

City of Grand Rapids Police & Fire Retirement System

***SUMMARY ANNUAL REPORT TO MEMBERS
DECEMBER 31, 2020***

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 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/ Fire Member Trustee
- Philip A. Balkema – Citizen Trustee
- Phillip Mitchell – Citizen Trustee
- Donijo DeJonge – Citizen Trustee
- Nathaniel Moody – Employer Trustee
- Robert Veenstra – Police Member 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

- 50 South Capital Advisors – Private Credit
- Aberdeen Asset Management – Private Equity
- Adams Street Partners – Private Equity
- Baird Advisors – Core Fixed Income
- BlackRock Institutional Trust Company – Low Volatility
- Brown Brothers Harriman – Treasury Inflation Protected Securities
- CenterSquare Investment Management – Real Estate
- Grosvenor Capital Management – Private Credit
- 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 as of December 31, 2018, December 31, 2019, and December 31, 2020

	2018	2019	2020	Change From Prior Year	
				In Dollars	As %
Assets					
Cash and money market funds	\$ 3,550,467	\$ 7,323,183	\$ 5,848,466	\$ (1,474,717)	-20.1%
Stocks, equity mutual funds and partnerships	218,882,861	224,965,267	247,914,960	22,949,693	10.2%
Fixed income	102,327,715	129,782,055	130,816,802	1,034,747	0.8%
Real estate	18,438,077	22,162,714	21,563,151	(599,563)	-2.7%
Private equity partnerships	20,505,570	22,456,021	26,583,039	4,127,018	18.4%
Commodities	15,662,584	19,739,597	21,121,530	1,381,933	7.0%
Private credit partnerships	6,846,256	17,823,842	19,782,457	1,958,615	11.0%
Securities lending collateral	14,473,713	17,317,484	31,039,032	13,721,548	79.2%
Total cash and investments	400,687,243	461,570,163	504,669,437	43,099,274	9.3%
Receivables	6,779,362	19,729,443	3,042,228	(16,687,215)	-84.6%
Total Assets	407,466,605	481,299,606	507,711,665	26,412,059	5.5%
Liabilities					
Administrative expenses and investment management fees payable	412,034	358,239	355,475	(2,764)	-0.8%
Pending trades - purchases	5,025,176	17,796,394	813,797	(16,982,597)	-95.4%
Amounts due broker under securities lending agreement	14,473,713	17,317,484	31,039,032	13,721,548	79.2%
Total Liabilities	19,910,923	35,472,117	32,208,304	(3,263,813)	-9.2%
Net Position Restricted for Pension Benefits	\$387,555,682	\$445,827,489	\$475,503,361	\$ 29,675,872	6.7%

Statement of Changes in Fiduciary Net Position as of December 31, 2018, December 31, 2019, and December 31, 2020

	2018	2019	2020	Change From Prior Year	
				In Dollars	As %
Additions					
Contributions	\$ 14,734,432	\$ 15,504,742	\$ 16,095,680	\$ 590,938	3.8%
Net investment income (loss)	(24,803,545)	71,006,826	44,434,291	(26,572,535)	-37.4%
Securities lending	85,431	83,222	105,258	22,036	26.5%
Total Additions	(9,983,682)	86,594,790	60,635,229	(25,959,561)	-30.0%
Deductions					
Benefits	27,404,159	27,730,677	30,382,544	2,651,867	9.6%
Administrative expense	602,512	592,306	576,813	(15,493)	-2.6%
Total Deductions	28,006,671	28,322,983	30,959,357	2,636,374	9.3%
Net Increase (Decrease)	(37,990,353)	58,271,807	29,675,872	(28,595,935)	-49.1%
Net Position Restricted for Pension Benefits, beginning of year	425,546,035	387,555,682	445,827,489	58,271,807	15.0%
Net Position Restricted for Pension Benefits, end of year	\$387,555,682	\$445,827,489	\$475,503,361	\$ 29,675,872	6.7%

Funded Status

	<u>2019</u>	<u>2020</u>
• Actuarial accrued liabilities	\$548,560,018	\$586,064,279
• Applied Assets	\$437,029,237	\$457,697,317
• % Funded	79.67%	78.10%

System Investment Performance as of 12/31/20 (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	10.43%	7.15%	8.52%	6.76%	7.86%

