

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

MINUTES  
REGULAR MEETING  
NOVEMBER 16, 2016 – 8:00 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 and Mr. Thomas Michaud, Legal Advisor to the Board.

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

There were no public comments regarding agenda items.

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

- Minutes of the regular meeting of September 21, 2016.
- Purchase of credited service by the following Police & Fire Retirement System members:

June E. Faber	\$26,629.94	24 months
Karl G. Holzhueter	\$50,187.43	41 months
Michael D. LaFave	\$58,755.44	48 months
Dennis K. Newton	\$58,755.44	48 months
- Purchase of military leave of absence – as provided for in Chapter 7, Section 1.243 (2) of City Code, Mr. Scott D. Klawon has requested to purchase the period of credited service during which he was on leave of absence for active military service. The period of service to be purchased is one (1) month and seven (7) days. The amount due of \$756.40 was calculated and verified by the Retirement Systems Office.
- The following Resolution No. 814.

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

**Age & Service Retirement:**

June E. Faber, will retire November 19, 2016 from the Fire Department as a Fire Equipment Operator,

Credited Service: Thirty-three years and seven months

Pension: \$5,694.99,

and. . .

Karl G. Holzhueter, will retire January 2, 2017 from the Police Department as a Police Officer,

Credited Service: Twenty-nine years

Pension: \$4,908.58,

and. . .

**Deferred Retirements:**

James M. Fannon, retired November 1, 2016 from the Police Department as a Police Officer,

Credited Service: Eleven years and one month

Pension: \$1,434.24,

and. . .

Whitney W. Wu, retired October 1, 2016 from the Police Department as a Police Lieutenant,

Credited Service: Twenty-five years

Pension: \$3,295.92.

RESOLVED, that the retirements be approved.

- Payment of administrative expenses of \$9,713.42 for the period 09/01/16 – 10/31/16.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 09/30/16. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

- \$25,362.26 – Baird Advisors (Fixed Income)
- \$37,516.78 – CBRE Clarion (Real Estate)
- \$39,459.00 – Harding Loevner (ADRs)
- \$38,484.92 – Harvest Fund Advisors (MLPs)
- \$38,132.33 – Wellington Management Company (Equities)
- \$25,880.91 – Wellington Management Company (Commodities)
- \$36,393.70 – Western Asset Management (Fixed Income)

- **Custody Fees:** The attached invoice from Northern Trust divides the quarter ending 09/30/16 fee as follows:

Benefit Payments	\$3,920.60
Custody	<u>\$7,450.06</u>
Total	\$11,370.66

**The motion carried.**

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$387,457,045 on September 30, 2016 and \$378,440,576 on October 31, 2016. 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 07/01/16 – 09/30/16. 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 09/30/16. Total Securities Lending income for the period was \$24,590.33. Total Class Action Settlement receipts for the period were \$1,739.41. Chairman Hawkins received and filed the report. (Report found on page )

Ms. Korzen next presented an update on the disability retiree re-examination process and noted that Dr. Paul Drouillard conducted a medical records review for Mr. Patrick Douglas and stated his opinion that Mr. Douglas is not physically and mentally able and capable of resuming his duty as a Police Officer and the incapacity is likely to be permanent; therefore, he should continue to be retired as disabled.

Ms. Korzen next addressed the 13<sup>th</sup> Check calculations by noting that the five-year average book value rate of return was 7.11% for the Police & Fire Retirement System. Per City Code, in order for a 13<sup>th</sup> 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 13<sup>th</sup> Check on January 31, 2017. The report was received and filed by the Chairman.

The Executive Director next presented Trustees with a supplemental report from Gabriel, Roeder, Smith and Company to determine the additional member contribution premium for the multiplier buy-up per City Code, Section 1.246, for Fire Fighter members hired on or after January 10, 2012 and Police Officers and Sergeants and Command members hired on or after December 20, 2011. These bargaining units negotiated that new hires on or after the aforementioned dates would begin with a 2.0% benefit multiplier and could elect a higher multiplier after the specified waiting period (between the member’s four and half year and year employment for Fire Fighter members and between years four and five of employment for Police Officers and Sergeants and Command members). The change in multiplier would be effective for all service earned after the member’s 5-year employment anniversary. The wording from the contracts indicated these premiums would be determined by the most recent experience study. Following the completion of the experience study last year, the additional member contributions for the multiplier elections have been computed as follows:

<b><u>Multiplier for Future Service</u></b>	<b><u>Fire Fighters</u></b>	<b><u>Police Officers &amp; Sergeants Police Command</u></b>
2.0%	0.00%	0.00%
2.2%	1.23%	1.21%
2.4%	2.49%	2.46%
2.6%	3.77%	3.61%
2.8%	5.08%	4.80%

Ms. Korzen indicated that once a member makes his/her election, that additional premium (if any) would be locked in for the remainder of their service time with the City and will be irrevocable. She noted her recommendation to make these rates effective July 1, 2016 – June 30, 2021 as that would give ample time to have the next experience study done to complete the next set of rates. Ms. Korzen stated if any new hire purchases credited service within his/her first five years of employment, it would be calculated at the 2.0% multiplier rate. She stated that each new hire would have at least five years calculated at 2.0% when they retire; if the new hire elects a higher multiplier, then he/she will have two calculations representing the two

different multipliers at retirement; both calculations would be based on the same final average salary. Mr. VanderPloeg commented that it may be more prudent to make these rates effective for the period beginning January 1, 2017 so as not to cause a potential delay in information to groups of employees who are hired late in the year. Mr. VanderPloeg made the motion to adopt the additional member contribution rates for the other benefit multipliers as outlined by the report by Gabriel, Roeder, Smith and Company and for the rates to be effective for multiplier changes that will take effect from January 1, 2017 – December 31, 2021. The motion was seconded by Vice Chairman VanderWall and carried.

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

Ms. Korzen noted that she did receive an invoice from Gabriel, Roeder, Smith and Company for the recent supplemental report on additional member contribution rates for additional multipliers; the charge is \$4,000. She did not expect to receive the invoice as she thought it was part of their normal consulting, but in speaking with Mr. VanderPloeg, he noted that this fee is in line with what the actuary charges for supplemental reports during bargaining negotiations. Mr. VanderPloeg asked if the City could be asked to pay half of the charge since it was a negotiated item. Chairman Hawkins stated that there should have been an engagement letter outlining the work and any associated fees. He requested that the Executive Director speak with the representatives at Gabriel, Roeder, Smith and Company regarding this issue and then possibly pursue asking the City to pay part of the invoice.

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 November and December 2016. After recent review of the investment accounts, Mr. Ruscetti and the Executive Director agreed to transfer \$500,000 from the Harding Loevner account, \$500,000 from the PIMCO account, and \$475,000 from the CBRE Clarion account to the Cash Account on November 1, 2016 and \$1,000,000 from the Western Asset Management account, and \$475,000 from the Brown Brothers Harriman account to the Cash Account on December 1, 2016.

The meeting adjourned at 8:11 a.m.

The next Police & Fire Retirement System Board Meeting will be held Wednesday, December 21, 2016, at 8:15 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
Police & Fire Retirement System