

City of Grand Rapids Police & Fire 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.

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 Police & Fire Retirement System*

Board of Trustees

- Michael Hawkins – Chairman
- Craig C. VanderWall – Vice Chairman/ Fire Member Trustee
- Philip A. Balkema – Citizen Trustee
- Phillip Mitchell – Citizen Trustee
- Donijo DeJonge – Citizen Trustee
- Nathaniel Moody – Employer Trustee
- Justin Ewald – Police Member 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 December 31, 2020, December 31, 2021, and December 31, 2022

	2020	2021	2022	Change From Prior Year	
				In Dollars	As %
Assets					
Cash and money market funds	\$ 5,848,466	\$ 8,485,048	\$ 6,060,399	\$ (2,424,649)	-28.6%
Stocks, equity mutual funds and partnerships	247,914,960	263,766,596	219,624,883	(44,141,713)	-16.7%
Fixed income	130,816,802	150,492,620	129,371,351	(21,121,269)	-14.0%
Real estate	21,563,151	29,424,653	21,547,709	(7,876,944)	-26.8%
Private equity partnerships	26,583,039	40,966,303	36,271,931	(4,694,372)	-11.5%
Commodities	21,121,530	26,508,365	24,413,019	(2,095,346)	-7.9%
Private credit partnerships	19,782,457	22,025,281	21,122,825	(902,456)	-4.1%
Securities lending collateral	31,039,032	40,310,201	34,092,548	(6,217,653)	-15.4%
Total cash and investments	504,669,437	581,979,067	492,504,665	(89,474,402)	-15.4%
Receivables	3,042,228	3,885,310	2,400,953	(1,484,357)	-38.2%
Total Assets	507,711,665	585,864,377	494,905,618	(90,958,759)	-15.5%
Liabilities					
Administrative expenses and investment management fees payable	355,475	514,190	334,615	(179,575)	-34.9%
Pending trades - purchases	813,797	1,728,117	848,334	(879,783)	-50.9%
Amounts due broker under securities lending agreement	31,039,032	40,310,201	34,092,548	(6,217,653)	-15.4%
Total Liabilities	32,208,304	42,552,508	35,275,497	(7,277,011)	-17.1%
Net Position Restricted for Pension Benefits	\$475,503,361	\$543,311,869	\$459,630,121	\$(83,681,748)	-15.4%

Statement of Changes in Fiduciary Net Position as of December 31, 2020, December 31, 2021, and December 31, 2022

	2020	2021	2022	Change From Prior Year	
				In Dollars	As %
Additions					
Contributions	\$ 16,095,680	\$ 17,591,079	\$ 19,052,148	\$ 1,461,069	8.3%
Net investment income (loss)	44,434,291	83,604,043	(63,269,289)	(146,873,332)	-175.7%
Securities lending	105,258	87,197	98,141	10,944	12.6%
Total Additions	60,635,229	101,282,319	(44,119,000)	(145,401,319)	-143.6%
Deductions					
Benefits	30,382,544	32,923,031	38,940,560	6,017,529	18.3%
Administrative expense	576,813	550,780	622,188	71,408	13.0%
Total Deductions	30,959,357	33,473,811	39,562,748	6,088,937	18.2%
Net Increase (Decrease)	29,675,872	67,808,508	(83,681,748)	(151,490,256)	-223.4%
Net Position Restricted for Pension Benefits, beginning of year	445,827,489	475,503,361	543,311,869	67,808,508	14.3%
Net Position Restricted for Pension Benefits, end of year	\$475,503,361	\$543,311,869	\$459,630,121	\$(83,681,748)	-15.4%

Funded Status

	<u>2021</u>	<u>2022</u>
• Actuarial accrued liabilities	\$628,875,990	\$657,509,007
• Applied Assets	\$488,856,294	\$492,146,234
• % Funded	77.73%	74.85%

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	-11.79%	4.79%	5.09%	6.64%	6.78%

