

*City of Grand Rapids Police & Fire Retirement System*

***SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2017***

Dear Retirement System Members and Retirants:

The Retirement System, which is managed by the Board of Trustees, is designed to help you meet your financial needs should you become disabled, retire or die.

The Board's fiduciary responsibility to you is to supervise the general administration of the System and invest its assets. Our Board retains professional advisors to assist us in fulfilling these duties.

We have prepared this summary report to give you a brief overview of the Retirement System and how it operates. We hope you will find it useful and informative. However, a summary cannot cover all the details of the System, which is governed by the provisions of Michigan Public Act 314 of 1965, as amended, the City of Grand Rapids Retirement Ordinance, and the Board's official rules and regulations. Additional information about the System, including the Retirement Ordinance and the actuarial valuation, is available online at [www.grpensions.org](http://www.grpensions.org) and in our office at 233 E. Fulton, Suite 216, Grand Rapids, MI.

Respectfully submitted,

***Board of Trustees  
City of Grand Rapids Police & Fire Retirement System***

### Board of Trustees

- Michael Hawkins – Chairman
- Craig C. VanderWall – Vice Chairman
- Thomas S. VanderPloeg – Member Trustee
- Philip A. Balkema – Citizen Trustee
- Jon O’Connor – Employer Trustee
- Phillip Mitchell – Citizen Trustee
- Vacant – Citizen Trustee

### Retirement System Service Providers

- Gabriel Roeder Smith and Company – Actuary
- Thomas Michaud, of VanOverbeke, Michaud & Timmony, P.C. – Legal Advisor
- Rehmann Robson – Auditor
- The Northern Trust Company – Custodial Bank
- Wilshire Associates, Inc. – Investment Consultant

### Investment Managers

- Aberdeen Asset Management – Private Equity
- Adams Street Partners – Private Equity
- Baird Advisors – Core Fixed Income
- Brown Brothers Harriman – Treasury Inflation Protected Securities
- CBRE Clarion – Real Estate
- Harding Loevner – American Depository Receipts
- Harvest Fund Advisors – Master Limited Partnerships
- Neuberger Berman – International Equity
- Northern Trust Asset Management – Passive Core Equity
- PIMCO – Enhanced Index Equity
- Wellington Management Company – Core/Growth Equity & Commodities
- Western Asset Management – Core Plus Fixed Income

Statement of Fiduciary Net Position

	2015	2016	2017	Change From Prior Year	
				In Dollars	As %
<b>Assets</b>					
Cash and money market funds	\$ 7,697,456	\$ 5,401,356	\$ 6,597,667	\$ 1,196,311	22.1%
Stocks, equity mutual funds and partnerships	234,838,362	240,487,092	267,085,596	26,598,504	11.1%
Fixed income	93,863,055	91,747,896	99,565,250	7,817,354	8.5%
Real estate	18,170,497	17,961,142	20,026,836	2,065,694	11.5%
Private equity partnerships	8,929,823	11,278,926	14,573,844	3,294,918	29.2%
Commodities	12,366,138	14,331,487	17,768,977	3,437,490	24.0%
Securities lending collateral	22,999,852	18,937,498	18,207,550	(729,948)	-3.9%
<b>Total cash and investments</b>	<b>398,865,183</b>	<b>400,145,397</b>	<b>443,825,720</b>	<b>43,680,323</b>	<b>10.9%</b>
Receivables	4,531,049	3,108,005	3,152,397	44,392	1.4%
<b>Total Assets</b>	<b>403,396,232</b>	<b>403,253,402</b>	<b>446,978,117</b>	<b>43,724,715</b>	<b>10.8%</b>
<b>Liabilities</b>					
Administrative expenses and investment management fees payable	296,047	310,591	365,892	55,301	17.8%
Pending trades - purchases	4,833,791	832,374	2,858,640	2,026,266	243.4%
Amounts due broker under securities lending agreement	22,999,852	18,937,498	18,207,550	(729,948)	-3.9%
<b>Total Liabilities</b>	<b>28,129,690</b>	<b>20,080,463</b>	<b>21,432,082</b>	<b>1,351,619</b>	<b>6.7%</b>
<b>Net Position Restricted for Pension Benefits</b>	<b>\$375,266,542</b>	<b>\$383,172,939</b>	<b>\$425,546,035</b>	<b>\$ 42,373,096</b>	<b>11.1%</b>

