

GENERAL RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
REGULAR MEETING  
NOVEMBER 14, 2012 – 8:00 a.m.  
233 East Fulton Street

The meeting was called to order by Chairman J. Patrick Scripps. Other members present: Vice Chairman David Tryc, Mr. Martin Timkovich, Mr. Michael Hawkins, Mr. Walter Gutowski, Mr. William Butts and Mr. Bill Alphenaar.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Board, Ms. Kelly Springer of Plante & Moran, PLLC, Mr. David Hoffman and Mr. James Anderson of Gabriel, Roeder, Smith and Company, Mr. William Bensur and Mr. Nicholas Sefchok of Wilshire Associates, Inc., and Ms. Mari Beth Jelks, Managing Director – Administrative Services, City of Grand Rapids Human Resources Department.

There were no public comments regarding agenda items.

Moved by Vice Chairman Tryc and seconded by Mr. Hawkins, the following items were approved by the Board of Trustees pursuant to a consent agenda:

- Minutes of the Regular Meeting of September 19, 2012.
- Purchase of credited service by the following General Retirement System member:  

Ronald B. Regel, Jr.	\$14,613.48	24 months
----------------------	-------------	-----------
- Retirements: one age & service, one early, two deferred and two non-duty disability:

**Age & Service Retirement:**

<u>Name/Option</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Livingston, Dennis</b> Option A-Straight Life: Life of Member	30 yrs. 5 mo.	02/05/2013	\$51,601.00	\$3,531.45

**Early Retirement:**

<u>Name/Option</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Harden, Gary L.</b> Option B-Pop-100: Life of Member Beneficiary: Dixie L. Harden, Wife Pop-up potential of \$1,112.28 if beneficiary predeceases retiree	12 yrs. 0 mo.	10/26/2012	\$48,539.67	<u>\$972.69</u> \$972.69 (potential to beneficiary)

**Deferred Retirements:**

<u>Name/Option</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Hoffman, Marcia K.</b> Option A-Straight Life: Life of Member	10 yrs. 4 mo.	11/01/2012	\$39,973.33	\$929.38
<b>Zaremba, Joyce A.</b> Option B-100: Life of Member Beneficiary: Frank J. Zaremba, Jr., Husband	15 yrs. 1 mo.	11/01/2012	\$35,383.00	<u>\$929.88</u> \$929.88 (potential to beneficiary)

**Non-Duty Disability Retirements:**

<u>Name/Option</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Siegel, Dennis R.</b> Option B-100: Life of Member Beneficiary: Christina Siegel, wife	25 yrs. 4 mo.	09/19/2012	\$51,484.33	<u>\$1,754.69</u> \$1,754.69 (potential to beneficiary)
<b>Swoboda, Sharon D.</b> Option B-100: Life of Member Beneficiary: Peter A. Swoboda, Husband	26 yrs. 6 mo.	09/19/2012	\$44,527.00	<u>\$1,582.83</u> \$1,582.83 (potential to beneficiary)

- Payment of administrative expenses of \$14,294.15 for the period 09/01/12 – 10/31/12.
- Payment of the investment management invoices as listed below for the quarter ending 09/30/12. Fee calculations, fees applied and stated amounts under management have been verified by the Retirement Systems office as correct:
  - \$27,548.23 – Baird Advisors for management of fixed income assets
  - \$35,245.67 – CBRE Clarion for management of global real estate assets
  - \$7,098.83 – Northern Trust Global Investments for management of equity assets
  - \$64,251.85 – Wellington Management Company for management of equity assets
  - \$39,808.08 – Western Asset Management for management of fixed income assets
  - \$50,921.44 – Ziegler Lotsoff Capital Management for management of equity assets

- Ms. Korzen noted payment of custody fees to Northern Trust for the quarter ending 09/30/12:

Benefit Payments:	\$5,792.32
Custody Fees:	<u>\$7,415.12</u>
Total:	\$13,207.44

**The motion carried.**

Ms. Korzen presented the Public Act 314 Asset Analysis showing a market value of \$366,698,591 on September 30, 2012. The report was received and filed by the Chairman. (Analysis on page )

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the quarter ending 09/30/12 that disclosed a withdrawal of \$3,842.46 by one non-vested member. The report was received and filed by the Chairman. (Report on page )

Ms. Korzen presented Trustees with the Quarterly Report of Income for the quarter ending 09/30/12. Total Securities Lending income was \$7,101.68. There were no Class Action Settlement receipts during the quarter. Chairman Scripps received and filed the report. (Report on page )

Ms. Kelly Springer of Plante & Moran, PLLC presented Trustees with the annual audit for the fiscal year ending June 30, 2012. She provided Trustees with highlights from the audit and related statements. Some of the highlights included Plante & Moran's responsibilities, significant audit findings, any difficulties encountered in the audit and any disagreements with management. {Mr. Butts arrived at 8:05 a.m.} Ms. Springer noted that the plan is being run efficiently, no unusual items were noted during their testing and there are no issues with the System's internal controls. She did comment that there will be some new disclosures due to GASB 67 beginning with the audit for the fiscal year ending 06/30/14. Ms. Springer also reviewed the required communication report that was provided to Trustees. The report was received and filed by the Chairman.

