

POLICE & FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
REGULAR MEETING
AUGUST 19, 2020 – 8:01 a.m.
VIA ONLINE CONFERENCE

The meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman Craig VanderWall, Mr. Philip Balkema, Mr. Phillip Mitchell, Ms. Donijo DeJonge, Mr. Nathaniel Moody, and Mr. Robert Veenstra.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. Jim Anderson and Mr. Jeff Tebeau of Gabriel, Roeder, Smith and Company, Mr. David Lindberg, Wilshire Associates, Inc., Mr. Scott Saindon, Deputy Chief Financial Officer for the City of Grand Rapids, and Ms. Lisa Balkema, Retirement Services Specialist.

There were no public comments regarding agenda items.

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

- Minutes of the regular meeting of June 17, 2020.
- Purchase of credited service by the following Police & Fire Retirement System members. All calculations have been prepared by this office and verified by the actuary.

Andrew J. Barker	\$64,189.20	48 months
Thomas A. Bush	\$54,103.86	36 months
Keith E. Hefner	\$54,103.86	36 months
Collin F. Kelly	\$43,386.22	29 months
Matthew J. Kubiak	\$32,094.58	24 months
Richard A. Lewis	\$16,047.29	12 months
Colin E. Mennega	\$29,141.90	22 months
David L. Olivier	\$15,895.87	12 months
Scott L. Stevenson	\$30,897.23	22 months
Terrence Timmer	\$14,708.72	12 months
Scott J. Vogrig	\$77,779.88	48 months

- The following Resolution No. 843.

WHEREAS, the Board of Trustees of the Police and Fire Retirement System has received requests for two age & service, two deferred, and one revised retirement from the following members of the plan:

Age & Service Retirements:

Erika K. Fannon, will retire September 9, 2020 from the Police Department as a Police Officer,

Credited Service: Thirty-three years

Pension: \$6,184.85,

and . . .

Darren P. Geraghty, retired August 7, 2020 from the Police Department as a Police Sergeant,

Credited Service: Twenty-nine years and six months

Pension: \$6,325.08,

and . . .

Deferred Retirements:

Matthew A. Dwyer, retired August 1, 2020 from the Police Department as a Police Officer,

Credited Service: Ten years

Pension: \$1,318.78,

and . . .

Tracy L. Vernier-Smith, retired July 1, 2020 from the Police Department as a Police Officer,

Credited Service: Ten years and two months

Pension: \$1,393.47,

and . . .

Revised Retirement:

Eugene Laudenslager, Jr., retired April 14, 2020 from the Police Department as a Police Officer,

Credited Service: Thirty years and four months

Pension: \$5,292.13,

Mr. Laudenslager has an alternate payee, Jennifer K. Kornowski, who receives the actuarial equivalent of \$822.46 per month. See minutes from May 20, 2020.

RESOLVED, that the retirements be approved.

- KEIP participants: The Board of Trustees of the Police and Fire Retirement System has received requests by two members of the plan to enter the KEIP Program:

KEIP Entry

Scott D. Gray,
KEIP Date:

Fire Captain-Strategic Planning Officer
July 24, 2020

Tentative KEIP End Date: July 23, 2022
KEIP Benefit: \$6,089.18

David W. Parish, Fire Equipment Operator
KEIP Date: August 9, 2020
Tentative KEIP End Date: August 8, 2022
KEIP Benefit: \$5,926.83

- Payment of administrative expenses of \$7,335.29 for the period 06/01/20 – 07/31/20.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 06/30/20. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$28,531.05 – Baird Advisors (Fixed Income)
\$6,000.13 – BlackRock (Global Low Volatility – quarter ending 03/31/20)
\$23,188.97 – CenterSquare Investment Management (Real Estate)
\$49,211.00 – Harding Loevner (ADRs)
\$25,248.60 – Harvest Fund Advisors (MLPs)
\$2,032.05 – NTAM (Equities)
\$25,702.97 – Wellington Management Company (Equities)
\$31,491.12 – Wellington Management Company (Commodities)
\$40,460.61 – Western Asset Management (Fixed Income)

- **Custody Fees:** The attached invoice from Northern Trust divides the quarter ending 12/31/19 fee as follows:

Benefit Payments	\$4,416.60
Money Weighted Return Report	\$650.00
Custody	<u>\$8,125.00</u>
Total	\$13,191.60

The motion carried.

