

City of Grand Rapids General 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 General Retirement System***

Board of Trustees

- Michael Hawkins – Chairman
- David J. Tryc – Vice Chairman
- Martin P. Timkovich – Member Trustee
- William D. Butts – Member Trustee
- Phillip Mitchell – Citizen Trustee
- Donijo DeJonge – Citizen Trustee
- Nathaniel Moody – Employer 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 June 30, 2018, June 30, 2019, and June 30, 2020

	2018	2019	2020	Change From Prior Year	
				In Dollars	As %
Assets					
Cash and money market funds	\$ 3,031,862	\$ 8,663,699	\$ 5,321,810	\$ (3,341,889)	-38.6%
Stocks, equity mutual funds and partnerships	253,245,257	207,130,070	195,681,564	(11,448,506)	-5.5%
Fixed Income	102,022,592	131,927,054	124,263,778	(7,663,276)	-5.8%
Real estate	20,226,797	21,050,928	18,575,394	(2,475,534)	-11.8%
Private equity partnerships	17,141,079	21,983,865	23,092,944	1,109,079	5.0%
Private credit partnerships	-	10,497,285	18,019,106	7,521,821	71.7%
Commodities	18,505,628	17,619,387	16,385,738	(1,233,649)	-7.0%
Securities lending collateral	15,000,228	20,754,055	29,595,696	8,841,641	42.6%
Total cash and investments	429,173,443	439,626,343	430,936,030	(8,690,313)	-2.0%
Receivables	3,695,608	2,883,036	3,647,897	764,861	26.5%
Total Assets	432,869,051	442,509,379	434,583,927	(7,925,452)	-1.8%
Liabilities					
Administrative expenses and investment management fees payable	341,226	361,880	376,905	15,025	4.2%
Pending trades - purchases	627,686	2,178,392	1,202,735	(975,657)	-44.8%
Amounts due broker under securities lending agreement	15,000,228	20,754,055	29,595,696	8,841,641	42.6%
Total Liabilities	15,969,140	23,294,327	31,175,336	7,881,009	33.8%
Net Position Restricted for Pension Benefits	\$ 416,899,911	\$ 419,215,052	\$ 403,408,591	\$ (15,806,461)	-3.8%

Statement of Changes in Fiduciary Net Position as of June 30, 2018, June 30, 2019, and June 30, 2020

	2018	2019	2020	Change From Prior Year	
				In Dollars	As %
Additions					
Contributions	\$ 13,505,513	\$ 15,598,225	\$ 13,920,831	\$ (1,677,394)	-10.8%
Net investment income	29,084,168	21,292,586	5,339,161	(15,953,425)	-74.9%
Securities lending	93,143	78,911	101,235	22,324	28.3%
Total Additions	42,682,824	36,969,722	19,361,227	(17,608,495)	-47.6%
Deductions					
Benefits	34,395,575	34,058,491	34,562,300	503,809	1.5%
Administrative expense	556,142	596,090	605,388	9,298	1.6%
Total Deductions	34,951,717	34,654,581	35,167,688	513,107	1.5%
Net Increase (Decrease)	7,731,107	2,315,141	(15,806,461)	(18,121,602)	-782.7%
Net Position Restricted for Pension Benefits, beginning of year	409,168,804	416,899,911	419,215,052	2,315,141	0.6%
Net Position Restricted for Pension Benefits, end of year	\$ 416,899,911	\$ 419,215,052	\$ 403,408,591	\$ (15,806,461)	-3.8%

Funded Status as of June 30, 2019 and June 30, 2020

	<u>2019</u>	<u>2020</u>
• Actuarial accrued liabilities	\$539,265,786	\$557,599,165
• Applied Assets	\$429,105,052	\$426,996,313
• % Funded	80.0%	76.6%

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	10.32%	7.16%	8.53%	6.76%	7.85%

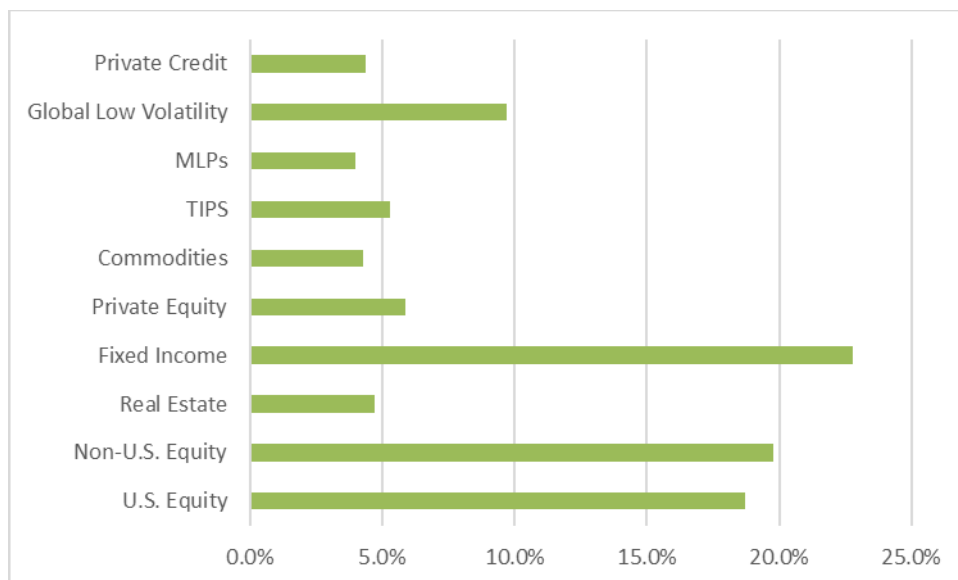
System Revenues and Expenditures as of June 30, 2020

