

GENERAL RETIREMENT SYSTEM
BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
REGULAR MEETING
NOVEMBER 15, 2017 – 8:00 a.m.
300 Monroe Avenue NW

The meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman David Tryc, Mr. Martin Timkovich, Mr. William Butts, and Mr. Jon O'Connor. Absent: Mr. Phillip Mitchell.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. Jim Anderson of Gabriel, Roeder, Smith, and Company, Ms. Kristin Hoogerwerf of Rehmann Robson, and Ms. Sara VanderWerff, City Comptroller.

Mr. Butts made the motion to excuse the absence of Mr. Mitchell. 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 September 20, 2017.
- Prior Military Service Purchase. As provided for in Chapter 7, Section 1.202.(5) of City Code, Mr. Kelly B. McWaters has requested to purchase prior military service in the amount of one (1) year and eight (8) months. The total amount of \$44,375.00 was calculated and verified by this office.
- Retirements: one age and service, one deferred, one early, and one deferred early.

Age and Service Retirement:

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Ramirez, Jose	30 yrs. 0 mo.	11/20/2017	\$47,272.67	\$3,148.89

Deferred Retirement:

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Rabaut, Lynn M.	10 yrs. 0 mo.	11/01/2017	\$22,496.00	\$438.74

Early Retirement:

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Richmond, Trina M.	10 yrs. 9 mo.	12/06/2017	\$43,717.67	\$746.70

Deferred Retirement:

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Arens, Sandra	10 yrs. 9 mo.	11/01/2017	\$25,072.40	\$496.04

- Payment of administrative expenses of \$7,155.60 for the period 09/01/17 – 10/31/17.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 09/30/17. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$26,257.54 – Baird Advisors (Fixed Income)
 \$36,913.52 – CBRE Clarion (Real Estate)
 \$43,899.00 – Harding Loevner (ADRs)
 \$36,538.40 – Harvest Fund Advisors (MLPs)
 \$7,096.13 – NTAM (Equities)
 \$41,136.28 – Wellington Management Company (Equities)
 \$28,198.54 – Wellington Management Company (Commodities)
 \$37,937.26 – Western Asset Management (Fixed Income)

- **Custody Fees:** The attached invoice from Northern Trust divides the quarter ending 09/30/17 fee as follows:

Benefit Payments	\$6,804.61
Custody	<u>\$7,415.39</u>
Total	\$14,220.00

The motion carried.

Ms. Korzen presented the Public Act 314 Asset Analysis showing a market value of \$416,850,736 on September 30, 2017. The report was received and filed by the Chairman. (Analysis found on page)

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the period 07/01/17 – 09/30/17 that disclosed a withdrawal of \$42,457.85 by one non-vested former member. 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 09/30/17. Total Securities Lending income for the period was \$24,504.67. Total Class Action Settlement receipts for the period were \$131.75. Chairman Hawkins received and filed the report. (Report found on page)

Mr. Jim Anderson of Gabriel, Roeder, Smith and Company (GRS) presented the 50th Annual Actuarial Valuation for the year ending June 30, 2017. Mr. Anderson noted that General Retirement System assets equal 80.9% of computed accrued liabilities. He also noted that the City’s contribution rate for the fiscal year beginning 07/01/18 will be 32.25% of covered payroll, as specified in Section 1.221(3) of City Code. He provided a detailed report that included a ratio of active to retired employees of 0.5 to 1, a recognized rate of return of 6.81% compared to 8.28% projected, and an initial computed employer rate of 6.97% amortized over a period of 28.20 years. He noted that liabilities exceeded assets (\$99,008,048 debit to unfunded actuarial accrued liability). He noted that the ratio of assets computed under funding value relative to the market value of assets is 102.2% and provided an overview on the projection of future amortization payments. Mr. Anderson reviewed the derivation of valuation assets and corresponding statistical data. {Mr. O’Connor arrived at 8:10 a.m.} Vice Chairman Tryc made the motion to approve the actuary's recommendation to transfer \$11,639,949 from the Employer Accumulation Fund to the Income Expense Fund. (Ending balances in each reserve fund as of June 30, 2017, were assumed to be: Member Deposit Fund - \$34,090,592; Employer Accumulation Fund – (\$31,939,993); Benefit Reserve Fund - \$310,303,589; Income-Expense Fund - \$0). Seconded by Mr. Timkovich, the motion carried. The report was received and filed by the Chairman.

Mr. Anderson of Gabriel, Roeder, Smith and Company (GRS) provided Trustees with a GASB 67 and 68 review and the GASB 67 Plan Report and Accounting Schedules as of June 30, 2017. Mr. Anderson reviewed the GASB 68 tables of information that the City of Grand Rapids needs to complete their reporting. He reviewed the GASB 67 Plan Report and provided some background on the various tables contained in the report. He noted that the net pension liability as of June 30, 2017 was \$107,866,299 and the net position as a percentage of total pension liability was 79.14%. The single discount rate was 7.25%, as was the long-term expected rate of return. Mr. Anderson reviewed the schedule of changes in fiduciary net pension, changes in the employer's net pension liability, the schedule of employer's net pension liability, and schedule of contributions. The report was received and filed by the Chairman.

Ms. Kristin Hoogerwerf of Rehmann Robson presented Trustees with the annual audit for the fiscal year ending June 30, 2017. Ms. Hoogerwerf provided Trustees with highlights from the audit, related statements, and required supplementary information. Some of the highlights included Rehmann's responsibilities, a report on internal controls, significant audit findings, any difficulties encountered in the audit and any disagreements with management. Ms. Hoogerwerf noted that the plan is being run efficiently, no unusual items were noted during their testing and there are no issues with the System's internal controls. Ms. Hoogerwerf also reviewed the *Independent Auditors' Communication with Those Charged with Governance* report that was provided to Trustees. The reports were received and filed by the Chairman.

Ms. Korzen next addressed the 13th Check calculations by noting that the five-year average market value rate of return was 8.65% for the General Retirement System; the calculations were reviewed by the actuary. 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, a 13th Check will be issued on January 31, 2018. Vice Chairman Tryc made the motion to approve the issuance of the January 31, 2018 13th Check as outlined in the report by the Executive Director. The motion was seconded by Mr. Timkovich and carried. The report was received and filed by the Chairman.

Ms. Korzen next presented an update on the disability retiree re-examination process, noting that Dr. Benjamin Bruinsma, Dr. Patrick Ronan, and Dr. Derek Lado conducted medical records reviews for Mr. William Leach. Dr. Bruinsma and Dr. Lado stated their opinion that Mr. Leach is not physically and mentally able and capable of resuming his duty as a Utility Maintenance Mechanic II and the incapacity is likely to be permanent; therefore, he should continue to be retired as disabled; Dr. Ronan disagreed.

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

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 2017. After recent review of the investment accounts, Mr. Lindberg and the Executive Director agreed to transfer \$1,775,000 from the NTAM account to the Cash Account on November 1, 2017 and \$1,000,000 from the Harding Loevner account and \$775,000 from the Wellington Management (Equity) account to the Cash Account on December 1, 2017.

The Executive Director commented that Mr. Martin Timkovich submitted the only nominating petition for the Member Trustee election; therefore, Mr. Timkovich is presumed elected and will serve a four-year term ending the first Monday in January 2022.

The meeting adjourned at 8:31 a.m.

The next General Retirement System Board Meeting will be held Wednesday, December 20, 2017, at 8:10 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General Retirement System