

*City of Grand Rapids Police & Fire Retirement System*

***SUMMARY ANNUAL REPORT TO MEMBERS  
DECEMBER 31, 2013***

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.grcity.us](http://www.grcity.us) 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

- J. Patrick Scripps – Chairman
- Craig C. VanderWall – Vice Chairman
- Thomas S. VanderPloeg – Member Trustee
- Michael S. Hawkins – Citizen Trustee
- Philip A. Balkema – Citizen Trustee
- Walter D. Gutowski, Jr. – Employer Trustee
- Bill Alphenaar – Citizen Trustee

### Retirement System Service Providers

- Gabriel Roeder Smith and Company – Actuary
- BDO, USA – Auditor
- The Northern Trust Company – Custodial Bank
- Wilshire Associates, Inc. – Investment Consultant

### Investment Managers

- Adams Street Partners – Private Equity
- Baird Advisors – Core Fixed Income
- CBRE Clarion – Real Estate
- FLAG Capital – Private Equity
- 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
- Ziegler Capital Management – Core Equity

### Statement of Plan Net Position

	<u>2012</u>	<u>2013</u>	<u>Change from Prior Year</u>	
			<u>In Dollars</u>	<u>As %</u>
Assets:				
Cash and money market funds	\$6,740,445	\$3,625,438	(\$2,845,007)	(44.0%)
Common stocks and equity mutual funds	215,485,440	250,852,595	35,367,155	16.4%
Fixed Income	96,393,649	95,015,855	(1,377,794)	(1.4%)
Real Estate	18,520,806	19,316,749	795,943	4.3%
Private Equity	2,407,577	3,351,759	944,182	39.2%
Commodities	-	14,493,080	14,493,080	100.0%
Securities Lending Collateral	<u>12,301,384</u>	<u>21,797,271</u>	<u>9,495,887</u>	<u>77.2%</u>
Total cash and investments	351,579,301	408,452,747	56,873,446	16.2%
Receivables	<u>1,854,377</u>	<u>2,871,309</u>	<u>1,016,932</u>	<u>54.8%</u>
Total assets	353,433,678	411,324,056	57,890,378	16.4%

Liabilities				
Administrative expenses and investment management fees payable	283,371	321,453	38,082	13.4%
Pending trades – purchases	690,335	1,022,856	332,521	48.2%
Amounts due broker under securities lending agreement	<u>12,301,384</u>	<u>21,797,271</u>	<u>9,495,887</u>	<u>77.2%</u>
Total liabilities	13,275,090	23,141,580	9,866,490	74.3%
<b>Net position held in trust for pension benefits</b>	<b>\$340,158,588</b>	<b>\$388,182,476</b>	<b>\$48,023,888</b>	<b>14.1%</b>

### Statement of Changes in Plan Net Position

	<u>2012</u>	<u>2013</u>	Change from Prior Year	
			<u>In Dollars</u>	<u>As %</u>
Additions:				
Contributions	\$11,141,547	\$11,425,483	\$283,936	2.5%
Net investment income (loss)	45,114,763	57,050,054	11,935,291	26.5%
Securities Lending	<u>25,648</u>	<u>33,997</u>	<u>8,349</u>	32.6%
Total additions	56,281,958	68,509,534	12,227,576	21.7%
Deductions				
Benefits	19,207,788	19,974,505	766,717	4.0%
Administrative expense	<u>486,164</u>	<u>511,141</u>	<u>24,977</u>	<u>5.1%</u>
Total deductions	19,693,952	20,485,646	791,694	4.0%
Net increase	36,588,006	48,023,888	11,435,882	31.3%
Net position held in trust for pension benefits:				
Beginning of year	303,570,582	340,158,588	36,588,006	12.1%
<b>End of year</b>	<b>\$340,158,588</b>	<b>\$388,182,476</b>	<b>\$48,023,888</b>	<b>14.1%</b>

### Funded Status

	<u>2012</u>	<u>2013</u>
• Actuarial accrued liabilities	\$375,797,800	\$385,860,392
• Applied Assets	\$321,323,888	\$354,769,666
• % Funded	85.50%	91.94%

System Investment Performance as of 12/31/13 (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	17.0%	10.5%	15.5%	5.6%	7.1%

