

City of Grand Rapids General Retirement System

***SUMMARY ANNUAL REPORT TO MEMBERS
DECEMBER 31, 2022***

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.

The financial and actuarial data shown in the summary are as of June 30, 2022 (plan-year basis); however, as required by the State of Michigan, investment return information in the summary is as of December 31, 2022 (calendar-year basis).

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 – 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, 2020, June 30, 2021, and June 30, 2022

	2020	2021	2022	Change From Prior Year	
				In Dollars	As %
Assets					
Cash and money market funds	\$ 5,321,810	\$ 6,214,203	\$ 7,567,235	\$ 1,353,032	21.8%
Stocks, equity mutual funds and partnerships	195,681,564	254,257,243	196,483,130	(57,774,113)	-22.7%
Fixed Income	124,263,778	124,248,758	125,929,823	1,681,065	1.4%
Real estate	18,575,394	25,745,529	20,757,526	(4,988,003)	-19.4%
Private equity partnerships	23,092,944	33,940,404	40,324,284	6,383,880	18.8%
Private credit partnerships	18,019,106	21,090,846	21,921,132	830,286	3.9%
Commodities	16,385,738	23,266,203	24,077,085	810,882	3.5%
Securities lending collateral	29,595,696	35,256,291	35,085,747	(170,544)	-0.5%
Total cash and investments	430,936,030	524,019,477	472,145,962	(51,873,515)	-9.9%
Receivables	3,647,897	2,200,627	1,953,074	(247,553)	-11.2%
Total Assets	434,583,927	526,220,104	474,099,036	(52,121,068)	-9.9%
Liabilities					
Administrative expenses and investment management fees payable	376,905	437,531	356,188	(81,343)	-18.6%
Pending trades - purchases	1,202,735	821,980	1,775,488	953,508	116.0%
Amounts due broker under securities lending agreement	29,595,696	35,256,291	35,085,747	(170,544)	-0.5%
Total Liabilities	31,175,336	36,515,802	37,217,423	701,621	1.9%
Net Position Restricted for Pension Benefits	\$ 403,408,591	\$ 489,704,302	\$ 436,881,613	\$ (52,822,689)	-10.8%

Statement of Changes in Fiduciary Net Position as of June 30, 2020, June 30, 2021, and June 30, 2022

	2020	2021	2022	Change From Prior Year	
				In Dollars	As %
Additions					
Contributions	\$ 13,920,831	\$ 13,807,691	\$ 14,942,556	\$ 1,134,865	8.2%
Net investment income (loss)	5,339,161	107,791,299	(27,612,757)	(135,404,056)	-125.6%
Securities lending	101,235	85,224	88,808	3,584	4.2%
Total Additions (net of investment loss)	19,361,227	121,684,214	(12,581,393)	(134,265,607)	-110.3%
Deductions					
Benefits	34,562,300	34,830,364	39,648,835	4,818,471	13.8%
Administrative expense	605,388	558,139	592,461	34,322	6.1%
Total Deductions	35,167,688	35,388,503	40,241,296	4,852,793	13.7%
Net Increase (Decrease)	(15,806,461)	86,295,711	(52,822,689)	(139,118,400)	-161.2%
Net Position Restricted for Pension Benefits, beginning of year	419,215,052	403,408,591	489,704,302	86,295,711	21.4%
Net Position Restricted for Pension Benefits, end of year	\$ 403,408,591	\$ 489,704,302	\$ 436,881,613	\$ (52,822,689)	-10.8%

Funded Status as of June 30, 2021 and June 30, 2022

	<u>2021</u>	<u>2022</u>
• Actuarial accrued liabilities	\$563,551,840	\$584,677,526
• Applied Assets	\$445,684,135	\$448,353,444
• % Funded	79.1%	76.7%

System Investment Performance as of 12/31/22 (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	-11.62%	4.86%	5.16%	6.70%	6.80%

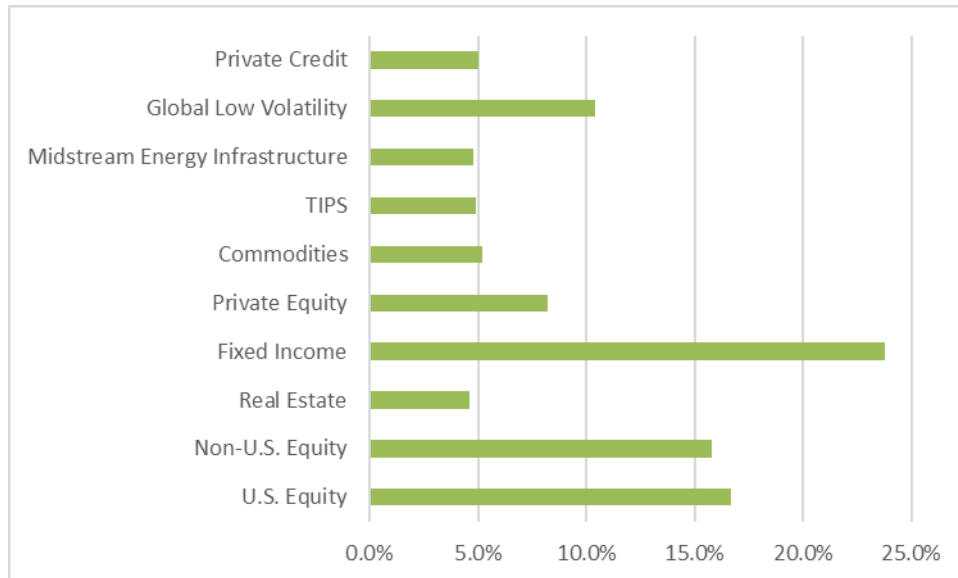
System Revenues and Expenditures as of June 30, 2022

