

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

MINUTES
REGULAR MEETING
MAY 11, 2016 – 8:00 a.m.
233 East Fulton

The meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman Craig VanderWall, Mr. Philip Balkema, Mr. Jon O'Connor, and Mr. Phillip Mitchell. Absent: Mr. Thomas VanderPloeg and Ms. Jane Hofmeyer.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. David Hoffman and Mr. James Anderson of Gabriel, Roeder, Smith and Company, and Mr. Marlin Pease and Mr. Alex Ford of Wilshire Associates, Inc.

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

There were no public comments regarding agenda items.

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

- Minutes of the regular meeting of March 11, 2016.
- Purchase of credited service by the following Police & Fire Retirement System members:

Erik L. Boillat	\$2,290.45	2 months
Scott D. DeVoll	\$23,399.04	24 months
Joseph M. Garcia	\$54,485.32	48 months
Paul R. Mesman	\$13,641.10	12 months

- The following Resolution No. 810.

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

Age and Service Retirement:

Scott D. DeVoll, will retire June 5, 2016 from the Fire Department as a Fire Lieutenant,

Credited Service: Thirty-three years and four months

Pension: \$5,366.87,

Deferred Retirements:

Paul M. Beckett, Jr., retired April 1, 2016 from the Police Department as a Police Officer,

Credited Service: Twenty-seven years and seven months

Pension: \$4,881.00,

and . . .

Brent Robinson, will retire June 1, 2016 from the Police Department as a Police Officer,

Credited Service: Nineteen years and three months

Pension: \$3,050.59.

RESOLVED, that the retirements be approved.

- Payment of administrative expenses of \$7,971.53 for the period 03/01/16 – 04/29/16.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 03/31/16. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$24,559.38 – Baird Advisors (Fixed Income)
\$33,047.61 – CBRE Clarion (Real Estate)
\$37,201.00 – Harding Loevner (ADRs)
\$31,702.25 – Harvest Fund Advisors (MLPs)
\$6,738.45 – NTAM (Equities)
\$32,398.60 – Wellington Management Company (Equities)
\$23,326.71 – Wellington Management Company (Commodities)

- **Custody Fees:** The attached invoice from Northern Trust divides the quarter ending 03/31/16 fee as follows:

Benefit Payments	\$3,927.04
Custody	<u>\$7,451.15</u>
Total	\$11,378.19

The motion carried.

Ms. Korzen presented the Public Act 314 Asset Analysis showing a market value of \$370,486,292 on March 31, 2016. The report was received and filed by the Chairman. (Analysis found on page)

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the period 01/01/16 – 03/31/16. No member contributions were withdrawn. 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 03/31/16. Total Securities Lending income for the period was \$23,443.29. Total Class Action Settlement receipts for the period were \$740.59. Chairman Hawkins received and filed the report. (Report found on page)

Mr. David Hoffman and Mr. James Anderson of Gabriel, Roeder, Smith and Company (GRS) presented the 49th Annual Actuarial Valuation, for the year ending December 31, 2015. Mr. Hoffman noted that assets equaled 83.79% of computed accrued liabilities and that the City's contribution rate for the fiscal year beginning 07/01/16 will be 23.27%. Mr. Hoffman provided a detailed report that included unfunded actuarial accrued liabilities of \$74,728,359, a ratio of active to retired employees of 0.7 to 1, a recognized rate of return of 7.23% compared to 7.50% projected, and a computed employer rate of 25.62% of valuation payroll (23.27% of Gross-Up payroll) amortized over a period of 30 years. He noted that liabilities exceeded assets in the Police & Fire System (a \$74.7 million unfunded actuarial accrued liability). In addition, Mr. Hoffman provided the history of employee/employer contributions as a percentage of payroll since 09/30/80 and provided comments on the contribution rates going forward. He noted that the employer contribution rate increased primarily due to a large increase in the unfunded actuarial liability and normal cost as a result of the experience study and resulting assumption changes recently adopted by Trustees, and the significant 13th Check payment. Mr. Hoffman noted that this valuation incorporated the recent assumption changes Trustees adopted at the end of 2015 and the new amortization period of 30 years that was recently established by the City Commission. Following the presentation Vice Chairman VanderWall made the motion to approve the actuary's recommendation to transfer \$784,477 from the Income Expense Fund to the Employer Accumulation Fund and \$24,157,940 from the Income Expense Fund to the Benefit Reserve Fund (ending balances in each reserve fund as of December 31, 2015 were assumed to be: Member Deposit Fund - \$40,035,922; Employer Accumulation Fund - \$23,675,699; Benefit Reserve Fund - \$258,431,113; Income-Expense Fund - \$0). Seconded by Mr. Balkema, the motion carried. The report was received and filed by the Chairman.

Mr. David Hoffman and Mr. Anderson provided Trustees with a GASB 67 review and the GASB 67 Plan Report and Accounting Schedules as of December 31, 2015. Mr. Anderson noted that the actuarial valuation determines funding status and contributions, and the liabilities are to reflect the funded status and the funding policy of the plan. Mr. Anderson 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 December 31, 2015 was \$85,825,201 and the net position as a percentage of total pension liability was 81.39%. The single discount rate was 7.25%, as was the long-term expected rate of return. Mr. Anderson reviewed the schedule of changes in the employer's net pension liability, the schedule of the employer's net pension liability, and schedule of contributions. He also reviewed the long-term expected return on plan assets. The report was received and filed by the Chairman.

Ms. Korzen next addressed the Funding Policy currently in place. She noted that there were a few recommended changes to the policy. In the Introduction paragraph change the verbiage to strongly urge the City Commission to continue to pay up to its employer normal cost, but to provide some leeway so as not to require payment of the full employer cost. In the Amortization Method section the wording notes that effective with the December 31, 2015 actuarial valuation, the period is established at 30 years, and each following valuation year changes in the UAAL will be amortized as a level percentage of pay over a period not to exceed 30 years. All new liabilities in valuations going forward will be amortized over 30 years, but the prior years will decrease by one year each subsequent valuation. It is also noted that per City Ordinance, the employer sets the number of years in the amortization period. Ms. Korzen commented that the Funding Target section will also reflect the fact that if the funded ratio falls between 100% - 120%, a contribution of at least 3%, up to the normal cost, will be made. Mr. Balkema made the motion to approve the revised Funding Policy as written. The motion was seconded by Vice Chairman VanderWall and carried.

The next item on the agenda was a discussion concerning GASB 72 reporting requirements and the cost for these reports from The Northern Trust Company. Since this topic was determined to affect both Retirement Systems, it was tabled to the Joint Board meeting to follow.

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

Ms. Korzen commented that at the March Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for Cash Account needs for May 2016. After recent review of the investment accounts, Mr. Pease and the Executive Director agreed to transfer \$1,000,000 from the Northern Trust Asset Management account and \$375,000 from the Neuberger Berman account to the Cash Account on May 2, 2016.

The meeting adjourned at 8:41 a.m.

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

Peggy Korzen
Executive Director
Police & Fire Retirement System