

# **City of Grand Rapids General Retirement System**

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**Financial Report  
with Supplemental Information  
June 30, 2007**

# **City of Grand Rapids General Retirement System**

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## Independent Auditor's Report

To the Board of Trustees  
City of Grand Rapids General Retirement System  
Grand Rapids, Michigan

We have audited the accompanying statement of plan net assets of the City of Grand Rapids General Retirement System (the "System") as of June 30, 2007 and 2006 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Rapids General Retirement System as of June 30, 2007 and 2006 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

September 25, 2007

# **City of Grand Rapids General Retirement System**

## **Management's Discussion and Analysis**

This section of the City of Grand Rapids General Retirement System (the System) annual financial statements presents a discussion and analysis of the financial performance of the System for the fiscal year ended June 30, 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements. This discussion and analysis is designed to focus on current activities, resulting changes and current known facts. The financial statements and this discussion are the responsibility of management.

### **Overall Fund Structure and Objectives**

The System exists to pay benefits to its retirees and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Generally speaking, benefits paid out in any given year are significantly greater than the contributions received. The excess of benefits over contributions must be funded through investment income.

### **Asset Allocation**

The System has established asset allocation policies, which are expected to deliver sufficient investment income over a very long period of time to satisfy the obligations to pay the benefits promised to its members. The following is a summary of the System's asset allocation policy as of June 30, 2007:

U.S. equity - 55%  
Fixed income - 30%  
Non-U.S. equity - 15%

### **Investment Results**

The System's performance consultant, Wilshire Associates, reported a market rate of return of 16.20% on retirement system assets for the year ended June 30, 2007. Had the assets all been invested passively, the return would have been 17.37%, which means that the System's assets underperformed their benchmark by 1.17%.

Management believes, and actuarial studies concur, that the System is in a solid financial position to meet its current obligations. We believe that the current financial position will continue to improve due to a prudent investment program, cost controls, and strategic planning.

### **Using the Financial Statements**

The System's financial report includes two financial statements: the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements include all assets and liabilities using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

# **City of Grand Rapids General Retirement System**

## **Management's Discussion and Analysis (Continued)**

The Statement of Plan Net Assets presents all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the System's financial position is improving or deteriorating. The Statement of Changes in Plan Net Assets presents how the System's net assets changed during the most recent fiscal year. These two financial statements should be reviewed along with the Schedule of Funding Progress and the Schedule of Employer Contributions (see Required Supplemental Information) to determine whether the System is becoming financially stronger or weaker and to understand changes over time in the funded status of the System.

### **Statement of Plan Net Assets**

System total assets as of June 30, 2007 were \$556,676,319 and were mostly comprised of cash, investments, interest and dividends, and contributions due from members and the City of Grand Rapids. Of this amount, \$51,742,512 represents collateral held by brokers under the System's securities lending program. Total assets increased \$154,043,354 from the prior year, primarily due to contributions made during the year, favorable investment returns, an increased amount of pending trades (sales) and a higher value of securities out on loan as of June 30, 2007.

Total liabilities as of June 30, 2007 were \$158,554,216 and were comprised of administrative expenses and investment management fees due after the close of the fiscal year, and pending trades (purchases). Securities on loan under the System's securities lending program represent \$51,742,512 of the liability amount. Total liabilities increased \$105,590,244 from the prior year, mainly due to pending purchases because of a change from a Russell 1000 Index fund to an S&P 500 Index fund at Northern Trust Global Investments.

Because the number of securities out on loan under the System's lending program can fluctuate greatly depending on demand and available securities, the assets and liabilities can be expected to vary widely from one year to the next, or not much at all, depending on how many securities are out on loan on June 30 of each year. The increase in assets caused by securities lending will always be offset by a corresponding liability of the same amount, so that the two amounts cancel each other out. Securities lending income is used to offset the System's custody and benefit payment expenses.