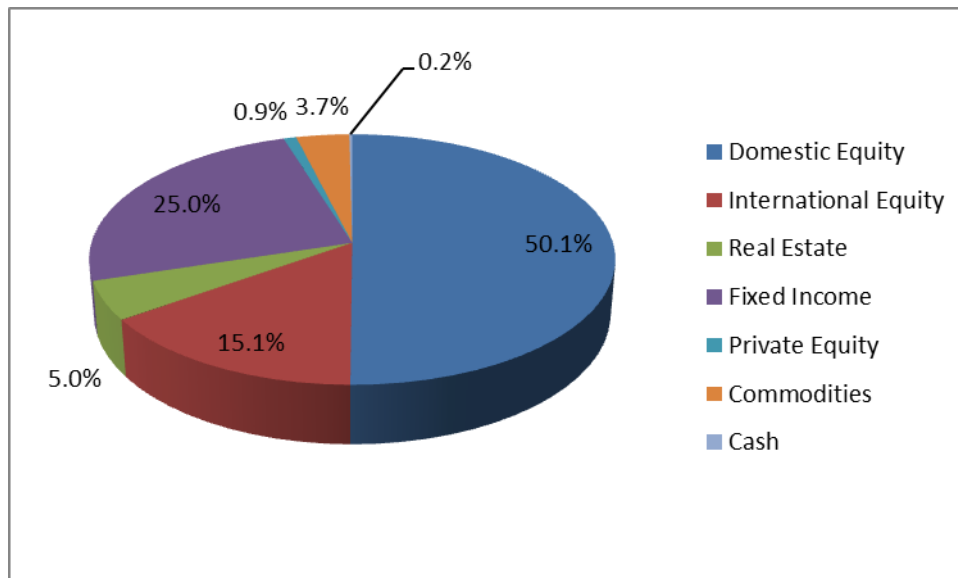
System Revenues and Expenditures

December 30, 2013

1.	Balance – Beginning of Year	\$340,158,586
2.	Revenues:	
	a. Employee Contributions	\$3,893,917
	b. Employer Contributions	\$7,531,566
	c. Investment Income	<u>\$58,083,811</u>
	d. Total Revenues	\$69,509,294
3.	Expenditures:	
	a. Benefit Payments	\$19,948,222
	b. Refund of Member Contributions	\$26,284
	c. Expenses	<u>\$1,510,899</u>
	d. Total Expenditures	\$21,485,405
4.	Balance – End of Year	\$388,182,475

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

<u>Expense</u>	<u>Actual</u> <u>YTD</u>	<u>FYE 12/31/13</u> <u>Target</u>	<u>Variance</u> <u>to Target</u>	<u>Expended by</u> <u>12/31/12</u>	<u>Variance to</u> <u>12/31/12</u>
<b>Professional Services</b>					
- Actuarial	\$34,400	\$35,000	(\$600)	\$33,880	\$520
- Audit	\$11,300	\$11,300	\$0	\$11,630	(\$330)
- Consultant	\$108,500	\$109,000	(\$500)	\$106,250	\$2,250
- Custodial*	\$44,039	\$70,000	(\$25,961)	\$43,688	\$351
- Investment Mgmt.	\$934,678	\$950,000	(\$15,322)	\$832,575	\$102,103
- Legal Services	\$39	\$500	(\$461)	\$68	(\$29)
<b>Insurance</b>					
- Business Owners	\$380	\$350	\$30	\$350	\$30
- Fiduciary Liability	\$15,150	\$14,100	\$1,050	\$14,100	\$1,050
- Life & Disability	\$723	\$730	(\$7)	\$724	\$0
- Worker's Compensation	\$506	\$848	(\$342)	\$848	(\$342)
<b>Due Diligence &amp; Education</b>					
- Due Diligence	\$1,181	\$3,000	(\$1,819)	\$0	\$1,181
- Conferences	\$12,588	\$22,000	(\$9,412)	\$20,235	(\$7,647)
- Other Education	\$6,260	\$3,000	\$3,260	\$4,051	\$2,209
<b>Administration</b>					
- Accufund Consultant	\$886	\$2,000	(\$1,114)	\$886	\$0
- Medical Evaluations	\$13,037	\$10,000	\$3,037	\$3,400	\$9,637
- Meetings	\$300	\$500	(\$200)	\$331	(\$31)
- Occupancy Rental	\$12,604	\$14,000	(\$1,396)	\$13,750	(\$1,146)
- Office Supplies	\$12,818	\$16,000	(\$3,182)	\$12,557	\$261
- Memberships	\$492	\$450	\$42	\$400	\$92
- Salaries & Wages	<u>\$235,864</u>	<u>\$275,000</u>	<u>(\$39,136)</u>	<u>\$197,829</u>	<u>\$38,035</u>
<b>Total Expenses</b>	<b>\$1,445,745</b>	<b>\$1,537,778</b>	<b>(\$92,033)</b>	<b>\$1,297,552</b>	<b>\$148,194</b>

\*Custody fees shown above are before offset from Securities Lending income. Total income for FYE 12/31/13 was \$33,997.

**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 judge the System's performance.**

### Actuarial Valuation Information

• Active Members:	501
• Number of Retirees/Beneficiaries:	627
• Average Annual Retirement Allowance:	\$32,130
• Total Annual Retirement Allowance:	\$20,145,782
• Valuation Payroll:	\$33,110,530
• Gross-up Payroll:	\$36,429,915
• Employer's Normal Cost as % of Valuation Payroll:	12.25%
• Employer's Normal Cost as % of Gross-up Payroll:	11.12%
• Employer's Contribution Rate: (valuation payroll):	17.96%
• Employer's Contribution Rate (gross-up payroll):	16.31%
• Weighted Average of Member Contributions (valuation payroll):	11.29%
• Weighted Average of Member Contributions (gross-up payroll):	10.27%
• Actuarial Assumed Rate of Investment Return:	7.36%
• Actuarial Assumed Rate of Long-Term Wage Inflation:	3.50% - 20.50%
• Smoothing Method Utilized:	5-Year Smoothed Market
• Amortization Method Utilized:	Level Percent, Closed
• Amortization Period Remaining:	25 Years
• Actuarial Cost Method Utilized:	Individual Entry Age
• System Membership Status:	Open