

GENERAL RETIREMENT SYSTEM
BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
REGULAR MEETING
JUNE 17, 2020 – 8:00 a.m.
VIA ONLINE CONFERENCE

The meeting was called to order by Chairman Michael Hawkins. Other members present: Vice Chairman David Tryc, Mr. Martin Timkovich, Mr. William Butts, Mr. Phillip Mitchell, Ms. Donijo DeJonge, and Mr. Nathaniel Moody.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement System, Mr. Thomas Michaud, Legal Advisor to the Board, Mr. Jeffrey Tebeau of Gabriel, Roeder, Smith and Company, Mr. David Lindberg and Mr. Calvin Born of Wilshire Associates, Inc., Ms. Molly Clarin, Chief Financial Officer for the City of Grand Rapids, Mr. Scott Saindon, Deputy Chief Financial Officer for the City of Grand Rapids, Zack Cziryak, Editor of Financial Investment News, and Ms. Lisa Balkema, Retirement Services Specialist.

There were no public comments regarding agenda items.

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

- Minutes of the regular meeting of May 20, 2020.
- Purchase of credited service by the following General Retirement System member:

Lisa L. Angus	\$14,498.26	24 months
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- Retirements: two age & service and one duty disability.

Age & Service Retirements:

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Endres, William M.	36 yrs. 1 mo.	07/14/2020	\$86,651.00	\$6,316.91
Wallace, Jana M.	31 yrs. 0 mo.	07/11/2020	\$101,509.00	\$7,080.25

Duty Disability Retirement:

Name	Credited Svc.	Ret. Date	Avg. Salary	Pension
Woodard, John C.	9 yrs. 9 mo.	06/16/2020	\$48,723.00	\$1,887.61

- Payment of administrative expenses of \$3,831.37 for the period 05/01/20 – 05/31/20.

The motion carried.

Ms. Korzen next presented a report of Cash Account transfers for the period 07/01/20 – 09/30/20. The Retirement Systems Office staff projected a need for \$6,150,000 to be moved to the cash account as follows: \$2,050,000 on July 1st, \$2,050,000 on August 3rd and \$2,050,000 on September 1st. Ms. Korzen noted that the City of Grand Rapids is making an additional \$1 million contribution on June 19, 2020. Ms. Korzen recommended, and Mr. Calvin Born of Wilshire Associates agreed, making the transfers as follows:

July 1 st	Harding Loevner	\$550,000
	Western Asset Management	\$1,500,000
August 3 rd	To be determined	\$2,050,000
September 1 st	To be determined	<u>\$2,050,000</u>
Total		<u>\$6,150,000</u>

The report was received and filed by the Chairman. (Cash Account Report found on page)

Ms. Korzen presented the Public Act 314 Asset Analysis showing a market value of \$385,896,656 on April 30, 2020. The report was received and filed by Chairman Hawkins. (Analysis found on page)

The actuarial services retainer fee from Gabriel, Roeder, Smith and Company (GRS) for the fiscal year 07/01/20 – 06/30/21 was presented to Trustees. The annual fee requested is \$35,080, in quarterly increments of \$8,770, which represents no increase from last year’s fee. GRS has requested a fee (shared with the City) not to exceed \$13,000 for GASB 67/68 required reporting. Vice Chairman Tryc made the motion to approve the renewal retainer fee request with Gabriel, Roeder, Smith and Company. The motion was seconded by Mr. Butts and carried.

Ms. Korzen next provided Trustees with an annual budget proposal. The numbers on the proposed document represent the dollar amounts Trustees expect to be expended for operational expenses for the FYE 06/30/21. Ms. Korzen noted that a formal budget that is approved by Trustees annually is a requirement under P.A. 314 and once approved by Trustees, the information will be available on the Retirement Systems’ website. Following Trustee discussion, Vice Chairman Tryc made the motion to approve the budget as presented. The motion was seconded by Mr. Butts and carried.