### **Statement of Changes in Plan Net Assets**

Revenue sources include employer contributions, member contributions, earnings on investments, and securities lending income. Contributions, investment income, and securities lending income for the fiscal year ended June 30, 2007 totaled \$66,828,994.

Total member contributions decreased from the previous year by \$89,921, primarily due to a decrease in the number of active members. Employer contributions increased from the previous year by \$137,856, despite a lower computed employer contribution rate, mainly due to the timing of contributions. Investment income increased from the previous year by \$29,217,790. Securities lending income increased from the previous year by \$49,709.

# **City of Grand Rapids General Retirement System**

## **Management's Discussion and Analysis (Continued)**

The primary expenses of the System include the payment of pension benefits to retirees and beneficiaries, refunds of contributions and interest to former members, and the cost of administering the System. Total deductions, including investment management fees, for the fiscal year ended June 30, 2007 were \$19,655,402; of this, payments for retirement benefits and refunds to former members were \$17,865,408, an increase of \$1,346,679 over the previous year.

Differences in benefit payments can occur for various reasons, including fluctuations in the number of retirees and beneficiaries, and the number of active members who terminate employment and withdraw their contributions during the year.

### **Other System Activities**

One investment product was changed during the year. The assets that were invested in a Russell 1000 Index Fund were transferred to an S&P 500 Index Fund, at Northern Trust Global Investments, near the end of June. This movement between funds, so near to year-end, resulted in higher than normal pending sales and pending purchases on June 30.

### **Contacting System Financial Management**

This financial report is designed to provide the Board of Trustees, our membership, taxpayers and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Retirement Systems office, 233 E. Fulton, Suite 216, Grand Rapids, Michigan, 49503.

# City of Grand Rapids General Retirement System

## Statement of Plan Net Assets June 30, 2007 (with comparative totals for June 30, 2006)

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and money market funds	\$ 13,927,014	\$ 8,701,426
Investments at fair value		
United States government obligations	62,462,289	59,137,786
Asset-backed securities	26,995,196	26,364,674
State and municipal bonds	1,887,543	2,104,850
Corporate bonds	30,618,870	29,693,354
Common stocks and equity mutual funds	260,610,550	218,445,374
Partnerships	22,183,177	18,431,872
Investments held as collateral for securities lending	<u>51,742,512</u>	<u>30,989,008</u>
Total investments	<u>456,500,137</u>	<u>385,166,918</u>
Total cash and investments	470,427,151	393,868,344
Receivables:		
Employer contributions	324,946	633,596
Plan member contributions	91,557	231,425
Interest and dividends	1,245,877	1,067,501
Pending trades - sales	<u>84,586,788</u>	<u>6,832,099</u>
Total receivables	<u>86,249,168</u>	<u>8,764,621</u>
Total assets	556,676,319	402,632,965
<b>Liabilities</b>		
Administrative expenses payable	67,000	54,530
Investment management fees payable	321,999	205,621
Pending Trades - purchases	106,422,705	21,714,813
Amounts due broker under securities lending agreement	<u>51,742,512</u>	<u>30,989,008</u>
Total liabilities	<u>158,554,216</u>	<u>52,963,972</u>
<b>Net Assets Held in Trust for Pension Benefits</b>		
(a schedule of analysis of funding progress is presented in the required supplemental information)	<u>\$ 398,122,103</u>	<u>\$ 349,668,993</u>

# City of Grand Rapids General Retirement System

## Statement of Changes in Plan Net Assets Year Ended June 30, 2007 (with comparative totals for the year ended June 30, 2006)

	2007	2006
<b>Additions</b>		
Investment income:		
Net appreciation in fair value of investments	\$ 47,600,346	\$ 20,750,524
Interest and dividends	8,963,805	6,595,302
Investment expense	(1,279,518)	(1,278,983)
Net investment income	55,284,633	26,066,843
Contributions:		
Employer	8,733,872	8,596,016
Plan members	2,729,169	2,819,090
Total contributions	11,463,041	11,415,106
Securities lending:		
Income	125,067	48,605
Expense	(43,747)	(16,994)
Net securities lending income	81,320	31,611
Total additions	66,828,994	37,513,560
<b>Deductions</b>		
Benefits	17,865,408	16,518,729
Administrative expenses	510,476	328,335
Total deductions	18,375,884	16,847,064
<b>Net Increase in Net Assets Held in Trust for Pension Benefits</b>	48,453,110	20,666,496
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	349,668,993	329,002,497
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	\$ 398,122,103	\$ 349,668,993

