

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

MINUTES
REGULAR MEETING
MAY 17, 2017 – 10:43 a.m.
233 East Fulton

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. Jeffrey Tebeau (via telephone) of Gabriel, Roeder, Smith & Company, Mr. Timothy Herman of Milliman, and Ms. Sara VanderWerff, City Comptroller.

Mr. Balkema made the motion to excuse the absence of Ms. Hofmeyer. The motion was seconded by Mr. VanderPloeg and carried.

There were no public comments regarding agenda items.

Chairman Hawkins stated that Trustees need to confirm the vote from the March 20, 2017 telephone meeting. Mr. Balkema made the motion to confirm the decision from the March 20, 2017 Police & Fire Retirement System meeting to lower the price inflation assumption from 2.75% to 2.50% and lower the wage inflation assumption from 3.50% to 3.25% effective for the December 31, 2016 actuarial valuation. The motion was seconded by Mr. O'Connor and carried.

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

- Minutes of the regular meeting of March 15, 2017 and the special meeting of March 20, 2017.
- Purchase of credited service by the following Police & Fire Retirement System members:

Kevin D. Fox	\$52,885.28	48 months
James B. Jorgensen	\$58,755.44	48 months
Paul M. Kenny	\$33,016.34	24 months
Richard A. Moore	\$26,442.64	24 months
Chris A. Postma	\$33,016.34	24 months
Mark C. Worch	\$6,120.85	5 months

- The following Resolution No. 818.

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

Age & Service Retirement:

Mark C. Worch, will retire May 20, 2017 from the Police Department as a Police Officer,

Credited Service: Thirty years

Pension: \$5,123.95,

and . . .

Deferred Retirement:

John M. Keelean, will retire June 1, 2017 from the Police Department as a Police Lieutenant,

Credited Service: Twenty-six years and six months

Pension: \$5,540.76.

RESOLVED, that the retirements be approved.

- Payment of administrative expenses of \$5,324.30 for the period 03/01/17 – 04/30/17.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 03/31/17. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

- \$24,984.07 – Baird Advisors (Fixed Income)
- \$33,604.06 – CBRE Clarion (Real Estate)
- \$40,858.00 – Harding Loevner (ADRs)
- \$39,796.64 – Harvest Fund Advisors (MLPs)
- \$6,896.01 – NTAM (Equities)
- \$39,989.37 – Wellington Management Company (Equities)
- \$27,424.39 – Wellington Management Company (Commodities)
- \$35,086.55 – Western Asset Management (Fixed Income)

- **Custody Fees:** The attached invoice from Northern Trust divides the quarter ending 03/31/17 fee as follows:

Benefit Payments	\$3,947.82
Custody	<u>\$7,435.40</u>
Total	\$11,383.22

The motion carried.

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$395,887,130 on March 31, 2017 and \$399,993,664 on April 30, 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 01/01/17 – 03/31/17. 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 03/31/17. Total Securities Lending income for the period was \$30,155.34. Total Class Action Settlement receipts for the period were \$2,556.44. Chairman Hawkins received and filed the report. (Report found on page)

The Executive Director next presented a request for a non-duty disability retirement by Police Officer Torey Whitten. Mr. VanderPloeg provided Trustees with background information on Mr. Whitten’s case. Following Trustee discussion, Mr. VanderPloeg made the motion to approve the non-duty disability retirement request for Police Officer Torey Whitten, based on the medical findings and documents presented. The motion was seconded by Mr. Balkema and carried.

Mr. Jeffrey Tebeau (via telephone) of Gabriel, Roeder, Smith and Company (GRS) presented the 50th Annual Actuarial Valuation, for the year ending December 31, 2016. Mr. Tebeau noted that assets equaled 83.40% of computed accrued liabilities and that the City's contribution rate for the fiscal year beginning 07/01/17 will be 23.59%. Mr. Tebeau provided a detailed report that included unfunded actuarial accrued liabilities of \$79,554,062, a ratio of active to retired employees of 0.7 to 1, a recognized rate of return of 8.13% compared to 7.25% projected, and a computed employer rate of 26.18% of valuation payroll (23.59% of Gross-Up payroll) amortized over a period of 29 years. He noted that liabilities exceeded assets in the Police & Fire System (a \$79.6 million unfunded actuarial accrued liability). {Mr. Mitchell left the meeting at 11:00 a.m.} In addition, Mr. Tebeau provided information on GRS' comments regarding the valuation and observations regarding the implications of contribution allocation procedures of funding policy on future expected plan contributions and funded status. He also reviewed the limitations of funded status measurements and potential risks to future employer contribution requirements. Mr. Tebeau commented on the derivation of valuation assets over the past three years. Following the presentation Mr. Balkema made the motion to approve the actuary's recommendation to transfer \$6,059,739 from the Employer Accumulation Fund to the Benefit Reserve Fund and \$14,378,449 from the Employer Accumulation Fund to the Income Expense Fund (ending balances in each reserve fund as of December 31, 2016 were assumed to be: Member Deposit Fund - \$43,056,741; Employer Accumulation Fund - (\$2,930,824); Benefit Reserve Fund - \$270,846,337; Income-Expense Fund - \$0). Seconded by Mr. VanderPloeg, the motion carried. The report was received and filed by the Chairman.

Mr. Jeffrey Tebeau (via telephone) provided Trustees with the GASB 67 & 68 Plan Report and Accounting Schedules as of December 31, 2016. {Mr. O'Connor left the meeting at 11:06 a.m.} Mr. Tebeau noted that the actuarial valuation determines funding status and contributions, and the liabilities are to reflect the funded status and the funding policy of the plan. He reviewed the GASB 67 Plan Report and provided some background on the various tables contained in the report. Mr. Tebeau commented that for purposes of the GASB 67 report, members who enter the KEIP program are considered retired, whereas they are considered active in the actuarial valuation. He noted that the net pension liability as of December 31, 2016 was \$98,752,086 and the net position as a percentage of total pension liability was 79.51%. The single discount rate was 7.25%, as was the long-term expected rate of return. Mr. Tebeau reviewed the schedule of changes in the employer's net pension liability, the schedule of the employer's net pension liability, and schedule of contributions. He also reviewed the long-term expected return on plan assets. The report was received and filed by the Chairman.

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

Ms. Korzen commented that at the March Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for Cash Account needs for May and June 2017. After recent review of the investment accounts, Mr. Pease and the Executive Director agreed to transfer \$500,000 from the NTAM account and \$775,000 from the Wellington Management (Equities) account to the Cash Account on May 1, 2017 and to transfer \$1,000,000 from the Neuberger Berman account and \$275,000 from the Harding Loevner account to the Cash Account on June 1, 2017.

The meeting adjourned at 11:12 a.m.

The next Police & Fire Retirement System Board Meeting will be held Wednesday, June 21, 2017, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
Police & Fire Retirement System