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$413,068,309 on May 31, 2020 and \$419,318,680 on June 30, 2020. The reports were received and filed by the Chairman. (Analyses found on pages)

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the period 04/01/20 – 06/30/20. Two former non-vested members withdrew their contributions and interest totaling \$29,204.59. Two KEIP members withdrew their KEIP funds totaling \$342,822.64 from the Police & Fire Retirement System. The report was received and filed by the Chairman. (Report on page)

The Executive Director presented Trustees with the Quarterly Report of Income for the quarter ending 06/30/20. Total Securities Lending income for the period was \$32,436.69. Total Class Action Settlement receipts for the period were \$98.07. Chairman Hawkins received and filed the report. (Report found on page)

Mr. Jim Anderson and Mr. Jeff Tebeau of Gabriel, Roeder, Smith and Company presented the 5-year Experience Study for the period January 1, 2015 – December 31, 2019. Mr. Anderson reviewed the various assumptions and recommended changes to the following assumptions: 1) retirement rates; 2)

turnover rates; 3) disability rates; 4) pre- and post-retirement mortality rates; and 5) price, wage, and interest rate assumptions. He provided an overview of the components that GRS evaluated in the experience study and their relevance to the Retirement System. GRS recommends an increase in retirement rate assumptions which will cause a slight upward pressure on liabilities. Mr. Tebeau noted that GRS recommends decreasing the rates of turnover which will put a slight upward pressure on liabilities. They recommend no changes to the current rates of disability. Mr. Tebeau reviewed the mortality tables and projection scale and recent changes in this area. He noted GRS recommends utilizing the Pub-2010 amount-weighted Public Safety tables, in conjunction with the MP-2019 Projection Scale on a fully generational basis; this will slightly increase measured liabilities. He compared the selection of economic assumptions between Actuarial Standards of Practice No. 27 and Public Act 202. Based upon review of economic assumption data, GRS recommends that the System adopt the price inflation assumption of 2.25%, and a wage inflation assumption of 3.00%. They proposed no change to the current assumption for pay increases due to merit and seniority. They provided different options for assumed rates of return. Mr. Tebeau commented on the option factors for beneficiaries and noted that these are usually revised to correspond to the new interest and mortality assumptions adopted with an experience study. GRS recommends the option factors be revised as outlined in their report for retirements effective on or after January 1, 2021 to allow time for administrative changes and legal counsel review. Mr. Anderson reviewed the current amortization policy (the weighted average remaining period is 27 years, as set by the City) and recommended no change but commented that under Public Act 202 the maximum allowed amortization is 19 years for pension plan 2020 reporting. Mr. Tebeau reviewed the effects of recommended changes in actuarial assumptions on the Retirement System contribution and funded percent as of December 31, 2019 for each proposal. He noted that a change in assumptions will not change the long-term cost of the plan - only the timing of contributions to support the promised benefits. Mr. Tebeau reviewed the various alternate proposals by GRS regarding the experience study, their recommendations, and potential impacts to the Retirement System. Mr. Mitchell asked that since the current investment return is above the midpoint, will it have negative impacts later; Mr. Anderson said not necessarily. Vice Chairman VanderWall asked Mr. Lindberg what his thoughts were regarding the current investment rate of return; Mr. Lindberg stated that Wilshire's current outlook for investment returns is 5.36%, although the 10-year and 20-year return outlook is over 6.00%. However, this study was run with an effective date of 12/31/19, when rates were higher. Vice Chairman VanderWall asked if members who enter the KEIP were considered in their recommendations; Mr. Tebeau said yes. Mr. Veenstra commented he would be comfortable with lowering the investment rate of return to 7.00%. Mr. Moody asked what the overall effect on the City of Grand Rapids would be if Trustees make any changes; Mr. Anderson stated the biggest impact would be on the employer contribution rate. Mr. Michaud commented that the recommendations in the report seem reasonable compared to other plans and he did not foresee any legal issues. Ms. DeJonge asked if the turnover rates would be increasing due to the current political climate; Mr. Veenstra said he could not comment on that; however, he agreed with the actuaries' assessment that retirement rates will be increasing. Vice Chairman VanderWall stated there are no issues with turnover in the Fire Department. Vice Chairman VanderWall made the motion to approve alternate #1 as outlined in the 5-year Experience Study by Gabriel, Roeder, Smith and Company utilizing a 7.00% investment return, 3.00% wage inflation, and GRS' proposed demographic assumption changes. The motion was seconded by Mr. Veenstra and carried. Mr. Veenstra made the motion to approve the recommendation for the change in option factors for retirements on or after January 1, 2021 as outlined in the study. The motion was seconded by Mr. Mitchell and carried.

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

Ms. Korzen next addressed the 13th Check calculations by noting that the five-year average market value rate of return was 4.80% for the Police & Fire Retirement System. Per City Code, in order for a 13th Check to be issued, the five-year average market value rate of return must exceed 8.0%.

Therefore, there are not sufficient reserves to issue a 13th Check on January 31, 2021. The report was received and filed by the Chairman.

Ms. Korzen reported that The Northern Trust Company completed their quarterly retiree data verification of the Police & Fire Retirement System's retirees and beneficiaries. There were no deceased retirees or beneficiaries reported on the list that the office was unaware of.

Ms. Korzen commented that at the June Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for cash account needs for August and September 2020. After recent review of the investment accounts, Mr. Lindberg and the Executive Director agreed to transfer \$1,375,000 from the NTAM account to the cash account on August 3, 2020 and \$1,375,000 from the Harding Loevner account to the cash account on September 1, 2020.

The meeting adjourned at 9:03 a.m.

The next Police & Fire Retirement System Board Meeting will be held Wednesday, September 16, 2020, at 8:45 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
Police & Fire Retirement System