# **City of Grand Rapids General Retirement System**

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**Notes to Financial Statements  
June 30, 2007**

## **Note I - Summary of Significant Accounting Policies**

### **Basis of Accounting**

The City of Grand Rapids General Retirement System's (the "System") financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due according to the formal commitment made by the City of Grand Rapids (the "City") to provide the contributions. Plan member contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

### **Methods Used to Value Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

### **Use of Estimates**

The preparation of the System's financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements. Significant estimates are made for the actuarial present value of accumulated plan benefits as of the benefit information date, the changes in net assets available for benefits during the reporting period, and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

### **Risks and Uncertainties**

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Investments are exposed to various risks, such as interest rate, market, and credit. Due to uncertainties inherent in the estimations and assumptions process and the level of uncertainty related to changes in the value of investments, it is possible that changes in these estimates, assumptions, and risks in near term would be material to the financial statements.

# City of Grand Rapids General Retirement System

## Notes to Financial Statements June 30, 2007

### Note 2 - Plan Description and Contribution Information

#### Plan Description

The System is a single-employer, defined benefit pension plan, which provides retirement and disability benefits to plan members and beneficiaries. Eligible members consist of all persons regularly employed by the City, including the 61st District Court, but excluding uniformed police and fire employees. Benefit provisions are established and amended by City ordinance. The plan is administered by the System's board of trustees and the financial statements of the System are also included in the basic financial statements of the City as a pension trust fund. The System is an independent trust qualified under applicable provisions of the Internal Revenue Code and is an independent entity as required by state law.

#### Eligibility

An eligible employee becomes a participant in the System as of his or her date of permanent employment. The System provides for 100% vesting in System benefits with eight years of credited service. Employees may elect to retire after attaining age 62 and completing eight years of credited service, or after completing 30 years of service regardless of age. The yearly allowance, payable monthly for life to the retired member, equals 2.7% of the member's final average compensation times years and months of credited service. For members of the Crime Scene Technicians group, their final average compensation shall be increased by 4.1% and for members of the ECO I & II group, their final average compensation shall be increased by 20.5%. For purposes of benefit calculations, the final average compensation is based on the member's three highest compensated calendar years of credited service, before the year end of the calendar year in which the employee attains 40 years of credited service or reaches his or her credited service cap.

At June 30, 2007, the System's membership consisted of the following:

Retirees and beneficiaries receiving pension benefits	904
Terminated plan members entitled to but not yet receiving benefits	80
Active plan members	<u>1,037</u>
Total	2,021

# City of Grand Rapids General Retirement System

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## Notes to Financial Statements June 30, 2007

### **Note 2 - Plan Description and Contribution Information (Continued)**

#### Contributions

The City is required to contribute at an actuarially determined rate, calculated to be 16.41% and 16.24% for the years ended June 30, 2007 and 2006, respectively. Plan member contributions, which are required by ordinance, are based on compensation. Contributions are 2% to 5.36% of regular compensation paid by the City, depending on job classification. These contributions are 100% vested. Plan members retain the right upon termination to withdraw their contributions plus regular interest, as defined by the System, in lieu of any pension rights they may have.

The System maintains a member deposit fund, which is used to accumulate contributions made by plan members and related accrued interest. As detailed in the plan document, the fund is legally required to distribute individual employee contributions and related interest, upon request by a terminated plan member. The balance in the member deposit fund at June 30, 2007 is \$26,886,407.