June 30, 2022

1.	Balance – Beginning of Year	\$489,704,302
2.	Revenues:	
a.	Employee Contributions	\$2,373,612
b.	Employer Contributions	\$12,568,944
c.	Investment Income	<u>\$(26,405,390)</u>
d.	Total Revenues	<u>\$(11,462,834)</u>
3.	Expenditures:	
a.	Benefit Payments	\$36,284,206
b.	Supplemental Pension Distribution	\$3,316,236
c.	Refund of Member Contributions	\$48,393
d.	Expenses	<u>\$1,711,020</u>
e.	Total Expenditures	\$41,359,855
4.	Balance – End of Year	\$436,881,613

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, 2022



System Itemized Budget as of June 30, 2022

**BUDGET - GENERAL RETIREMENT SYSTEM
July 1, 2021 - June 30, 2022**

<u>Expense</u>	<u>Actual YTD through 06/30/22</u>	<u>FYE 06/30/22 Budgeted Expense</u>	<u>Variance to Budgeted Expense</u>	<u>Expended by 06/30/21</u>	<u>Variance to 06/30/21</u>
Professional Services					
- Actuarial	\$ 45,465.00	\$ 50,000.00	(4,535.00)	37,135.00	8,330.00
- Audit*	16,900.00	16,900.00	0.00	16,400.00	500.00
- Consultant	114,412.50	121,450.00	(7,037.50)	112,500.00	1,912.50
- Custodial**	124,428.23	65,000.00	59,428.23	62,287.58	62,140.65
- Investment Management	1,092,917.40	1,307,000.00	(214,082.60)	962,689.88	130,227.52
- Legal Services	3,108.00	9,000.00	(5,892.00)	5,770.90	(2,662.90)
Insurance					
- Business Owners	560.00	601.00	(41.00)	1,161.50	(601.50)
- Fiduciary Liability	15,938.00	15,938.00	0.00	0.00	15,938.00
- Life & Disability	1,009.04	723.54	285.50	723.54	285.50
- Workers Compensation	1,037.50	1,100.00	(62.50)	1,072.50	(35.00)
Due Diligence & Education					
- Due Diligence	0.00	8,000.00	(8,000.00)	0.00	0.00
- Conference	2,942.90	24,000.00	(21,057.10)	600.01	2,342.89
- Other Education	740.68	4,000.00	(3,259.32)	0.00	740.68
Administration					
- Accufund Consultant	948.75	2,115.00	(1,166.25)	2,073.75	(1,125.00)
- Medical Evaluations	4,821.30	10,000.00	(5,178.70)	1,575.00	3,246.30
- Meetings	381.04	650.00	(268.96)	404.57	(23.53)
- Occupancy Rental	13,795.93	14,620.07	(824.14)	14,393.12	(597.19)
- Office Supplies	17,762.04	19,475.00	(1,712.96)	12,368.72	5,393.32
- Memberships	562.50	650.00	(87.50)	535.00	27.50
- Salaries & Wages	272,463.76	330,000.00	(57,536.24)	262,598.51	9,865.25
Total Expenses	\$1,730,194.57	\$ 2,001,222.61	(\$271,028.04)	\$1,494,289.58	\$ 235,904.99
*Additional fees possible due to to GASB 67 advising.					
**Custody fees shown above are before offset from Securities Lending Income. Total income for FYE 06/30/22 was \$88,807.54					

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, 2022

• Active Members:	345
• Number of Retirees/Beneficiaries:	1,202
• Average Annual Retirement Allowance:	\$30,661
• Total Annual Retirement Allowance:	\$36,854,322
• Valuation Payroll:	\$25,606,761
• Employer's Normal Cost as % of Valuation Payroll:	7.53%
• Employer's Contribution Rate beginning 7/1/22:	55.54%
• Weighted Average of Member Contributions:	7.81%
• Actuarial Assumed Rate of Investment Return:	6.75%
• 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:	25.15 Years
• Actuarial Cost Method Utilized:	Individual Entry Age
• System Membership Status:	Closed
• Actuarial Assumed Rate of Health Care Inflation:	N/A