Mr. David Hoffman and Mr. James Anderson of Gabriel, Roeder, Smith and Company (GRS) presented the 45<sup>th</sup> Annual Actuarial Valuation for the year ending June 30, 2012. Mr. Hoffman introduced Mr. Anderson who has recently rejoined GRS. Mr. Hoffman noted that General Retirement System assets equal 77.9% of computed accrued liabilities. He also noted that the City's contribution rate for the fiscal year beginning 07/01/13 will be 20.64% as specified in Section 1.221(3) of City Code. He provided a detailed report that included a ratio of active to retired employees of 0.8 to 1, a recognized rate of return of 1.06% compared to 7.50% projected, and an initial computed employer rate of 7.84% amortized over a period of 26 years. He noted that liabilities exceeded assets (\$99,377,608 debit to unfunded actuarial accrued liability). Mr. Hoffman also provided the history of employee/employer contributions as a percentage of payroll since 09/30/78. He noted that the ratio of assets computed under funding value relative to the market value of assets is 100%. The requirement of the remainder of the bargaining unit members to elect a pension benefit multiplier for future service was included in this valuation. Vice Chairman Tryc made the motion to approve the actuary's recommendation to transfer \$9,737,888 from the Employer Accumulation Fund to the Income Expense Fund and \$3,503,624 from the Benefit Reserve Fund to the Income Expense Fund. (Ending balances in each reserve fund as of June 30, 2012, were assumed to be: Member Deposit Fund - \$27,983,591; Employer Accumulation Fund - (\$14,609,593); Benefit Reserve Fund - \$282,293,244; Income-Expense Fund - \$0). Seconded by Mr. Timkovich, the motion carried. Mr. Anderson provided a report to Trustees summarizing the impending changes with GASB 67 and 68. He noted that the accounting changes will be dramatic. The biggest change will be that pension funding and accounting will be disconnected. Employers will be required to report an unfunded pension obligation in their financial statements. There will also be increased volatility with respect to accounting measures, which are due largely to the fact that under these new rules it will be necessary to report the pension accounting numbers using the market value of assets rather than smoothed assets. He noted that there are possibilities of using a lower blended discount rate to value liabilities; he stated his opinion that the Retirement Systems will probably not have to do this as they will likely not reach the crossover point outlined in GASB. One of the primary reasons for implementing GASB 67 and 68 was so that information reported by governments under these new statements can be compared. Mr. Hoffman provided Trustees with a report regarding some funding considerations for closed pension plans. The report illustrated alternative approaches for plan funding in light of the closure (for most groups) of the

pension plan to new members. When a pension plan is closed, financing benefits as a level percent of payroll may become inappropriate as payroll begins to decrease over time. The question becomes how quickly do Trustees wish to have the unfunded accrued liabilities paid off. He provided two alternatives to address this issue; one alternative illustrates a quicker pay off and the other method outlines a slower pay off. Regardless of which method would be selected, he noted that GRS would periodically remind Trustees of the selection that was made and what the implications are for the plan going forward. He stated that he did not expect any action today by Trustees, but expressed his desire to have guidance from the Trustees and/or the City on the amortization method some time before the next actuarial valuation. Chairman Scripps asked how easy it would be to make changes if one method was selected over the other; Mr. Hoffman stated that changes could be made if necessary. Ms. Jelks commented that normally the City's Chief Financial Officer makes a recommendation to the City Commission regarding the amortization period. Ms. Korzen noted that the ordinance states that the City Commission will set the amortization period; however, what Mr. Hoffman is proposing appears to be more of an amortization method; Mr. Hoffman stated that one alternative represents a change in the amortization method while the other would change the amortization period. Chairman Scripps stated that the next step would be to set up a meeting between GRS, Ms. Jelks, Mr. Scott Buhner and Trustees that wish to weigh in on this issue; Ms. Korzen will coordinate this meeting. The report was received and filed by the Chairman.

Ms. Korzen commented that at the September Board meeting, it was unclear as to which investment management account funds should be transferred from to fulfill Cash Account needs for November and December 2012. After review of the investment accounts, Mr. Bensur agreed with the Executive Director's recommendation to transfer \$725,000 from Ziegler Lotsoff Capital Management and \$625,000 from NTGI to the Cash Account on November 1, 2012 and \$1,350,000 from CBRE Clarion to the Cash Account on December 3, 2012.

The Executive Director provided an update on the Member Trustee election by noting that only one nominating petition was filed; therefore Vice Chairman Tryc is presumed elected. Vice Chairman Tryc will serve as Member Trustee on the General Retirement System Board for a four-year term ending the first Monday in January 2017.

Ms. Korzen commented that the committee recently met to review the annual accounting and it was noted that everything was in order.

The meeting adjourned at 8:55 a.m.

The next General Retirement System Board Meeting will be held Wednesday, December 19, 2012, at 8:15 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General Retirement System