

GENERAL RETIREMENT SYSTEM
and
POLICE and FIRE RETIREMENT SYSTEM
BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
JOINT MEETING
DECEMBER 21, 2016 – 8:41 a.m.
233 East Fulton

The meeting was called to order by Chairman Hawkins. Other members present: Mr. David Tryc, Mr. Craig VanderWall, Mr. Martin Timkovich, Mr. Philip Balkema, Mr. Jon O'Connor, and Mr. Phillip Mitchell. Absent: Mr. Thomas VanderPloeg, Mr. Bill Butts, and Ms. Jane Hofmeyer.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems and Mr. Thomas Michaud, Legal Advisor to the Boards.

Mr. O'Connor made the motion to excuse the absences of Mr. VanderPloeg, Mr. Butts, and Ms. Hofmeyer. The motion was seconded by Mr. Balkema and carried.

There were no public comments regarding agenda items.

Mr. O'Connor made the motion to approve the minutes of the Joint Meeting of November 16, 2016. The motion was seconded by Mr. Balkema and carried.

Ms. Korzen addressed the topic of the Police & Fire actuarial audit. Ms. Korzen noted that this item is being discussed in the Joint meeting as it will impact the General Retirement System in the future. She noted that it is prudent to conduct an actuarial audit approximately every 10 years to ensure that the assumptions are reasonable and the actuary is applying them correctly. She stated that neither system has conducted an actuarial audit. Last year Trustees considered having a full replication actuarial valuation performed for the Police & Fire Retirement System, but the project was placed on hold due to the fact that Gabriel, Roeder, Smith and Company (GRS) was in the process of completing a 5-year experience study. Trustees decided to wait until the experience study and the next actuarial valuation (using the new assumptions) were completed. The Operations Committee recently met and agreed that a full replication of the valuation may not be necessary. Ms. Korzen contacted the three firms that provided a bid for actuarial audit services to ask them if any information in their initial fee quote had changed and to provide fees for all actuarial audit levels. She briefly reviewed the three levels of an actuarial audit: 1) Level 1 – full replication of the actuarial valuation; 2) Level 2 – a sampling to test the valuation results; and 3) Level 3 – a review of the consulting actuary's methods and assumptions for reasonableness and internal consistency, but no actuarial calculations. The Committee was comfortable in recommending a Level 2 audit as it would be less expensive and still provide Trustees with a sense of whether or not the actuarial calculations being performed by GRS are accurate. The Committee recommends hiring Milliman for the Level 2 actuarial audit at a cost of \$18,000 to the Police & Fire Retirement System. It would be an audit of the December 31, 2015 actuarial valuation. Every five years one of the Retirement Systems would be conducting some type of actuarial audit, with each System having an audit performed every 10 years. Chairman Hawkins asked what type of due diligence was performed with respect to this process. Mr. Timkovich stated that when the process was started there was a list of suitable candidates that the committee reviewed and three responded to the RFP. The Committee reviewed the strengths and weaknesses of the candidates that responded. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to approve the Operations Committee's recommendation to hire Milliman to conduct a Level 2 actuarial audit for the quoted fee of \$18,000. The motion was seconded by Mr. VanderWall and carried.

Mr. Thomas Michaud provided Trustees with a document outlining information on IRC Section 401(a)(9) compliance. He noted that the IRS is trying to ensure that persons who are entitled to retirement

benefits are collecting them. Per this regulation, benefit payments from a qualified plan must commence not later than the “required beginning date,” and the entire benefit must be paid over a period not longer than the life expectancy of the payee or the joint life expectancy of the payee and payee’s designated beneficiary. The “required beginning date” is generally April 1 of the calendar year following the later of: 1) the calendar year in which the participant reaches age 70 ½; or 2) in the case of an employee plan, the calendar year in which the participant terminates employment with the employer maintaining the plan. He noted that failure to comply with the required minimum distribution rules under this regulation not only has negative implications on the qualified status of the Retirement Systems, but can also have a direct impact on plan participants. He provided some suggestions on how the Retirement Systems can show due diligence in locating vested participants so that they can begin collecting their benefits when they become eligible. He stated that Trustees may wish to create a policy regarding this issue. Mr. Timkovich asked if there are exceptions for employees that continue working beyond age 70 ½; Mr. Michaud said yes. If the employee works beyond age 70 ½ then he/she would need to begin collecting benefits upon termination of employment. Ms. Korzen stated that the Retirement Systems office does notify deferred members via letter a few months prior to them reaching the minimum service retirement age (62 in General, 50 for Police members and 55 for Fire members), that it is time for them to make an appointment to sign their retirement papers. She stated that this typically accomplishes the goal, but some people do not sign their papers when they become eligible, for various reasons. The benefits per ordinance are not paid retroactively so if a former vested member does not apply as soon as they are eligible, they are losing money. Ms. Korzen stated that if she is unable to locate a former member, the Treasurers’ office has graciously offered to assist in locating the person. She agreed that it would be prudent to document the office’s procedures in a policy. She stated that the office also sends out notices to non-vested members to remind them to either roll over or withdraw their contributions and interest. There are not that many non-vested members who have not taken their contributions in a timely manner, but those who have not done so are noted in the minutes. Ms. Korzen stated that she will work with Mr. Michaud on developing a policy regarding this issue and bring it to Trustees at a future Board meeting.

There were no public comments on items not on the agenda.

Ms. Korzen commented that the Code of Conduct policy requires that Trustees and staff complete an annual disclosure statement; Ms. Balkema provided Trustees with the form. Ms. Korzen stated that the forms are due by the January 18, 2017 Board meetings. A list of the Retirement Systems’ internal accounting controls was also provided to Trustees.

The meeting adjourned at 8:57 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, January 18, 2017, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems