

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

MINUTES
REGULAR MEETING
FEBRUARY 15, 2017 – 9:36 a.m.
233 East Fulton

The meeting was called to order by Chairman Michael Hawkins. Other members present: Mr. Thomas VanderPloeg, Mr. Philip Balkema, and Mr. Phillip Mitchell. Absent: Vice Chairman Craig VanderWall, Ms. Jane Hofmeyer, and Mr. Jon O'Connor.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, and Mr. David Hoffman of Gabriel, Roeder, Smith & Company (via telephone).

Mr. Balkema made the motion to excuse the absences of Vice Chairman VanderWall, Ms. Hofmeyer, and Mr. O'Connor. The motion was seconded by Mr. VanderPloeg and carried.

There were no public comments regarding agenda items.

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

- Minutes of the regular meeting of December 21, 2016 and January 18, 2017.
- Purchase of credited service by the following Police & Fire Retirement System members:

Jose A. Gamez	\$58,755.44	48 months
Matthew M. Janiskee	\$71,793.76	48 months
William F. Moe	\$29,377.72	24 months
Matthew P. Sheffer	\$26,723.58	24 months
Jeffrey G. Smith	\$13,193.61	11 months
Craig C. VanderWall	\$30,617.18	24 months
Donald J. VanDyke	\$29,788.82	25 months

- The following Resolution No. 816.

WHEREAS, the Board of Trustees of the Police and Fire Retirement System has received requests for five Age & Service, one Deferred, and one Non-Duty Disability retirement from the following members of the plan:

Age & Service Retirements:

William H. Keiser, retired January 18, 2017 from the Police Department as a Police Officer,

Credited Service: Twenty-nine years and four months

Pension: \$5,282.90,

and. . .

David J. Leonard, will retire April 11, 2017 from the Police Department as a Police Officer,

Credited Service: Thirty-one years

Pension: \$5,813.14,

and. . .

James P. Meeker, will retire February 22, 2017 from the Police Department as a Police Officer,

Credited Service: Twenty-five years and five months

Pension: \$4,333.80,

and. . .

Donald J. VanDyke, retired February 10, 2017 from the Fire Department as a Fire Lieutenant,

Credited Service: Thirty-three years and nine months

Pension: \$5,643.34,

and. . .

Scott A. Weitzel, will retire February 22, 2017 from the Police Department as a Police Lieutenant,

Credited Service: Thirty years and six months

Pension: \$7,162.40,

and. . .

Deferred Retirement:

Rebecca R. Whitman, retired February 1, 2017 from the Police Department as a Police Captain,

Credited Service: Twenty-six years

Pension: \$5,789.32,

and. . .

Non-Duty Disability Retirement:

Jeffrey G. Smith, retired January 3, 2017 from the Fire Department as a Fire Lieutenant,

Credited Service: Thirty-two years and four months

Pension: \$5,779.07.

RESOLVED, that the retirements be approved.

- Payment of administrative expenses of \$5,723.55 for the period 12/01/16 – 01/31/17.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 12/31/16. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$24,735.87 – Baird Advisors (Fixed Income)
 \$34,019.08 – CBRE Clarion (Real Estate)
 \$37,982.00 – Harding Loevner (ADRs)
 \$37,218.47 – Harvest Fund Advisors (MLPs)
 \$6,778.02 – NTAM (Equities)
 \$37,459.21 – Wellington Management Company (Equities)
 \$26,490.92 – Wellington Management Company (Commodities)
 \$35,272.14 – Western Asset Management (Fixed Income)

- **Custody Fees:** The attached invoice from Northern Trust divides the quarter ending 12/31/16 fee as follows:

Benefit Payments	\$3,984.82
Money-weighted return report	\$650.00
Custody	\$7,447.20
Total	\$12,082.02

The motion carried.

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$382,427,587 on December 31, 2016 and \$389,105,755 on January 31, 2017. 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 10/01/16 – 12/31/16. No member contributions were withdrawn. 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 12/31/16. Total Securities Lending income for the period was \$32,740.41. Total Class Action Settlement receipts for the period were \$1,938.98. Chairman Hawkins received and filed the report. (Report found on page)

Ms. Korzen next presented a proposed revised policy on the administration of the Limit on Death or Disability Pensions (City Code, Section 1.253). She noted that the only proposed change is that employment earnings will not cause retirement benefits to be offset once a retiree reaches his or her minimum service retirement age of fifty (50) for police retirees and fifty-five (55) for fire retirees. She noted that she spoke to Mr. Michaud regarding this policy and how other systems are handling this issue and it seems a little far-reaching to expect that a disability retiree can never earn any additional money once he/she is retired. Therefore, once a disability retiree attains his/her minimum service retirement age, if he/she then obtains any gainful employment in a law enforcement or firefighting capacity, it will not be counted toward the 90% limitation. Mr. Balkema made the motion to accept the proposed revised policy on the Limit on Death or Disability Pensions as written. The motion was seconded by Mr. VanderPloeg and carried. The revised policy will take effect beginning with the 2016 tax information request from disability retirees.

Mr. David Hoffman of Gabriel, Roeder, Smith & Company (GRS) next addressed the topic of investment return assumptions for the December 31, 2016 actuarial valuation. Mr. Hoffman provided Trustees with a report outlining recommendations that GRS has regarding investment return assumptions. He commented that it is GRS' hope to visit this issue each year in preparation for the actuarial valuations and GASB 67 & 68 reporting. He noted that based on expected return data provided by Wilshire Associates as of December 31, 2016, GRS has determined that the current 7.25% investment return assumption remains reasonable for use in the December 31, 2016 actuarial valuation. He commented that Wilshire provided a long-term (30-year) return expectation of 7.3% along with a 10-year return expectation of 6.1%. Mr. Hoffman stated that if the shorter term forecast is realized, higher computed employer contributions than currently anticipated will result and little or no progress will be made toward increasing the funded ratio for the retirement system. He also noted that relatively long amortization periods currently in effect also contribute to the funded ratio impact. The most recent experience study for the retirement system set the implicit long-term price inflation assumption at 2.75%. GRS recommends that the price inflation

assumption be lowered to 2.5% and that the wage inflation assumptions also decrease to 3.25%. He did state that GRS still believes the current 3.5% wage inflation assumption is reasonable and the projected benefits for future benefit recipients would be lowered as a result of this change while contributions for paying off the unfunded actuarial accrued liability for the Police & Fire Retirement System would likely increase. He also noted that the Wilshire investment return assumption is not dependent on GRS' price inflation assumption, so lowering the price inflation assumption would not affect the investment return assumption. Mr. VanderPloeg asked if the funding level would decrease slightly as well if the wage inflation were decreased. Mr. Hoffman stated the funded ratio would actually increase slightly. The funding level is merely a comparison of the computed actuarial accrued liabilities compared to valuation assets. With respect to the amortization payment, GRS takes that difference and divides it up over the total future expected payroll for the current active employees. Mr. VanderPloeg made the motion to lower the price inflation assumption to 2.5%. The motion was seconded by Mr. Balkema and carried.

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

Mr. VanderPloeg made the motion to nominate Mr. Michael Hawkins to serve as Chairman of the Board of Trustees for the year 2017 and to nominate Mr. Craig VanderWall to serve as Vice Chairman of the Board of Trustees for the year 2017. The motion was seconded by Mr. Balkema and carried.

Ms. Korzen commented that at the December Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for Cash Account needs for February and March 2017. After recent review of the investment accounts, Mr. Pease and the Executive Director agreed to transfer \$1,100,000 from the NTAM account, \$400,000 from the Wellington Management (Equities) account, to the Cash Account on February 1, 2017 and to transfer \$600,000 from the Harvest Fund Advisors account, \$600,000 from the Wellington Management (Equities) account, and \$300,000 from the NTAM account to the Cash Account on March 1, 2017.

Ms. Korzen noted that the City Clerk's Office has recommended that every City Board and Commission member sign an oath of office. However, their oath is really designed for citizen trustees and not member trustees. Ms. Korzen wrote an oath to be signed by the member trustees for the retirement system which references the pension ordinance and also contains some of the same verbiage with respect to the seriousness of the office. She asked if each member trustee would sign the oath today in the presence of the Retirement Systems Assistant, Lori Fairman, as she is a notary. Copies will be given to the City Clerk's Office.

The Executive Director provided an update on the actuarial audit by noting that there is a signed contract in place and information has been uploaded to Milliman, so the process is underway.

The meeting adjourned at 9:42 a.m.

The next Police & Fire Retirement System Board Meeting will be held Wednesday, March 15, 2017, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
Police & Fire Retirement System