

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

MINUTES  
SPECIAL JOINT MEETING  
April 20, 2011 - 8:00 a.m.  
233 East Fulton Street

The meeting was called to order by Chairman J. Patrick Scripps. Other members present: Mr. David Tryc, Mr. Craig VanderWall, Mr. Martin Timkovich, Mr. Thomas VanderPloeg, Ms. Dianette Hight, Mr. Michael Hawkins, Mr. Philip Balkema and Mr. Walter Gutowski. Absent: Mr. James Stokes.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, Mr. Marlin Pease of Wilshire Associates, Inc., Mr. Geoff LeMieux, Mr. Peter Lawrence and Mr. Peter Denious of FLAG Capital Management, and Mr. Michael Barrett, Mr. Andrew Pataky and Mr. Robert DeBolt of Mesirow Financial.

There were no comments regarding agenda items.

Mr. VanderPloeg made the motion to excuse the absence of Mr. Stokes. The motion was seconded by Mr. Balkema and carried.

Chairman Scripps thanked Trustees and staff on behalf of his family for the flowers and kind words after his wife passed away.

This special joint meeting was called to interview two Private Equity investment management firms.

Mr. Marlin Pease of Wilshire Associates, Inc. briefly reviewed some factors to consider for each of the candidates. He noted that at the February 16, 2011 Joint Board meeting, Trustees made a decision to look for an additional private equity manager. (Mr. Gutowski arrived at 8:03 a.m.) Mr. Pease noted that FLAG's emphasis is on family office and foundation; it is a very solid firm with a solid record. He stated that it is a smaller firm than Adams Street Partners, which allows it to focus on middle market opportunities. FLAG has the following funds available for investment: 1) U.S. Venture Capital (select U.S. venture funds); 2) U.S. Private Equity (U.S. lower and middle market buyout funds); and 3) International Private Equity (primary focus on Western Europe and Asia). Mesirow offers a partnership fund and a direct investment fund; however, the direct investment fund does carry higher fees. Mesirow's partnership fund has its primary emphasis on U.S. and Western European companies that are poised for expansion or already experiencing rapid revenue growth. {Ms. Hight arrived at 8:07 a.m.} They anticipate that this fund will be available in late 2011. Each firm handles "carried interest" fees a bit differently.

The following Private Equity manager representatives were interviewed:

8:15 – 9:10      FLAG Capital Management, Stamford, CT  
                    Mr. Geoff LeMieux, Director  
                    Mr. Peter Lawrence, Partner  
                    Mr. Peter Denious, Partner

9:12 – 10:05 Mesirow Financial, Chicago, IL  
Mr. Michael Barrett, Managing Director  
Mr. Andrew Pataky, Vice President, Institutional Sales & Marketing  
Mr. Robert DeBolt, Managing Director

After conclusion of the interview process, Mr. Pease noted that FLAG is focused more on the smaller end of the private equity spectrum. If Trustees select Mesirow, there would be a bit of an overlap between their product and Adams Street Partners, which is natural. He stated that either firm would be a suitable candidate for an additional allocation to private equity. In terms of pure diversification, he felt that FLAG would be able to offer a bit more contrast to Adams Street Partners. Mr. Timkovich suggested that Trustees hire both FLAG and Mesirow. FLAG would allow Trustees to invest almost immediately while Mesirow's product will not be available until late 2011 or possibly early 2012. Mr. VanderWall commented that it may be more prudent to invest with one firm now due to the overlapping issue between Mesirow and Adams Street Partners. Mr. Pease stated that while it is helpful to have all of the private equity personnel at Mesirow located in Chicago, there certainly is some value to having personnel in the locations where they invest overseas. Ms. Hight voiced her concern that Mesirow is not comparable to FLAG as far as the type of fund-of-funds that they offer and the size of companies that they consider. She is also concerned that all of Mesirow's private equity staff is in Chicago; this could lead to groupthink. Following Trustee discussion, Mr. VanderPloeg made the motion on behalf of the Police & Fire Retirement System to enter into an investment relationship with FLAG Capital Management, contingent upon a successful due diligence visit and contract negotiations, and allocate \$5 million of the plan's total assets. The motion was seconded by Mr. Gutowski and carried. This investment would represent the second of three planned commitments to private equity. Ms. Korzen asked for Trustee approval to have Mr. Thomas Michaud review the contracts; Trustees agreed. Mr. Timkovich made the motion on behalf of the General Retirement System to enter into an investment relationship with FLAG Capital Management, contingent upon a successful due diligence visit and contract negotiations, and allocate \$5 million of the plan's total assets. The motion was seconded by Mr. Tryc and carried. This investment would represent the second of three planned commitments to private equity. Chairman Scripps asked Ms. Korzen to coordinate the due diligence visit to FLAG.

There were no comments on items not on the agenda.

The meeting adjourned at 10:30 a.m.

Peggy Korzen  
Executive Director  
Police & Fire and General Retirement Systems