June 30, 2020

1.	Balance – Beginning of Year	\$419,215,052
2.	Revenues:	
a.	Employee Contributions	\$2,595,588
b.	Employer Contributions	\$11,325,243
c.	Investment Income	<u>\$6,439,594</u>
d.	Total Revenues	\$20,360,425
3.	Expenditures:	
a.	Benefit Payments	\$34,422,912
b.	Supplemental Pension Distribution	\$0
c.	Refund of Member Contributions	\$139,388
d.	Expenses	<u>\$1,604,586</u>
e.	Total Expenditures	\$36,166,886
4.	Balance – End of Year	\$403,408,591

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

Investments as of December 31, 2020



System Itemized Budget as of June 30, 2020

**BUDGET - GENERAL RETIREMENT SYSTEM
July 1, 2019 - June 30, 2020**

<u>Expense</u>	<u>Actual YTD</u> <u>through 06/30/20</u>	<u>FYE 06/30/20</u> <u>Budgeted</u> <u>Expense</u>	<u>Variance</u> <u>to Budgeted</u> <u>Expense</u>	<u>Expended by</u> <u>06/30/19</u>	<u>Variance</u> <u>to 06/30/19</u>
Professional Services					
- Actuarial	\$ 65,980.00	\$ 48,080.00	17,900.00	34,280.00	\$ 31,700.00
- Audit*	15,900.00	15,900.00	0.00	15,400.00	500.00
- Consultant	112,500.00	118,450.00	(5,950.00)	109,687.50	2,812.50
- Custodial**	29,557.98	65,000.00	(35,442.02)	45,847.87	(16,289.89)
- Investment Management	976,683.73	1,250,000.00	(273,316.27)	1,032,830.83	(56,147.10)
- Legal Services	5,832.00	9,000.00	(3,168.00)	15,248.00	(9,416.00)
Insurance					
- Business Owners	559.50	350.00	209.50	0.00	559.50
- Fiduciary Liability	15,938.00	15,214.00	724.00	15,214.00	724.00
- Life & Disability	723.54	723.54	0.00	723.54	0.00
- Workers Compensation	1,008.00	1,000.00	8.00	928.50	79.50
Due Diligence & Education					
- Due Diligence	1,200.49	8,000.00	(6,799.51)	1,948.12	(747.63)
- Conference	2,812.88	24,000.00	(21,187.12)	5,416.98	(2,604.10)
- Other Education	1,930.40	4,000.00	(2,069.60)	3,294.31	(1,363.91)
Administration					
- Accufund Consultant	948.75	2,000.00	(1,051.25)	1,567.50	(618.75)
- Medical Evaluations	4,050.00	11,000.00	(6,950.00)	8,935.79	(4,885.79)
- Meetings	396.88	500.00	(103.12)	336.23	60.65
- Occupancy Rental	14,333.40	14,079.96	253.44	14,101.08	232.32
- Office Supplies	13,268.35	19,000.00	(5,731.65)	18,348.52	(5,080.17)
- Memberships	535.00	650.00	(115.00)	525.00	10.00
- Salaries & Wages	251,464.69	320,000.00	(68,535.31)	253,820.48	(2,355.79)
Total Expenses	<u>\$1,515,623.59</u>	<u>1,926,947.50</u>	<u>(\$411,323.91)</u>	<u>\$1,578,454.25</u>	<u>(\$62,830.66)</u>

*Additional fees possible due to to GASB 67 advising.

**Custody fees shown above are before offset from Securities Lending Income. Total income for FYE 06/30/20 was \$101,234.47.

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.

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 as of June 30, 2020

• Active Members:	418
• Number of Retirees/Beneficiaries:	1,189
• Average Annual Retirement Allowance:	\$29,028
• Total Annual Retirement Allowance:	\$34,513,927
• Valuation Payroll:	\$28,873,053
• Employer's Normal Cost as % of Valuation Payroll:	6.81%
• Employer's Contribution Rate beginning 7/1/21:	47.17%
• Weighted Average of Member Contributions:	7.76%
• Actuarial Assumed Rate of Investment Return:	7.00%
• Actuarial Assumed Rate of Long-Term Wage Inflation:	3.00% - 8.00%, plus up to 4.00% depending on service
• Smoothing Method Utilized:	5-Year Smoothed Market
• Amortization Method Utilized:	Level Dollar, Closed
• Amortization Period Remaining:	26.2 Years
• Actuarial Cost Method Utilized:	Individual Entry Age
• System Membership Status:	Closed
• Actuarial Assumed Rate of Health Care Inflation:	N/A