Mr. Jeffrey Tebeau of Gabriel, Roeder, Smith and Company (GRS) presented Trustees with an update to the 5-year Experience Study from July 1, 2014 – June 30, 2019 that was presented at the May 20, 2020 Board meeting. Mr. Tebeau reviewed the various assumptions and recommended changes to the following assumptions: 1) turnover rates; 2) disability rates; 3) pre- and post-retirement mortality rates; and 4) price, wage, and interest rate assumptions. He provided an overview of the components that GRS evaluated in the experience study and their relevance to the Retirement System. GRS recommends no change in retirement rate assumptions. Mr. Tebeau reviewed the mortality tables and projection scale and recent changes in this area. He noted GRS recommends utilizing the Pub-2010 amount-weighted General tables, in conjunction with the MP-2019 Projection Scale on a fully generational basis; this will very slightly decrease measured liabilities. He compared the selection of economic assumptions between Actuarial Standards of Practice No. 27 and Public Act 202. Based upon review of economic assumption data, GRS recommends that the System adopt the price inflation assumption of 2.25%, and a wage inflation assumption of 3.00%. They provided different options for assumed rates of return. Mr. Tebeau commented on the option factors for beneficiaries and noted that these are usually revised to correspond to the new interest and mortality assumptions adopted with an experience study. GRS recommends the option factors be revised as outlined in their report for retirements effective on or after January 1, 2021 to allow time for administrative changes and legal counsel review. He reviewed the current amortization policy (the weighted average remaining period is 26.54 years, as set by the City) and recommended no change but commented that Public Act 202 the maximum allowed amortization is 19 years for pension plan 2020 reporting. Mr. Tebeau reviewed the effects of recommended changes in actuarial assumptions on the Retirement System contribution and funded percent as of June 30, 2019 for each proposal. He noted that a change in assumptions will not change the long-term cost of the plan - only the timing of contributions to support the promised benefits. Mr. Tebeau reviewed the various alternate proposals by GRS

regarding the experience study, their recommendations, and potential impacts to the Retirement System. GRS recommends alternate #3 which incorporates all of the recommended changes. Mr. Lindberg agreed with the recommendations in the GRS report. Mr. Butts asked if the asset allocation should be revisited soon due to the fact that the plan is closed and liquidity needs will be ramping up in the near future. Mr. Lindberg agreed and said they will have this discussion with Trustees in the future, but it is not necessary quite yet. Mr. Michaud stated there are no legal issues with the GRS report. Mr. Butts made the motion to approve alternate #3 as outlined in the 5-year Experience Study by Gabriel, Roeder, Smith and Company utilizing a 7.00% investment return, 3.00% wage inflation, and GRS' proposed demographic assumption changes. The motion was seconded by Mr. Timkovich and carried. Ms. Korzen noted that a separate motion is needed to approve the recommendation for changing the option factors. Mr. Timkovich made the motion to approve the recommendation for the change in option factors for retirements on or after January 1, 2021 as outlined in the study. The motion was seconded by Mr. Mitchell and carried.

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

Ms. Korzen commented that she has been made aware that the 61st District Court has signed agreements with the APA and GREIU bargaining units to implement the state of Michigan's workshare program. She noted that it is essentially a layoff as the full-time participants will only be working 60% of their job each week for 8 weeks and collect 40% unemployment benefits and the \$600 per week benefit offered by the Federal government. She stated that she is concerned with the impacts to the Retirement System as there will be missing contributions, both employee and employer, during this 8-week period. The agreements stipulated that the 61st District Court will continue the participating employees' benefits during this timeframe. Ms. Korzen asked Trustees if they would like her to invoice the 61st District Court for the missing employee and employer contributions. Chairman Hawkins said yes invoices should be sent but questioned whether or not the court would pay them. Mr. Timkovich asked if the participating employees would still be working the requisite number of days per month to receive credit for the month as outlined in City Code; Ms. Korzen said technically they would. Mr. Michaud stated it is reasonable to invoice the 61st District Court for the missing contributions by sending them a letter outlining the amount owed and a cost analysis. Mr. Butts asked if this issue is material and noted that it may become more material if COVID-19 has a broader impact on City employees. Mr. Butts made the motion to have the Retirement Systems office to invoice the 61st District Court covering the period June 1, 2020 – July 25, 2020, requesting the payment of missing employee and employer contributions. The motion was seconded by Mr. Timkovich and carried. Mr. Timkovich questioned why the 61st District Court is taking this action and wondered if perhaps they should no longer be part of the General Retirement System.

The meeting adjourned at 8:39 a.m.

The next General Retirement System Board Meeting will be held Wednesday, August 19, 2020, at 9:20 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General Retirement System