### **Note 3 - Deposits and Investments**

The investments of the System are designed to comply with requirements of the State of Michigan, which has numerous investment limitations depending on the type of investment. The investment policy adopted by the board is in accordance with state law and has authorized investments according to Michigan Public Act 314. The most significant requirements as they impact the System are as follows:

1. Investments in stock are limited to 70% of the System's assets and investments in the stock of any one corporation are limited to 5% of the System's assets.
2. Equity investments in real estate are limited to 5% of the System's assets.
3. Investment in state and local government obligations is limited to 5% of the System's assets.
4. Investments in foreign securities are limited to 20% of the System's assets.

# City of Grand Rapids General Retirement System

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## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counter-party to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. This portfolio will minimize custodial credit risk by limiting investments to those permitted by Act 485 of the Public Acts of 1996, as amended (Michigan Compiled Laws 38.1132 et seq), which include: a) United States Treasury and Agency; b) Mortgages (Collateral and CMOs); c) Corporate Bonds (industrial, finance, asset-backed, utilities, telephone, and Yankee); d) Derivatives (futures, swaps, option contracts on the S&P 500 Index and U.S. Interest Rates, and futures and option contracts on U.S. Treasury and Agency securities); e) American Depository Receipts; f) Non-Dollar Bonds; g) Emerging Market Debt; h) Cash equivalent investments (including repurchase agreements); i) Short-term investment funds; j) International Depository Receipts; k) Global Depository Receipts; l) Convertible Bonds; m) Open and closed-end country funds; and n) Warrants.

In addition, the System will only conduct business with investment management firms that will: comply with all relevant provisions contained in Act 485 of the Public Acts of 1996, as amended (Michigan Compiled Laws 38.1132 et seq); support the overall investment policies of the Plan; understand and accept their designated "role" within the Plan's investment structure; construct a portfolio of securities that reflect the execution of their assigned investment strategy; and adhere to the guidelines of this document and/or any additional written instructions that amend the Investment Policy Statement. As of June 30, 2007, \$13,587 of cash equivalents was exposed to custodial credit risk because it was an uninsured deposit.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This portfolio structures its fixed income allocation to be approximately neutral in duration and interest rate risk to that of the benchmark (Lehman Aggregate Index). This should mitigate the relative over- or under- performance of the fixed income composite as a result of changing interest rates.

# City of Grand Rapids General Retirement System

## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

As of June 30, 2007, the System had the following investments and maturities.

	Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years	Maturity Not Determined
Asset-backed securities	\$ 11,372,000	\$ 30,593	\$ 1,711,161	\$ 29,035	\$ 9,601,211	\$ -
Commercial mortgage backed	3,290,031	-	-	-	3,290,031	-
Corporate bonds	30,618,870	2,194,351	9,453,894	5,997,226	7,912,248	5,061,151
Government agencies	6,010,816	179,437	4,174,068	868,080	789,231	-
Government bonds	14,729,025	1,856,102	3,245,156	8,944	9,618,823	-
Government mortgage backed	38,086,419	-	83,724	3,283,967	14,418,219	20,300,509
Index-linked government bonds	3,636,029	-	25,596	719,262	2,891,171	-
Municipal/Provincial bonds	1,887,543	-	239,783	817,440	830,320	-
Non-government backed CMOs	12,333,164	-	-	-	12,333,164	-
Short-term bills and notes	81,930	81,930	-	-	-	-
Short-term investment funds	14,479,758	-	-	-	-	14,479,758
<b>Total</b>	<b>\$ 136,525,585</b>	<b>\$ 4,342,413</b>	<b>\$ 18,933,382</b>	<b>\$ 11,723,954</b>	<b>\$ 61,684,418</b>	<b>\$ 39,841,418</b>

### Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The fixed income portfolio invests in both investment grade bonds as well as high yield bonds. However, the overall credit rating for the composite is not to be below an "A" rating. As of June 30, 2007, the System held investments with the following credit ratings:

Fair market value by investment type:

