

GENERAL RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
REGULAR MEETING  
NOVEMBER 18, 2015 – 8:00 a.m.  
233 East Fulton Street

The meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman David Tryc, Mr. Martin Timkovich, Mr. William Butts, Ms. Jane Hofmeyer, and Mr. Elias Lumpkins, Jr. Absent: Mr. J. Patrick Scripps.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. Bernard Schaefer, Ms. Debra Christopher, Ms. Jami Worden and Ms. Sara VanderWerff, City Comptroller.

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

There were no public comments regarding agenda items.

Moved by Vice Chairman Tryc and seconded by Mr. Timkovich, the following administrative items were approved by the Board of Trustees:

- Minutes of the regular meeting of October 21, 2015.
- Retirement: four age and service and two deferred.

**Age and Service Retirements:**

<u>Name</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Blumke, Sandra</b>	30 yrs. 3 mo.	11/21/2015	\$59,832.33	\$3,813.18
<b>Garrison, Jr., Dean H.</b>	30 yrs. 3 mo.	11/25/2015	\$58,943.33	\$4,156.59
<b>Heartwell, George K.</b>	22 yrs. 0 mo.	01/01/2016	\$39,402.00	\$1,636.41
<b>Staal, Ronald A.</b>	29 yrs. 10 mo.	01/05/2016	\$45,627.33	\$2,730.67

**Deferred Retirements:**

<u>Name</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Jendrasiak, James J.</b>	12 yrs. 0 mo.	12/01/2015	\$22,496.00	\$607.39
<b>Swift, Maris S.</b>	9 yrs. 7 mo.	12/01/2015	\$42,472.40	\$652.53

- Payment of administrative expenses of \$7,685.39 for the period 10/01/15 – 10/31/15.

- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 09/30/15. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$27,691.46 – Baird Advisors (Fixed Income)  
 \$32,398.77 – Harvest Fund Advisors (MLP)  
 \$39,098.56 – Wellington Management Company (Equities)  
 \$27,854.21 – Wellington Management Company (Commodities)  
 \$38,632.38 – Western Asset Management (Fixed Income)

**The motion carried.**

Ms. Korzen presented the Public Act 314 Asset Analysis showing a market value of \$400,567,606 on October 31, 2015. The report was received and filed by the Chairman. (Analysis found on page )

Mr. Jim Anderson of Gabriel, Roeder, Smith and Company (GRS) presented an Experience Study covering the period July 1, 2009 – June 30, 2014. Mr. Anderson highlighted some of the aspects of the report by noting the following: 1) withdrawal experiences were higher than previously assumed; 2) service based withdrawals (those occurring before five years of service) were higher than assumed; 3) retirement experience indicated more retirements than assumed; 4) disability experience was exactly as previously assumed; and 5) pay increase rates (merit and seniority portion) have been lower on average than assumed over a decade. GRS recommended a change to the RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale and also changing the mortality assumption for disabled lives to the RP-2014 Disabled Retirees projected to 2019 using the MP-2014 mortality improvement scale. The same recommendation was made with respect to the death-in-service mortality rates. Mr. Anderson reviewed the economic assumptions and provided two alternatives. Price inflation in all scenarios was stated at 2.75%, wage inflation was stated as 3.50% in all three scenarios while the investment return was stated at either 7.50% (current), 7.25% (alternate 1) or 6.50% (alternate 2). He reviewed the methodology for the economic assumptions. He provided a comparison of present and alternate assumptions:

	<u>Current</u>	<u>Alternate 1</u>	<u>Alternate 2</u>
Investment Return	7.50%	7.25%	6.50%
Wage Inflation	3.50%	3.50%	3.50%
Demographic Assumptions	New	New	New
<b><u>Contributions for</u></b>			
Total Normal Cost	14.71%	15.52%	18.33%
Member Contributions	7.90%	7.90%	7.90%
Employer Normal Cost	6.81%	7.62%	10.43%
Unfunded Actuarial			
Accrued Liabilities*	20.74%	23.06%	30.07%
Computed Employer Rate	27.55%	30.68%	40.50%
Funded Ratio	80.7%	78.6%	72.6%

\*Amortized as a level dollar amount over a period of 24 years.

Ms. Korzen asked what the timing would be if Trustees decided to make changes to the demographic and economic assumptions as this would be a rather large change and members that are considering retiring may wish to retire under the current assumptions. Waiting until either April or July of 2016 would give GRS an opportunity to load the new retirement factors into their software program and provide the updated program to the Retirement Systems office. If Trustees adopt the proposed mortality tables today, and there is a change in the next few years, then they can revisit the assumptions that are being utilized based on the new mortality tables. Following Trustees discussion, Mr.

Timkovich made the motion to adopt alternate 1 as outlined by Gabriel, Roeder, Smith and Company in the Experience Study for July 1, 2009 – June 30, 2014. The motion was seconded by Ms. Hofmeyer and carried. Vice Chairman Tryc made the motion to implement the change in retirement factors due to the adoption of alternate 1 effective July 1, 2016. The motion was seconded by Mr. Butts and carried; Mr. Timkovich abstained.

The Executive Director next presented a request for a duty disability retirement request by Ms. Debra L. Christopher. Mr. Butts made the motion to go into closed session for the purpose of discussing Ms. Christopher's duty disability retirement request, information that is exempt from the Freedom of Information Act and is also medically privileged, and to include Mr. Schaefer, Ms. Christopher, Ms. Jami Worden, Ms. Korzen, Mr. Michaud, and Ms. Balkema. The motion was seconded by Ms. Hofmeyer and carried. Roll call vote: yeas: 6, nays: 0. Following the return to open session, Vice Chairman Tryc made the motion to table the duty disability retirement request for Ms. Debra L. Christopher to allow time for receipt of additional information from Mr. Schaefer and the City of Grand Rapids. The motion was seconded by Mr. Butts and carried.

The Executive Director next presented a request for a non-duty disability retirement request by Ms. Kathryn M. Kuzawa. Mr. Timkovich made the motion to approve Ms. Kuzawa's non-duty disability retirement request. The motion was seconded by Mr. Butts and carried.

Ms. Korzen next presented an update on the disability retiree re-examination process and noted that Dr. Joseph Taylor conducted an independent medical evaluation of Mr. Thomas Armock. Dr. Taylor stated his opinion that Mr. Armock is not physically and mentally able and capable of resuming his duty as a Utility Maintenance Mechanic II and the incapacity is likely to be permanent; therefore, he should continue to be retired as disabled.

There were no public comments on items not on the agenda.

Ms. Korzen 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 December 2015. After recent review of the investment accounts, Mr. Sefchok agreed with the Executive Director's recommendation to transfer \$1,450,000 from the NTAM account to the Cash Account on December 1, 2015.

The meeting adjourned at 9:35 a.m.

The next General Retirement System Board Meeting will be held Wednesday, December 16, 2015, at 8:15 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General Retirement System