Statement of Changes in Fiduciary Net Position

	2015	2016	2017	Change From Prior Year	
				In Dollars	As %
<b>Additions</b>					
Contributions	\$ 10,187,462	\$ 12,096,193	\$ 14,026,330	\$ 1,930,137	16.0%
Net investment income (loss)	(9,191,254)	25,615,694	53,624,902	28,009,208	109.3%
Securities lending	107,542	97,250	115,689	18,439	19.0%
<b>Total Additions</b>	<b>1,103,750</b>	<b>37,809,137</b>	<b>67,766,921</b>	<b>29,957,784</b>	<b>79.2%</b>
<b>Deductions</b>					
Benefits	32,082,302	29,360,463	24,813,135	(4,547,328)	-15.5%
Administrative expense	581,364	542,277	580,690	38,413	7.1%
<b>Total Deductions</b>	<b>32,663,666</b>	<b>29,902,740</b>	<b>25,393,825</b>	<b>(4,508,915)</b>	<b>-15.1%</b>
<b>Net Increase (Decrease)</b>	<b>(31,559,916)</b>	<b>7,906,397</b>	<b>42,373,096</b>	<b>34,466,699</b>	<b>435.9%</b>
<b>Net Position Restricted for Pension Benefits, beginning of year</b>	<b>406,826,458</b>	<b>375,266,542</b>	<b>383,172,939</b>	<b>7,906,397</b>	<b>2.1%</b>
<b>Net Position Restricted for Pension Benefits, end of year</b>	<b>\$375,266,542</b>	<b>\$383,172,939</b>	<b>\$425,546,035</b>	<b>\$ 42,373,096</b>	<b>11.1%</b>

Funded Status

	<u>2016</u>	<u>2017</u>
• Actuarial accrued liabilities	\$479,362,227	\$506,255,138
• Applied Assets	\$399,808,165	\$421,679,693
• % Funded	83.40%	83.29%

System Investment Performance as of 12/31/17 (Net of Fees)

	<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>7-Years</u>	<u>10-Years</u>
Total Fund Return	14.2%	6.1%	8.5%	8.2%	6.1%

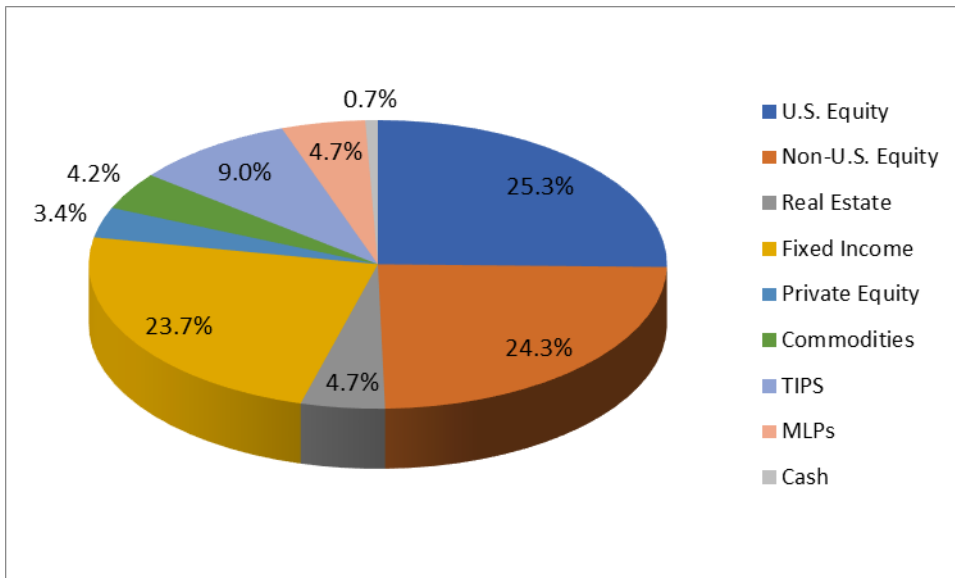
System Revenues and Expenditures

December 30, 2017

1.	Balance – Beginning of Year	\$383,172,938
2.	Revenues:	
a.	Employee Contributions	\$5,114,841
b.	Employer Contributions	\$8,911,489
c.	Investment Income	<u>\$54,813,455</u>
d.	Total Revenues	\$68,839,785
3.	Expenditures:	
a.	Benefit Payments	\$24,794,055
b.	Supplemental Pension Distribution	\$0
c.	Refund of Member Contributions	\$19,080
d.	Expenses	<u>\$1,653,553</u>
e.	Total Expenditures	\$26,466,688
4.	Balance – End of Year	\$425,546,035

The Board of Trustees has confirmed that the employer contributions shown above represent the required employer contribution for the year covered. The System had \$0.00 of “soft dollar” expenses.

