

GENERAL RETIREMENT SYSTEM
BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
REGULAR MEETING
MAY 20, 2020 – 11:28 a.m.
233 East Fulton Street
VIA ONLINE CONFERENCE

The electronic meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman David Tryc, Mr. Martin Timkovich, Mr. William Butts, and Ms. Donijo DeJonge. Absent: Mr. Phillip Mitchell and Mr. Nathaniel Moody.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. Jim Anderson and Mr. Jeffrey Tebeau of Gabriel, Roeder, Smith and Company, Mr. David Lindberg and Mr. Calvin Born of Wilshire Associates, Inc., Ms. Jennifer Woodard, Mr. John Globensky, City Treasurer, and Ms. Lisa Balkema, Retirement Services Specialist.

Mr. Butts made the motion to excuse the absences of Mr. Mitchell and Mr. Moody. The motion was seconded by Vice Chairman Tryc and carried.

There were no public comments regarding agenda items.

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

- Minutes of the regular meeting of February 19, 2020 and March 18, 2020.
- Retirement: one age & service.

Age & Service Retirement:

<u>Name</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
Bowyer, David B.	13 yrs. 1 mo.	04/16/2020	\$57,960.33	\$1,421.32

- Payment of administrative expenses of \$1,716.69 for the period 02/01/20 – 02/29/20 and \$6,804.61 for the period 03/01/20 – 04/30/20.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 03/31/20. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$27,646.08 – Baird Advisors (Fixed Income)
\$6,104.59 – BlackRock (Global Low Volatility – quarter ending 09/30/19)
\$6,290.76 – BlackRock (Global Low Volatility – quarter ending 12/31/19)
\$24,714.80 – CenterSquare Investment Management (Real Estate)
\$40,494.00 – Harding Loevner (ADRs)
\$27,428.14 – Harvest Fund Advisors (MLPs)

\$2,537.05 – NTAM (Equities)
 \$25,486.53 – Wellington Management Company (Small Cap Equities)
 \$29,995.94 – Wellington Management Company (Commodities)
 \$37,838.52 – Western Asset Management (Fixed Income)

The motion carried.

Ms. Korzen next presented a report of Cash Account transfers for the period 04/01/20 – 06/30/20. The Retirement Systems Office staff projected a need for \$5,850,000 to be transferred to the cash account as follows: \$1,950,000 on April 1st, \$1,950,000 on May 1st and \$1,950,000 on June 1st. Ms. Korzen recommended, and Mr. David Lindberg of Wilshire Associates agreed, making the transfers as follows:

April 1 st	Baird Advisors	\$1,550,000
	Western Asset Management	\$400,000
May 1 st	Baird Advisors	\$1,500,000
	Western Asset Management	\$450,000
June 1 st	Baird Advisors	\$1,100,000
	Western Asset Management	<u>850,000</u>
Total		\$5,850,000

The report was received and filed by the Chairman. (Cash Account Report found on page)

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$427,965,476 on January 31, 2020, \$409,073,224 on February 29, 2020 and \$364,719,304 on March 31, 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 01/01/20 – 03/31/20 that disclosed a withdrawal of \$93,383.18 by two vested and one non-vested former members. The report was received and filed by the Chairman. (Report on page)

Ms. Korzen presented Trustees with the Quarterly Report of Income for the quarter ending 03/31/20. Total Securities Lending income for the period was \$28,274.14. There were no Class Action Settlement receipts for the period. Chairman Hawkins received and filed the report. (Report found on page)

Mr. Jim Anderson and Mr. Jeffrey Tebeau of Gabriel, Roeder, Smith and Company (GRS) presented Trustees with a 5-year Experience Study from July 1, 2014 – June 30, 2019. Mr. Tebeau reviewed the various assumptions and whether or not GRS recommended any changes to each assumption. He noted that they recommend changes to the following assumptions: 1) turnover rates; 2) disability rates; 3) pre- and post-retirement mortality rates; and 4) price, wage, and interest rate assumptions. The overall impact of the recommended changes was an increase in the computed contribution of approximately 8% - 12% of payroll, depending on the economic assumption set. He provided an overview of the components that GRS evaluated in the experience study and their relevance to the Retirement System. Mr. Timkovich asked if there will be a lag in impacts from COVID-19 on any assumptions; Mr. Tebeau said there likely will be, but it is unknown how long the lag will take to make any impact. GRS recommends no change in retirement rate assumptions. GRS recommends an increase in the turnover rates utilized which will put a slight downward pressure on liabilities. Disability rates were higher than previously expected so GRS recommends an increase in the disability rates, which will result in a slight decrease in computed liabilities and contributions. He reviewed the mortality tables and projection scale and recent changes in this area. He noted they recommend utilizing the Pub-2010 amount-weighted General tables, in conjunction with the MP-2019 Projection Scale on a fully generational basis; this will very slightly decrease measured liabilities. Mr. Anderson commented on the findings regarding economic assumptions and provided Trustees with background on their process. 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 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 26.54 years) and recommended no change but commented that Public Act 202 the maximum allowed amortization is 19 years for pension plan 2020 reporting. Mr. Tebeau commented on various other areas: 1) asset valuation method; 2) load for service purchases; and 3) load for 13th Check. He reviewed the effects of recommended changes in actuarial assumptions on the Retirement System contribution and funded percent summary of assumption sets and the results as of June 30, 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. Michaud commented that he felt the report, its findings, and recommendations were reasonable and consistent with what is going on in the industry today; Mr. Lindberg agreed. Ms. Korzen asked if GRS will consider this study as their recommendation for the funding policy for the General Retirement System; Mr. Anderson said yes. The Executive Director asked if there would be any implications for an early retirement incentive if offered by the City. Mr. Anderson noted that the City of Grand Rapids would have to complete an analysis for such an incentive, but it would seem prudent to amortize such an incentive over a 5-10-year period. Mr. Tebeau commented that there could be some mismatching issues if such an incentive is offered, but an actuarial study would need to be completed and could help to identify these types of issues. Mr. Tebeau reviewed the various proposals by GRS regarding the experience study, their recommendations, and potential impacts to the Retirement System. Ms. Korzen asked if GRS could provide an updated proposal including the recommendation by GRS to have the wage inflation set at 3.00% and with the current 7.00% investment rate of return. Chairman Hawkins asked if Trustees need to make a decision today; Mr. Anderson said Trustees could delay their decision until next month and they will also provide Trustees an updated proposal as Ms. Korzen requested. Trustees tabled this issue until the June 17, 2020 Board meeting.

Ms. Korzen next addressed the duty disability retirement request by Mr. John C. Woodard. She noted that his request was to be reviewed at the March 2020 Board, but that meeting was canceled. She stated that Mr. Woodard sustained injuries in an on-duty car accident; both doctors agreed that Mr. Woodard is totally and permanently disabled and should be retired. Mr. Butts commented that he reports directly to Mr. Woodard's spouse, Ms. Jennifer Woodard, so he will be abstaining from the vote. Based upon the medical reports and the majority opinion of the medical committee, Mr. Timkovich made the motion to approve the duty disability retirement request for Mr. John C. Woodard. The motion was seconded by Vice Chairman Tryc and carried; Mr. Butts abstained. Roll call vote: yeas -4, abstain -1.

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

The meeting adjourned at 12:37 p.m.

The next General Retirement System Board Meeting will be held Wednesday, June 17, 2020, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General Retirement System