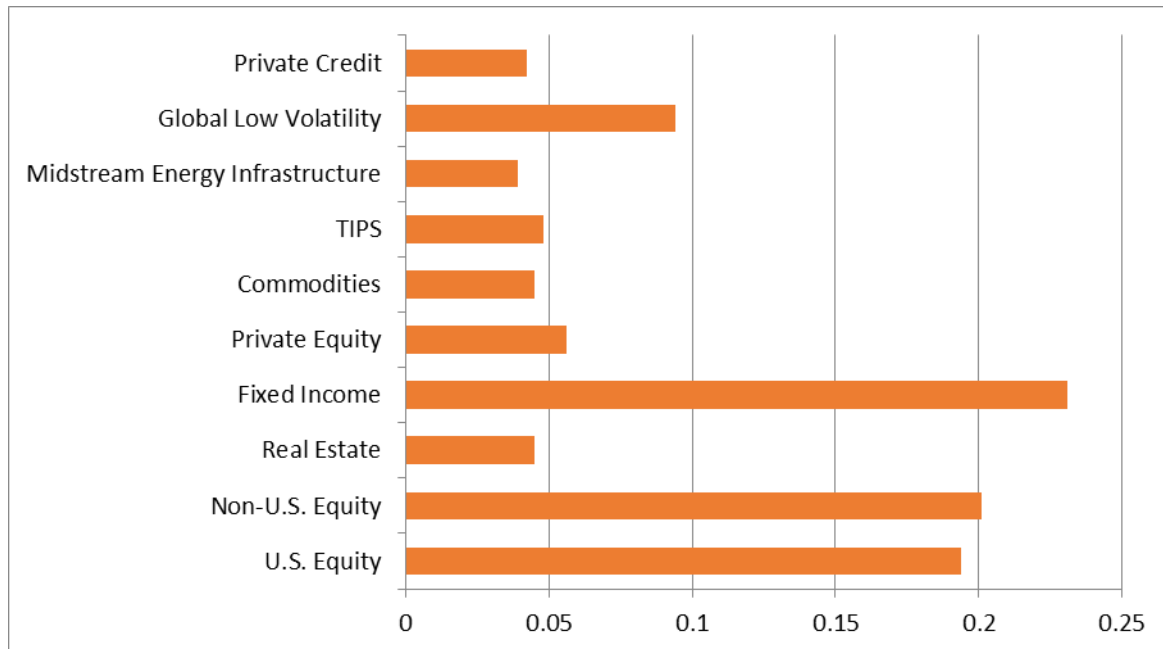
System Revenues and Expenditures

December 30, 2020

1.	Balance – Beginning of Year	\$445,827,489
2.	Revenues:	
a.	Employee Contributions	\$5,379,200
b.	Employer Contributions	\$10,716,480
c.	Investment Income	<u>\$45,570,502</u>
d.	Total Revenues	\$61,666,182
3.	Expenditures:	
a.	Benefit Payments	\$29,880,788
b.	Refund of Member Contributions	\$501,756
c.	Expenses	<u>\$1,607,766</u>
d.	Total Expenditures	\$31,990,310
4.	Balance – End of Year	\$475,503,361

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, 2020

<u>Expense</u>	<u>Actual</u> <u>YTD through</u> <u>12/31/20</u>	<u>FYE 12/31/20</u> <u>Budgeted</u> <u>Expense</u>	<u>Variance</u> <u>to Budgeted</u> <u>Expense</u>	<u>Expended by</u> <u>12/31/19</u>	<u>Variance</u> <u>to 12/31/19</u>
Professional Services					
- Actuarial	36,030.00	\$ 50,000.00	(13,970.00)	55,640.00	(19,610.00)
- Audit*	16,400.00	16,400.00	0.00	15,900.00	500.00
- Consultant	112,500.00	112,785.00	(285.00)	139,687.50	(27,187.50)
- Custodial**	52,189.10	60,000.00	(7,810.90)	36,430.54	15,758.56
- Investment Management	977,715.23	1,189,650.00	(211,934.77)	1,070,634.40	(92,919.17)
- Legal Services	12,591.00	20,000.00	(7,409.00)	19,620.00	(7,029.00)
Insurance					
- Business Owners	560.50	600.00	(39.50)	559.50	1.00
- Fiduciary Liability	15,273.00	15,500.00	(227.00)	14,858.00	415.00
- Life & Disability	723.54	723.54	0.00	723.54	0.00
- Workers Compensation	1,072.50	1,000.00	72.50	1,008.00	64.50
Due Diligence & Education					
- Due Diligence	0.00	5,000.00	(5,000.00)	2,212.49	(2,212.49)
- Conference	833.77	22,000.00	(21,166.23)	13,749.58	(12,915.81)
- Other Education	0.00	5,000.00	(5,000.00)	1,629.40	(1,629.40)
Administration					
- Accufund Consultant	2,073.75	2,000.00	73.75	1,098.75	975.00
- Medical Evaluations	0.00	16,000.00	(16,000.00)	8573.00	(8,573.00)
- Meetings	493.57	450.00	43.57	243.36	250.21
- Occupancy Rental	14,333.40	14,333.40	0.00	14,227.80	105.60
- Office Supplies	14,273.22	20,000.00	(5,726.78)	12,023.56	2,249.66
- Memberships	735.00	750.00	(15.00)	335.00	400.00
- Salaries & Wages	283,634.70	330,000.00	(46,365.30)	264,053.66	19,581.04
Total Expenses	\$ 1,541,432.28	\$ 1,882,191.94	(\$340,759.66)	\$1,673,208.08	\$ (131,775.80)

*Additional fees possible due to GASB 67 advising.

**Custody fees shown above are before offset from Securities Lending Income. Total income for FYE 12/31/20 was \$105,258.32.

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:	460
• Number of Retirees/Beneficiaries:	758
• Average Annual Retirement Allowance:	\$42,147
• Total Annual Retirement Allowance:	\$31,947,333
• Valuation Payroll:	\$35,286,329
• Gross-up Payroll:	\$40,201,129
• Employer’s Normal Cost as % of Valuation Payroll:	15.93%
• Employer’s Normal Cost as % of Gross-up Payroll:	13.98%
• Employer’s Contribution Rate: (valuation payroll):	37.78%
• Employer’s Contribution Rate (gross-up payroll):	33.16%
• Weighted Average of Member Contributions (valuation payroll):	13.18%
• Weighted Average of Member Contributions (gross-up payroll):	11.57%
• Actuarial Assumed Rate of Investment Return:	7.00%
• Actuarial Assumed Rate of Long-Term Wage Inflation:	3.00% - 20.00%
• 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, Deputy Fire Chief, Police Chief, or Deputy Police Chief.