

McCormick, Dennis L.	18 yrs. 0 mo.	09/01/2014	\$39,160.33	\$1,468.51
Nelson, Cheryl S.	11 yrs. 10 mo.	08/01/2014	\$27,834.40	\$301.93
Romanowski, David D.	13 yrs. 7 mo.	09/01/2014	\$42,565.00	\$1,136.29

Early Retirement:

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Kramer, Susan	23 yrs. 6 mo.	08/09/2014	\$66,405.00	\$2,488.24

Mr. Timkovich made the motion to approve the payment of administrative expenses of \$5,353.88 for the period 06/01/14 – 07/31/14. The motion was seconded by Vice Chairman Tryc and carried.

Mr. Gutowski made the motion to approve the payment of the investment management invoices as listed below for the quarter ending 06/30/14. The motion was seconded by Vice Chairman Tryc and carried. Fee calculations, fees applied and stated amounts under management have been verified by the Retirement Systems office as correct:

- \$33,013.40 – Baird Advisors for management of fixed income assets
- \$7,341.92 – Northern Trust Global Investments for management of equity assets
- \$39,543.23 – Voya Investment Trust Co. (formerly CBRE Clarion) for management of global real estate assets
- \$68,493.09 – Wellington Management Company for management of equity assets
- \$40,451.13 – Wellington Management Company for management of commodities assets
- \$41,583.57 – Western Asset Management for management of fixed income assets

Vice Chairman Tryc made the motion to approve payment of custody fees to Northern Trust for the quarter ending 06/30/14. The motion was seconded by Mr. Timkovich and carried:

Benefit Payments	\$6,733.70
Custody	<u>\$7,390.81</u>
Total	\$14,124.51

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$428,410,879 on June 30, 2014 and \$419,782,695 on July 31, 2014. The reports were received and filed by the Chairman. (Analyses on pages)

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the quarter ending 06/30/14 that disclosed a withdrawal of \$19,090.35 by three former non-vested members. The report was received and filed by the Chairman. (Report found on page)

The Executive Director presented Trustees with the Quarterly Report of Income for the quarter ending 06/30/14. Total Securities Lending income for the period was \$8,498.14. Total Class Action Settlement receipts for the period were \$205.35. Chairman Scripps received and filed the report. (Report found on page)

The Executive Director provided Trustees with an update on the disability retiree re-examination process and noted that Mr. Robert Martin, had his I.M.E. in July. Dr. Randall Green performed a medical evaluation of Mr. Martin on July 17, 2014 and it is his opinion that Mr. Martin is unable to return to duty as a Water Service Worker II and should remain retired as disabled. The report was received and filed by Chairman Scripps.

Ms. Korzen provided Trustees with a cost estimate from The Northern Trust Company (NT) to provide the Retirement System with Money-Weighted return reports as now required by GASB 67. There is no specific guidance on how many years need to be disclosed in the first report containing GASB 67 disclosures; however, the goal is to eventually provide 10 years of this information. This matter was discussed with the auditors at BDO and they are indifferent as to how many years are displayed in the first report. NT is able to provide these reports for all 10 years if Trustees wish. The initial cost is \$2,500 plus \$150 for each return per year. The cost to provide one year is \$2,650; the cost to provide 10 years is \$4,000. Trustees can request any amount of years in between. After this initial year, the cost will be \$500 per year plus \$150 per return (total of \$650). Chairman Scripps asked Mr. Fumarolo to explain the nature of the fee as it appears to be somewhat high. Mr. Fumarolo explained that this is a brand new product and NT is still in the process of creating it and rolling it out to their clients. There are some manual parts to this process. For clients that subscribe to NT's performance analytics, there is a turn-key price. He stated that money-weighted returns are to be net of expenses and GASB does not give clear guidance on what is classified as an investment expense v. an administrative expense. NT will need to know how the Retirement System is classifying various expenses before they can calculate the money-weighted returns. Chairman Scripps asked if this data can be gleaned from the Retirement Systems' accounting software; Ms. Korzen responded no. Mr. Hawkins commented that since the auditors are indifferent as to how many years appear in the first report, perhaps just one year of data would be sufficient. Mr. Timkovich suggested that displaying five years of money-weighted returns may be more appropriate as it provides more context as to what the Retirement System is trying to accomplish through GASB 67. Mr. Timkovich made the motion to authorize The Northern Trust Company to prepare the last five years of money-weighted returns for a total cost of \$3,250. The motion was seconded by Mr. Gutowski and carried. Mr. Hawkins voted no as he disagreed with displaying five years this year. Ms. Korzen stated that the auditors did not want the Retirement System to incur an unreasonable cost in obtaining several years of this data and that is why they were indifferent as to how many years beyond one should be displayed.

Mr. James Anderson of Gabriel Roeder Smith and Company (GRS) provided Trustees with a GASB 67 review and the GASB 67 Plan Report and Accounting Schedules as of June 30, 2013. He 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. He described how GRS determines the discount rate and reviewed an illustration on projected benefits and projected plan net position. He stated that the new GASB standards require a lot of additional work and rating agencies are attempting to create a mechanism for comparing different municipal debt offerings. He also commented on conventional and market value liability discount rates. 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 June 30, 2013 was \$76,202,288 and the net position as a percentage of total pension liability was 83.29%. The single discount rate was 7.50%, 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 employer's net pension liability, and schedule of contributions. He commented that Wilshire Associates' long-term expected return on plan assets as of January 1, 2013 was 6.8%; however, this excludes any alpha the plans experience. The long-term expected rate of return of 7.50% may be an issue that Trustees will need to address going forward; Mr. Timkovich agreed. He provided an overview of the single discount rate development and projection of contributions and plan fiduciary net position beginning July 1, 2013. Chairman Scripps asked why GASB has implemented even more requirements for reporting; Mr. Anderson stated he believes that GASB is trying to promote more consistency in reporting by plans, so that individuals can have a better sense of the assets and liabilities that exist in pension plans. Mr. Timkovich asked if there are any policy decisions that either the employer or the Retirement System need to make; Mr. Anderson suggested that having a formal funding policy in place and frequently addressing the long-term expected rate of return are two areas that would be beneficial. Mr. Timkovich asked Mr. Anderson to send Trustees sample funding policies; he agreed.

There were no comments on items not on the agenda.

Ms. Korzen reported that The Northern Trust Company completed their annual death audit of the General Retirement System's retirees and beneficiaries. There were no retirees or beneficiaries reported on the list.

Ms. Korzen commented that at the June Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for Cash Account needs for August and September 2014. After recent review of the investment accounts, Mr. Bensur agreed with the Executive Director's recommendation to transfer \$1,500,000 from the Neuberger Berman account, \$300,000 from the NTAM account and \$100,000 from the Ziegler Capital Management account to the Cash Account on August 1, 2014 and to transfer \$1,100,000 from the Voya Investment account, \$400,000 from the Wellington Management Company (Commodities) account and \$400,000 from the Baird Advisors account to the Cash Account on September 2, 2014.

The Executive Director noted that the June 30, 2014 Budget report is now available and she will post it online. She commented that the Retirement System was under budget in many areas. Although more money was expended on investment management fees, that is good because it means the plan was making more money.

The meeting adjourned at 8:42 a.m.

The next General Retirement System Board Meeting will be held Wednesday, September 17, 2014, at 8:15 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General Retirement System