Investments



System Itemized Budget as of December 31, 2017

<u>Expense</u>	<u>Actual YTD through 12/31/17</u>	<u>FYE 12/31/17 Budgeted Expense</u>	<u>Variance to Budgeted Expense</u>	<u>Expended by 12/31/16</u>	<u>Variance to 12/31/16</u>
Professional Services					
- Actuarial	52,570.00	\$ 48,000.00	4,570.00	43,660.00	8,910.00
- Audit*	24,700.00	14,700.00	10,000.00	14,410.00	10,290.00
- Consultant	106,875.00	105,000.00	1,875.00	112,250.00	(5,375.00)
- Custodial**	46,791.36	66,150.00	(19,358.64)	48,547.42	(1,756.06)
- Investment Management	991,042.87	1,323,000.00	(331,957.13)	939,202.80	51,840.07
- Legal Services	16,562.00	10,500.00	6,062.00	0.00	16,562.00
Insurance					
- Business Owners	318.50	440.00	(121.50)	318.50	0.00
- Fiduciary Liability	14,858.00	14,858.00	0.00	14,858.00	0.00
- Life & Disability	723.54	723.54	0.00	723.54	0.00
- Workers Compensation	624.00	1,103.00	(479.00)	0.00	624.00
Due Diligence & Education					
- Due Diligence	0.00	1,654.00	(1,654.00)	0.00	0.00
- Conference	10,700.28	18,113.00	(7,412.72)	14,654.70	(3,954.42)
- Other Education	4,988.00	4,190.00	798.00	1,335.98	3,652.02
Administration					
- Accufund Consultant	1,173.75	2,000.00	(826.25)	948.75	225.00
- Medical Evaluations	3,315.00	15,000.00	(11,685.00)	5052.31	(1,737.31)
- Meetings	39.94	578.00	(538.06)	244.61	(204.67)
- Occupancy Rental	13,749.96	13,749.96	0.00	13,749.96	0.00
- Office Supplies	11,958.90	17,000.00	(5,041.10)	9,995.33	1,963.57
- Memberships	465.00	650.00	(185.00)	690.50	(225.50)
- Salaries & Wages	219,504.85	322,350.00	(102,845.15)	246,704.20	(27,199.35)
<b>Total Expenses</b>	<b>\$ 1,520,960.95</b>	<b>\$ 1,979,759.50</b>	<b>(\$458,798.55)</b>	<b>\$1,467,346.60</b>	<b>\$ 53,614.35</b>

\*Additional fees possible due to GASB 67 advising.

\*\*Custody fees shown above are before offset from Securities Lending Income. Total income for FYE 12/31/17 was \$115,689.25

**Disclaimer:** The data above is a summary of expenses compared to arbitrarily selected "targets." These "targets" are not intended to be goals or budget objectives, just simple comparisons. Many of the figures are contractual or uncontrollable, such as asset manager fees (based on market values), occupancy (based on rental agreement) and Medical Evaluations (the number of which is purely

based on the number of disability retirement applications). The use of this document is intended to monitor expenses, not measure the System's performance.

The System's total aggregate cost for professional training and education, including travel costs, authorized by Michigan Public Act 314 for a fiscal year shall not exceed \$150,000 or an amount equal to the total number of system board members multiplied by \$12,000, whichever is less. Beginning January 1, 2013, the Department of Treasury shall adjust the dollar amounts for these costs by an amount determined by the State Treasurer at the end of the immediately preceding calendar year to reflect the cumulative annual percentage change in the Consumer Price Index.

Actuarial Valuation Information

• Active Members:	488
• Number of Retirees/Beneficiaries:	677
• Average Annual Retirement Allowance:	\$37,846
• Total Annual Retirement Allowance:	\$25,621,460
• Valuation Payroll:	\$34,907,940
• Gross-up Payroll:	\$38,919,488
• Employer's Normal Cost as % of Valuation Payroll:	13.99%
• Employer's Normal Cost as % of Gross-up Payroll:	12.54%
• Employer's Contribution Rate: (valuation payroll):	27.64%
• Employer's Contribution Rate (gross-up payroll):	24.79%
• Weighted Average of Member Contributions (valuation payroll):	11.43%
• Weighted Average of Member Contributions (gross-up payroll):	10.26%
• Actuarial Assumed Rate of Investment Return:	7.15%
• Actuarial Assumed Rate of Long-Term Wage Inflation:	3.25% - 20.25%
• Smoothing Method Utilized:	5-Year Smoothed Market
• Amortization Method Utilized:	Level Percent, Closed
• Amortization Period Remaining:	Multiple periods
• Actuarial Cost Method Utilized:	Individual Entry Age
• Actuarial Assumed Rate of Health Care Inflation:	N/A
• System Membership Status:	Open – except the plan is closed to individuals hired from outside the organization to fill the position of Fire Chief, Police Chief, or Deputy Police Chief.