	S&P Rating								
	AAA	AA	A	BBB	BB	B	CCC	AGY/TSY	Not Rated
Asset-backed securities	\$ 10,645,600	\$ -	\$ -	\$ -	\$ 159,600	\$ -		\$ -	\$ 566,800
Commercial mortgage backed	2,477,522	-	-	-	-	-	-	-	812,510
Corporate bonds	947,729	3,363,304	4,728,363	9,296,951	2,502,884	1,977,250	593,650	-	7,208,739
Government agencies	5,243,378	-	-	-	-	-	-	57,304	710,134
Government bonds	14,447,242	-	-	232,147	-	-	-	49,637	-
Government mortgage backed	-	-	-	-	-	-	-	38,086,419	-
Index-linked government bonds	2,916,767	-	-	-	-	-	-	719,262	-
Municipal/Provincial bonds	-	426,497	591,031	201,196	-	-	-	-	668,819
Non-government backed CMOs	9,085,273	-	-	-	-	-	-	-	3,247,890
Short-term bills and notes	-	-	-	-	-	-	-	81,930	-
Short-term investment funds	-	-	-	-	-	-	-	-	14,479,758
<b>Total</b>	<b>\$ 45,763,511</b>	<b>\$ 3,789,801</b>	<b>\$ 5,319,394</b>	<b>\$ 9,730,294</b>	<b>\$ 2,662,484</b>	<b>\$ 1,977,250</b>	<b>\$ 593,650</b>	<b>\$ 38,994,552</b>	<b>\$ 27,694,650</b>

# City of Grand Rapids General Retirement System

## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. It is the System's policy that no single holding will represent more than 5% of the total fund. As of June 30, 2007, no single holding within this portfolio represented more than 5% of the total fund.

#### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. In general, the foreign currency exposure resulting from international investments is not hedged. This exposes the portfolio to foreign currency risk, which is not expected to harm or help the performance of the fund in a significant way over the long term. As of June 30, 2007, the System had the following foreign investments:

	Fair Market Value	Preferred and Common Stock	Government Bonds	Corporate Bonds	Non- Government Backed CMOs
Australian	2,451,464	1,967,705	-	362,830	120,929
Brazil	4,677,755	4,182,455	-	495,300	-
British Pound Sterling	11,879,109	11,413,220	-	465,889	-
Canadian	8,910,722	8,770,509	-	140,213	-
Cayman Islands	97,231	-	-	97,231	-
Euro	23,336,711	23,336,711	-	-	-
France	1,081,859	793,199	-	288,660	-
Germany	9,868	-	-	9,868	-
Hong Kong	905,903	677,719	-	228,184	-
Iceland	182,276	-	-	182,276	-
India	133,034	-	-	133,034	-
Italy	167,697	-	-	167,697	-
Japan	9,239,012	9,239,012	-	-	-
Kazakhstan	288,915	-	-	288,915	-
Latin America Region	619,834	619,834	-	-	-
Mexico	618,797	-	232,147	386,650	-
Netherlands	539,908	-	-	539,908	-
Norway	1,172,560	1,172,560	-	-	-
Russian Federation	113,410	-	-	113,410	-
South Korea	1,572,553	1,243,309	-	329,244	-
Spain	77,075	-	-	77,075	-
Sweden	216,954	216,954	-	-	-
Swiss Franc	1,096,511	1,096,511	-	-	-

# City of Grand Rapids General Retirement System

## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

#### Securities Lending Risk

As of June 30, 2007, the System had the following investments:

Investment Type	Fair Value of Loaned Securities Collateralized by		Fair Value of Loaned Securities Collateralized by	
	Cash Collateral	Cash Collateral	Noncash Collateral	Noncash Collateral
Global Equities	\$ 13,659,418	\$ 14,380,064	\$ 191,437	\$ 205,272
U.S. agencies	4,117,787	4,195,394	1,680,762	1,711,557
U.S. corporate fixed	6,314,455	6,461,540	544,661	554,402
U.S. equities	10,546,417	10,781,110	800,411	823,848
U.S. government fixed	15,637,463	15,924,404	2,760,216	2,818,597
Total	<u>\$ 50,275,540</u>	<u>\$ 51,742,512</u>	<u>\$ 5,977,487</u>	<u>\$ 6,113,676</u>

