

GENERAL RETIREMENT SYSTEM  
BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
REGULAR MEETING  
FEBRUARY 15, 2017 – 8:00 a.m.  
233 East Fulton Street

The meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman David Tryc, Mr. Martin Timkovich, Mr. William Butts, and Mr. Phillip Mitchell. Absent: Ms. Jane Hofmeyer and Mr. Jon O'Connor.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, and Mr. David Hoffman of Gabriel, Roeder, Smith & Company (via telephone).

Vice Chairman Tryc made the motion to excuse the absences of Ms. Hofmeyer and Mr. O'Connor. The motion was seconded by Mr. Mitchell and carried. {Mr. Butts arrived at 8:01 a.m.}

There were no public comments regarding agenda items.

Moved by Vice Chairman Tryc and seconded by Mr. Timkovich, the following administrative items were approved by the Board of Trustees:

- Minutes of the regular meeting of December 21, 2016 and January 18, 2017.
- Purchase of credited service by the following General Retirement System member:  
Terry Frechette                      \$16,128.88              24 months
- Retirements: three age & service, three deferred, one early, and seven revised.

**Age & Service Retirements:**

<u>Name</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Mesler III, William C.</b>	30 yrs. 6 mo.	03/14/2017	\$66,311.67	\$4,099.85
<b>Szyszlowski, Thaddeus J.</b>	24 yrs. 2 mo.	02/09/2017	\$38,908.67	\$2,115.66
<b>Tims, Yvonne F.</b>	30 yrs. 2 mo.	03/24/2017	\$65,839.67	\$4,356.12

**Deferred Retirements:**

<u>Name</u>	<u>Credited Svc.</u>	<u>Ret. Date</u>	<u>Avg. Salary</u>	<u>Pension</u>
<b>Ricker, Elizabeth A.</b>	12 yrs. 1 mo.	02/01/2017	\$49,765.00	\$1,352.98
<b>Schaut, John L.</b>	27 yrs. 9 mo.	02/01/2017	\$100,638.00	\$6,059.58
<b>Tompkins, Jr., R.T.</b>	20 yrs. 3 mo.	02/01/2017	\$32,536.67	\$1,380.19

**Early Retirement:**

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Lawrence, Darlene M.	28 yrs. 2 mo.	01/31/2017	\$46,575.33	\$2,167.31

**Revised Retirements:**

Name	Revised Avg. Salary	Revised Pension	Refer to minutes
Barnum, Jr. , Richard E.	\$54,132.00	\$1,095.05	11/16/16
Bumstead, Linda L.	\$44,792.67	\$1,610.77	11/16/16
Geiger, Roberta A.	\$55,371.00	\$941.75	12/21/16
Krystiniak, Steven P.	\$54,132.00	\$2,449.01	12/21/16
MacGregor, Erin E.	\$61,165.00	\$1,135.38	12/21/16
Roberts, Larry D.	\$43,281.00	\$1,895.75	12/21/16
Shoen, Michael D.	\$54,132.00	\$2,355.19	11/16/16

- Payment of administrative expenses of \$3,858.55 for the period 12/01/16 – 01/31/17.
- **Investment Manager Fees:** Listed below are routine invoices for the quarter ending 12/31/16. All calculations, fees applied, and stated amounts under management have been verified by the Retirement Systems Office staff as correct:

\$25,355.12 – Baird Advisors (Fixed Income)  
 \$34,861.81 – CBRE Clarion (Real Estate)  
 \$39,093.00 – Harding Loevner (ADRs)  
 \$37,846.56 – Harvest Fund Advisors (MLPs)  
 \$6,974.18 – NTAM (Equities)  
 \$38,704.13 – Wellington Management Company (Equities)  
 \$27,485.14 – Wellington Management Company (Commodities)  
 \$36,330.18 – Western Asset Management (Fixed Income)

- **Custody Fees:** The attached invoice from Northern Trust divides the quarter ending 12/31/16 fee as follows:

Benefit Payments	\$6,630.27
Money-weighted return report	\$650.00
Custody	<u>\$7,427.58</u>
Total	\$14,707.85

**The motion carried.**

Ms. Korzen presented the Public Act 314 Asset Analyses showing a market value of \$391,386,747 on December 31, 2016 and \$397,653,880 on January 31, 2017. The reports were received and filed by the Chairman. (Analyses found on pages )

Ms. Korzen next presented Trustees with the Quarterly Report of Account Refunds for the period 10/01/16 – 12/31/16 that disclosed a withdrawal of \$19,166.28 by one non-vested former member. The report was received and filed by the Chairman. (Report on page )

