

GENERAL RETIREMENT SYSTEM
BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
REGULAR MEETING
NOVEMBER 20, 2019 – 8:00 a.m.
233 E. Fulton, Suite 216

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. Paul Matz of Rehmann Robson, Mr. Jim Anderson of Gabriel, Roeder, Smith, and Company, and Mr. John Globensky, City Treasurer.

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

There were no public comments regarding agenda items.

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

- Minutes of the regular meeting of September 18, 2019.
- Purchase of Credited Service: As provided for in Chapter 7, Section 1.202.(6) of City Code, the members listed below requested to purchase credited service. All calculations have been prepared by this office and verified by the actuary.

| <u>Name</u> | <u>Purchase Amount</u> | <u>Time Purchased</u> |
|--------------------|------------------------|-----------------------|
| John M. Globensky | \$33,610.54 | 24 months |
| Albert M. Volansky | \$15,802.28 | 24 months |

- Retirements: one age & service and one deferred.

Age & Service Retirement:

| <u>Name</u> | <u>Credited Svc.</u> | <u>Ret. Date</u> | <u>Avg. Salary</u> | <u>Pension</u> |
|-----------------------|----------------------|------------------|--------------------|----------------|
| Rule, Paula J. | 30 yrs. 2 mo. | 01/04/2020 | \$49,869.00 | \$2,944.08 |

Deferred Retirement:

| <u>Name</u> | <u>Credited Svc.</u> | <u>Ret. Date</u> | <u>Avg. Salary</u> | <u>Pension</u> |
|----------------------------|----------------------|------------------|--------------------|----------------|
| Bochniak, Dennis J. | 14 yrs. 2 mo. | 11/01/2019 | \$37,491.67 | \$1,106.53 |

- Payment of administrative expenses of \$8,278.77 for the period 09/01/19 – 10/31/19.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 09/30/19. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$27,632.97 – Baird Advisors (Fixed Income)
 \$38,719.78 – CBRE Clarion (Real Estate)
 \$45,456.00 – Harding Loevner (ADRs)
 \$36,596.91 – Harvest Fund Advisors (MLPs)
 \$2,419.80 – NTAM (Equities)
 \$26,966.78 – Wellington Management Company (Equities)
 \$32,570.27 – Wellington Management Company (Commodities)
 \$38,225.05 – Western Asset Management (Fixed Income)

The motion carried.

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$415,262,410 on August 31, 2019 and \$417,543,389 on September 30, 2019. 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 07/01/19 – 09/30/19; one vested member withdrew his contributions and interest from the General Retirement System totaling \$34,309.45. 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 09/30/19. Total Securities Lending income for the period was \$20,457.64. Total Class Action Settlement receipts for the period were \$1,259.13. Chairman Hawkins received and filed the report. (Report found on page)

Mr. Paul Matz of Rehmann Robson presented Trustees with the annual audit for the fiscal year ending June 30, 2019. Mr. Matz 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. Mr. Matz 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. Mr. Matz 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.

Mr. Jim Anderson of Gabriel, Roeder, Smith and Company (GRS) presented the 52nd Annual Actuarial Valuation for the year ending June 30, 2019. Mr. Anderson noted that General Retirement System assets equal 80% of computed accrued liabilities. He also noted that the City’s contribution rate for the fiscal year beginning 07/01/20 will be 39.31% 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 0.4 to 1, a recognized rate of return of 4.93%, and an initial computed employer rate of 7.62% amortized over a period of 26.54 years. He noted that liabilities exceeded assets (\$110,160,734 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 102.4% and provided an overview on the projection of future amortization payments. Mr. Anderson reviewed the derivation of valuation assets and corresponding statistical data and reviewed the next section of the report covering risks associated with measuring the accrued liability and actuarially determined contribution. Mr. Timkovich made the motion to approve the actuary's recommendation for transfers. (Ending balances in each reserve fund as of June 30, 2019, were assumed to be: Member Deposit Fund - \$35,026,607; Employer Accumulation Fund – (\$85,748,447); Benefit Reserve Fund - \$378,406,810; Income-Expense Fund - \$0). Seconded by Vice Chairman Tryc, the motion carried. The report was received and filed by the Chairman. Mr. Anderson commented that the System is due for an experience study as the last one was conducted for the 5-year period ending in 2014. He stated that if Trustees wish, GRS can complete the study and share the results at the February 2020 Board meeting. Ms. Korzen asked if he could provide her with a fee quote for the experience study

soon; he agreed. Mr. Anderson noted that according to the provisions of Public Act 202, the System will need to have an actuarial audit completed in the next eight years. Ms. Korzen stated that it might be prudent to wait until after the experience study is completed and a year or two of additional valuations are in place for a more thorough audit; Mr. Anderson and Trustees agreed.

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, 2019. 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, 2019 was \$120,050,734 and the net position as a percentage of total pension liability was 77.74%. The single discount rate was 7.00%, 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.

Public comments on items not on the agenda: Mr. Globensky asked what happens if the restrictions by the state on the rate assumptions become even lower? He asked if calculations are being run for those types of scenarios. Mr. Michaud commented that presently Public Act 202 is for reporting purposes only and the actuary, Trustees, and legal counsel will make changes if necessary.

Ms. Korzen commented that at the September Board meeting, it was unclear which investment management account funds should be transferred from for Cash Account needs for November and December 2019. After recent review of the investment accounts, Mr. Lindberg and the Executive Director agreed to transfer \$1,350,000 from the Western Asset Management account and \$400,000 from the Neuberger Berman account to the Cash Account on November 1, 2019 and \$1,000,000 from the NTAM account and \$750,000 from the Neuberger Berman account to the Cash Account on December 2, 2019.

The Executive Director commented that there was only one nominating petition received for the Member Trustee election this fall; therefore Mr. Butts is presumed re-elected. He will serve a four-year term that will expire the first Monday in 2024.

Ms. Korzen noted that Mr. Mitchell and Vice Chairman Tryc recently completed a review of the Annual Accounting for the General Retirement System for the fiscal year ending June 30, 2019. Vice Chairman Tryc commented that the books were reviewed extensively and noted that things were in order.

The meeting adjourned at 8:35 a.m.

The next General Retirement System Board Meeting will be held Wednesday, December 18, 2019, at 8:10 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General Retirement System