Public Act 314 permits and Trustees have implemented, a securities lending program whereby the System, through Northern Trust Company, lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has authorized Northern Trust Company to utilize the Core U.S.A. Collateral Section in which all collateral is in U.S. dollars only and available to participating lenders who are domiciled or reside in the U.S.A. The System receives cash, letters of credit, or government securities as collateral for loans of its securities to approved borrowers. Initial collateral levels will not be less than 102% of the market value of the borrowed securities, or not less than 105% if the borrowed securities and the collateral are denominated in different currencies.

At fiscal year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Northern Trust Company shall indemnify the System if it is unable to recover borrowed securities and distributions made during the term of the loan or loans with respect to those securities as a result of Northern Trust Company's failure to: 1) make a reasonable determination of the creditworthiness of a borrower, 2) demand adequate and appropriate collateral on a prompt and timely basis, perfect a security interest, obtain equivalent rights in the collateral or maintain control of the collateral, or 3) otherwise perform its duties and responsibilities under its agreement with the System or applicable law.

# **City of Grand Rapids General Retirement System**

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**Notes to Financial Statements  
June 30, 2007**

## **Note 3 - Deposits and Investments (Continued)**

All securities loans can be terminated on demand by either the System or Northern Trust Company and are subject to the performance by both parties of any of their respective obligations that remain outstanding at the time of termination. Upon termination of this program by either party, Northern Trust Company shall terminate all outstanding loans of the System's securities and shall make no further loans. The System does not have the ability to pledge or sell collateral securities without a borrower default. There are no restrictions on the amount of the loans that can be made. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

## **Required Supplemental Information**

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# City of Grand Rapids General Retirement System

## Required Supplemental Information Schedule of Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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General Retirement System:

6/30/2001	\$ 290,531,573	\$ 269,527,426	\$ (21,004,147)	108%	\$ 52,313,712	0%
6/30/2002	282,764,403	285,261,608	2,497,205	99%	49,209,733	5%
6/30/2003	270,637,794	297,568,110	26,930,316	91%	51,005,278	53%
6/30/2004	282,160,341	307,762,043	25,601,702	92%	51,752,109	50%
6/30/2005	305,533,088	334,554,231	29,021,143	91%	53,451,352	54%
6/30/2006	352,522,401	352,860,547	338,146	100%	52,838,163	1%

# City of Grand Rapids General Retirement System

## Required Supplemental Information Schedule of Employer Contributions

Fiscal Year/ Period Ended	Annual Required Contribution	Percentage Contributed
6/30/2001	\$ 815,441	100%
6/30/2002	485,854	100%
6/30/2003	1,600,534	100%
6/30/2004	5,916,496	100%
6/30/2005	8,632,941	100%
6/30/2006	8,596,017	100%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2006, the latest actuarial valuation, follows:

Valuation date	June 30, 2006
Actuarial cost method	Individual entry age
Amortization method	Level percent, closed
Remaining amortization period	14 years
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.0%-8.0%

\* Includes inflation at 3.5% and cost of living adjustment

## Master Document

FIELD	VALUES
<b>MuniNameHeadings</b>	City of Grand Rapids General Retirement System
<b>MuniNameText</b>	City of Grand Rapids General Retirement System
<b>CountyState</b>	
<b>MuniNameShort</b>	System
<b>MuniNameShort's</b>	System's
<b>Year End</b>	June 30, 2007
<b>Prior Year</b>	June 30, 2006
<b>2 Year Prior</b>	June 30, 2005
<b>Opinion Date</b>	August 30, 2007
<b>Comparative Date</b>	June 30, 2007 and 2006
<b>aA2003</b>	2006
<b>A2002</b>	2005
<b>A2001</b>	2004
<b>A2000</b>	2003