this alternative is closer in line with other comparable systems and what is occurring in the marketplace. Ms. Korzen asked if Alternate #1 is selected by Trustees, would that be applied to the actuarial valuation as

of June 30, 2010 or would it apply to valuations going forward; Mr. Hoffman stated it would apply to the valuation for June 30, 2010. Mr. Timkovich made the motion to change the demographic assumptions as outlined in Alternate #1 in the experience study, effective with the actuarial valuation of June 30, 2010. The motion was seconded by Vice Chairman Tryc and carried. Mr. Hoffman commented that he can provide tables to the Trustees at the November board meeting that will show potential options for the pension escalators and resulting impacts on beneficiary options. The report was received and filed by Chairman Scripps.

Ms. Korzen next addressed the 13<sup>th</sup> Check calculations by noting that the five-year average book value rate of return was 8.15% for the General Retirement System. Per City Code, in order for a 13<sup>th</sup> Check to be issued, the five-year average book value rate of return must exceed 8.0%. Therefore, there will be sufficient reserves to issue a 13<sup>th</sup> Check on January 31, 2011. The report was received and filed by the Chairman.

There were no comments on items not on the agenda.

The meeting adjourned at 9:37 a.m.

The next General Retirement System Board Meeting will be held Wednesday, November 17, 2010, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General Retirement System