The Executive Director presented Trustees with the Quarterly Report of Income for the quarter ending 12/31/16. Total Securities Lending income for the period was \$31,803.66. Total Class Action Settlement receipts for the period were \$2,317.23. Chairman Hawkins received and filed the report. (Report found on page )

Ms. Korzen next presented a proposed revised policy on the administration of the Limit on Death or Disability Pensions (City Code, Section 1.209.2). She noted that the only proposed change is that employment earnings will not cause retirement benefits to be offset once a retiree reaches his or her minimum service retirement age of sixty-two (62). She noted that she spoke to Mr. Michaud regarding this policy and how other systems are handling this issue and it seems a little far-reaching to expect that a disability retiree can never earn any additional money once he/she is retired. Therefore, once a disability retiree attains age 62, if he/she then obtains any gainful employment, it will not be counted toward the 90% limitation. Mr. Timkovich asked if a disability pension is normally converted to a regular age and service retirement once that person has reached aged 62; Ms. Korzen responded no. She stated her hope that the City will approach this topic with the bargaining units in the future and make this change. Vice Chairman Tryc made the motion to accept the proposed revised policy on the Limit on Death or Disability Pensions as written. The motion was seconded by Mr. Butts and carried. The revised policy will take effect beginning with the 2016 tax information request from disability retirees. Ms. Korzen commented that this revised policy will assist a couple of disability retirees that have had their pensions suspended because of missing income verifications and they are both over 62.

Mr. David Hoffman of Gabriel, Roeder, Smith & Company (GRS) next addressed the topic of investment return assumptions for the June 30, 2017 actuarial valuation. Mr. Hoffman provided Trustees with a report outlining recommendations that GRS has regarding investment return assumptions. He commented that it is GRS' hope to visit this issue each year in preparation for the actuarial valuations and GASB 67 & 68 reporting. He noted that based on expected return data provided by Wilshire Associates as of December 31, 2016, GRS has determined that the current 7.25% investment return assumption remains reasonable for use in the June 30, 2017 actuarial valuation. He commented that Wilshire provided a long-term (30-year) return expectation of 7.3% along with a 10-year return expectation of 6.1%. Mr. Hoffman stated that if the shorter term forecast is realized, higher computed employer contributions than currently anticipated will result and little or no progress will be made toward increasing the funded ratio for the retirement system. He also noted that relatively long amortization periods currently in effect also contribute to the funded ratio impact. The most recent experience study for the retirement system set the implicit long-term price inflation assumption at 2.75%. GRS recommends that the price inflation assumption be lowered to 2.5% and that the wage inflation assumptions also decrease to 3.25%. He did state that GRS still believes the current 3.5% wage inflation assumption is reasonable. He also noted that the Wilshire investment return assumption is not dependent on GRS' price inflation assumption, so lowering the price inflation assumption would not affect the investment return assumption. Mr. Hoffman stated that no action is required today, however, a decision will need to be made soon. Following Trustee discussion, Trustees decided to table this issue until the March 2017 Board meeting.

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

Vice Chairman Tryc made the motion to nominate Mr. Michael Hawkins to serve as Chairman of the Board of Trustees for the year 2017. The motion was seconded by Mr. Timkovich and carried. Mr. Timkovich made the motion to nominate Mr. David Tryc to serve as Vice Chairman of the Board of Trustees for the year 2017. The motion was seconded by Mr. Butts and carried.

Ms. Korzen commented that at the December Board meeting, it was unclear at that time as to which investment management account funds should be transferred from for Cash Account needs for February and March 2017. After recent review of the investment accounts, Mr. Pease and the Executive Director agreed to transfer \$1,000,000 from the NTAM account and \$900,000 from the Wellington Management (Equities) account to the Cash Account on February 1, 2017 and transfer \$700,000 from the Harvest Fund Advisors account, \$600,000 from the

NTAM account, and \$600,000 from the Wellington Management (Equities) account to the Cash Account on March 1, 2017.

Ms. Korzen noted that the City Clerk's Office has recommended that every City Board and Commission member sign an oath of office. However, their oath is really designed for citizen trustees and not member trustees. Ms. Korzen wrote an oath to be signed by the member trustees for the retirement system which references the pension ordinance and also contains some of the same verbiage with respect to the seriousness of the office. She asked if each member trustee would sign the oath today in the presence of the Retirement Systems Assistant, Lori Fairman, as she is a notary. Copies will be given to the City Clerk's Office. Vice Chairman Tryc asked if Mr. Michaud had reviewed the oath; he responded yes.

The meeting adjourned at 8:19 a.m.

The next General Retirement System Board Meeting will be held Wednesday, March 15, 2017, at 8:10 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General Retirement System