

POLICE & FIRE RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
REGULAR MEETING  
DECEMBER 16, 2015 – 8:00 a.m.  
233 East Fulton

The meeting was called to order by Chairman Michael Hawkins. Other members present: Mr. Thomas VanderPloeg, Mr. Philip Balkema, Ms. Jane Hofmeyer, and Mr. Elias Lumpkins, Jr. Absent: Mr. J. Patrick Scripps and Vice Chairman Craig VanderWall.

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, Mr. Jon O'Connor, and Ms. Sara VanderWerff, City Comptroller.

Mr. VanderPloeg made the motion to excuse the absences of Mr. Scripps and Vice Chairman VanderWall. The motion was seconded by Mr. Balkema and carried.

There were no public comments regarding agenda items.

Moved by Mr. VanderPloeg and seconded by Mr. Balkema the following administrative items were approved by the Board of Trustees:

- Minutes of the regular meeting of November 18, 2015.
- Purchase of credited service by the following Police & Fire Retirement System member:  

Kevin J. Sehlmeier	\$38,199.40	30 months
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- The following Resolution No. 807.

WHEREAS, the Board of Trustees of the Police and Fire Retirement System has received requests for four Age & Service retirements from the following members of the plan:

**Age & Service Retirements:**

Denis A. Hatt, will retire January 6, 2016 from the Fire Department as a Fire Equipment Operator,

Credited Service: Thirty years and four months

Pension: \$5,212.73,

and . . .

Jeffrey M. Madura, will retire January 4, 2016 from the Fire Department as a Fire Equipment Operator,

Credited Service: Thirty-one years

Pension: \$4,795.63,  
and . . .

Kevin J. Sehlmeyer, will retire January 12, 2016 from the Fire Department as a Deputy Fire Chief,

Credited Service: Thirty-three years and nine months

Pension: \$6,375.59,  
and . . .

Timmy J. Szotko will retire January 4, 2016 from the Fire Department as a Fire Captain,

Credited Service: Thirty-three years and nine months

Pension: \$6,105.92.

RESOLVED, that the retirements be approved.

- Payment of administrative expenses of \$5,225.09 for the period 11/01/15 – 11/30/15.

**The motion carried.**

Ms. Korzen next presented a report of Cash Account transfers for the period 01/01/16 – 03/31/16. The Retirement Systems Office staff projected a need for \$3,750,000 to be transferred to the cash account as follows: \$1,250,000 on January 4<sup>th</sup>, \$1,250,000 on February 1<sup>st</sup> and \$1,250,000 on March 1<sup>st</sup>. Ms. Korzen recommended, and Mr. Nick Sefchok of Wilshire Associates agreed, making the transfers as follows:

January 4 <sup>th</sup>	NTAM	\$1,250,000
February 1 <sup>st</sup>	To be determined	\$1,250,000
March 1 <sup>st</sup>	To be determined	<u>\$1,250,000</u>
Total		\$3,750,000

The report was received and filed by the Chairman. (Cash Account Report found on page )

Ms. Korzen presented the Public Act 314 Asset Analysis showing a market value of \$381,878,482 on November 30, 2015. The report was received and filed by the Chairman. (Analysis found on page )

Ms. Korzen next provided Trustees with an annual budget proposal. The figures on the proposed document represent the dollar amounts Trustees expect to be expended for the FYE 12/31/16. Ms. Korzen stated that a formal budget that is approved by Trustees annually is now a requirement under P.A. 314 and once approved by Trustees, will be available on the Retirement System’s website. Following discussion Mr. VanderPloeg made the motion to approve the budget as written. The motion was seconded by Ms. Hofmeyer and carried.

Mr. Jim Anderson of Gabriel, Roeder, Smith and Company (GRS) presented an Experience Study covering the period December 31, 2009 – December 31, 2014. Mr. Anderson highlighted some of the aspects of the report by noting the following: 1) withdrawal experience was expected; 2) retirement experience was also as expected during the period; 3) disability experience was lower than expected for

Fire members and higher than expected for Police members; and 4) pay increase rates (merit and seniority portion) have been lower on average than assumed over a decade {Mr. Lumpkins arrived at 8:08 a.m.}. GRS recommended a change to the RP-2014 Healthy Annuitant Mortality Table projected to 2019 using the MP-2014 mortality improvement scale and also changing the mortality assumption for disabled lives to the RP-2014 Disabled Retirees projected to 2019 using the MP-2014 mortality improvement scale. The same recommendation was made with respect to the death-in-service mortality rates. Mr. Anderson reviewed the economic assumptions and provided two alternatives. Price inflation in all scenarios was 2.75%, wage inflation was 3.50%, and investment return was either 7.50% (current), 7.25% (alternate 1) or 6.50% (alternate 2). He reviewed the methodology for the economic assumptions and provided a comparison of present and alternate assumptions:

	<u>Current</u>	<u>Alternate 1</u>	<u>Alternate 2</u>
Investment Return	7.50%	7.25%	6.50%
Wage Inflation	3.50%	3.50%	3.50%
Demographic Assumptions	New	New	New
 <b><u>Contributions for</u></b>			
Total Normal Cost	21.50%	22.75%	27.06%
Member Contributions	10.25%	10.25%	10.25%
Employer Normal Cost	11.25%	12.50%	16.81%
Unfunded Actuarial			
Accrued Liabilities*	8.10%	9.91%	15.29%
Computed Employer Rate	19.35%	22.41%	32.10%
Funded Ratio	89.2%	86.8%	79.8%

\*Amortized as a level dollar amount over a period of 24 years.

Following Trustees discussion, Mr. VanderPloeg made the motion to adopt alternate 1 as outlined by Gabriel, Roeder, Smith and Company in the Experience Study for December 1, 2009 – December 31, 2014, to be effective with the 12/31/2015 actuarial valuation. The motion was seconded by Ms. Hofmeyer and carried. Mr. VanderPloeg made the motion to implement the change in retirement factors due to the adoption of alternate 1 for retirements on and after January 1, 2017. The motion was seconded by Mr. Balkema and carried. The report was received and filed by the Chairman.

Ms. Korzen noted that Trustee approval is necessary for the distribution of the 13<sup>th</sup> Check for January 31, 2016. The gross amount available for distribution is \$4,850,155. Ms. Korzen noted that this amount is preliminary and subject to expenses for this program as well adjustments for retirees in the escalator program and increases to eligible members per City Code Section 1.296(2)(c). Following Trustee discussion, Mr. VanderPloeg made motion to authorize the 13<sup>th</sup> Check distribution and to instruct the Executive Director to review the market values for each investment manager account to determine from which manager(s) to deduct the amount. The motion was seconded by Mr. Balkema and carried.

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

The meeting adjourned at 8:24 a.m.

The next Police & Fire Retirement System Board Meeting will be held Wednesday, January 20, 2016, at 8:15 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
Police & Fire Retirement System