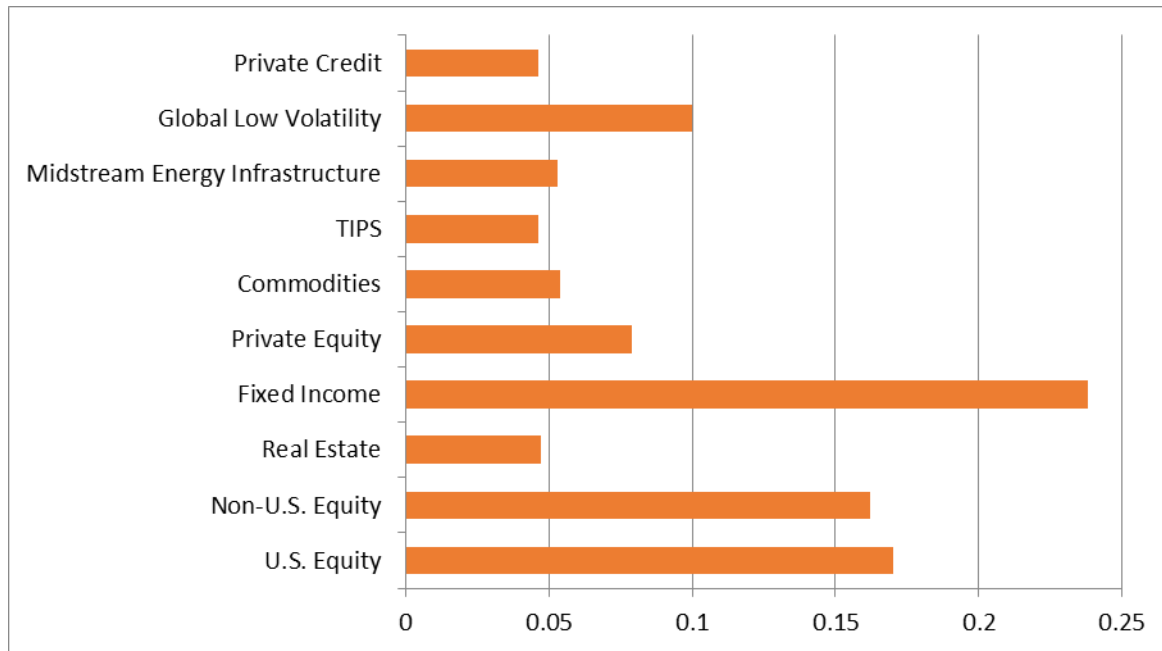
System Revenues and Expenditures

December 31, 2022

1.	Balance – Beginning of Year	\$543,311,869
2.	Revenues:	
a.	Employee Contributions	\$5,927,247
b.	Employer Contributions	\$13,124,901
c.	Investment Income	<u>\$(62,043,941)</u>
d.	Total Revenues	<u>\$(42,991,793)</u>
3.	Expenditures:	
a.	Benefit Payments	\$33,152,824
b.	Supplemental Pension Distribution	\$4,107,392
c.	Refund of Member Contributions	\$1,680,344
d.	Expenses	<u>\$1,749,395</u>
e.	Total Expenditures	\$40,689,955
4.	Balance – End of Year	\$459,630,121

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 as of December 31, 2022



System Itemized Budget as of December 31, 2022

BUDGET - POLICE & FIRE RETIREMENT SYSTEM
January 1, 2022 - December 31, 2022

<u>Expense</u>	<u>Actual</u> <u>YTD through</u> <u>12/31/22</u>	<u>FYE 12/31/22</u> <u>Budgeted</u> <u>Expense</u>	<u>Variance</u> <u>to Budgeted</u> <u>Expense</u>	<u>Expended by</u> <u>12/31/21</u>	<u>Variance</u> <u>to 12/31/21</u>
Professional Services					
- Actuarial	\$ 57,605.00	50,000.00	7,605.00	59,290.00	(1,685.00)
- Audit*	16,900.00	16,900.00	0.00	16,900.00	0.00
- Consultant	114,030.00	117,000.00	(2,970.00)	85,522.50	28,507.50
- Custodial**	116,523.94	60,000.00	56,523.94	0.00	116,523.94
- Investment Management	1,155,459.00	1,244,000.00	(88,541.00)	1,085,799.41	69,659.59
- Legal Services	6,922.10	15,000.00	(8,077.90)	4,278.40	2,643.70
- PBI Retiree Verif Svc	1,885.00	0.00	1,885.00	0.00	1,885.00
Insurance					
- Business Owners	560.00	1,232.00	(672.00)	601.00	(41.00)
- Fiduciary Liability	16,085.00	15,750.00	335.00	15,273.00	812.00
- Life & Disability	1,042.54	723.54	319.00	1,009.04	33.50
- Workers Compensation	893.50	1,100.00	(206.50)	1,037.50	(144.00)
Due Diligence & Education					
- Due Diligence	0.00	5,000.00	(5,000.00)	0.00	0.00
- Conference	11,066.99	22,000.00	(10,933.01)	1,073.48	9,993.51
- Other Education	791.89	5,000.00	(4,208.11)	706.52	85.37
Administration					
- Accufund Consultant	948.75	2,000.00	(1,051.25)	948.75	0.00
- Medical Evaluations	15,437.50	16,000.00	(562.50)	7,542.39	7,895.11
- Meetings	586.23	500.00	86.23	361.93	224.30
- Occupancy Rental	15,427.61	15,803.00	(375.39)	14,751.48	676.13
- Office Expenses	23,303.55	20,000.00	3,303.55	10,730.01	12,573.54
- Memberships	287.50	750.00	(462.50)	562.50	(275.00)
- Salaries & Wages	299,317.64	351,520.00	(52,202.36)	234,277.23	65,040.41
Total Expenses	\$ 1,855,073.74	\$ 1,960,278.54	(\$105,204.80)	\$ 1,540,665.14	\$314,408.60

*Additional fees possible due to GASB 67 advising.

**Custody fees shown above are before offset from Securities Lending Income. Total income for FYE 12/31/22 was \$98,140.84.

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 measure 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

• Active Members:	441
• Number of Retirees/Beneficiaries:	788
• Average Annual Retirement Allowance:	\$45,123
• Total Annual Retirement Allowance:	\$35,556,826
• Valuation Payroll:	\$37,130,364
• Gross-up Payroll:	\$43,383,452
• Employer's Normal Cost as % of Valuation Payroll:	19.27%
• Employer's Normal Cost as % of Gross-up Payroll:	16.49%
• Employer's Contribution Rate: (valuation payroll):	45.86%
• Employer's Contribution Rate (gross-up payroll):	39.25%
• Weighted Average of Member Contributions (valuation payroll):	12.65%
• Weighted Average of Member Contributions (gross-up payroll):	10.83%
• Actuarial Assumed Rate of Investment Return:	6.75%
• Actuarial Assumed Rate of Long-Term Wage Inflation:	3.00% - 20.00%
• Smoothing Method Utilized:	5-Year Smoothed Market
• Amortization Method Utilized:	Level Percent, Closed
• Amortization Period Remaining:	Multiple periods
• Actuarial Cost Method Utilized:	Individual Entry Age
• Actuarial Assumed Rate of Health Care Inflation:	N/A
• System Membership Status:	Open – except the plan is closed to individuals hired from outside the organization to fill the position of Fire Chief, Deputy Fire Chief, Police Chief, or Deputy Police Chief