

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

MINUTES  
JOINT MEETING  
AUGUST 19, 2015 – 8:06 a.m.  
233 East Fulton

The session was called to order by Chairman Michael Hawkins. Other members present: Mr. David Tryc, Mr. Craig VanderWall, Mr. Martin Timkovich, Mr. Philip Balkema, Mr. William Butts, and Mr. Elias Lumpkins, Jr. Absent: Mr. J. Patrick Scripps, Mr. Thomas VanderPloeg, and Ms. Jane Hofmeyer.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Marlin Pease of Wilshire Associates, Inc., and Ms. Sara VanderWerff, City Comptroller.

Mr. VanderWall made the motion to excuse the absences of Mr. Scripps, Mr. VanderPloeg, and Ms. Hofmeyer. The motion was seconded by Mr. Tryc and carried.

Mr. Butts made the motion to approve the minutes of the Joint meeting of June 17, 2015 and July 15, 2015. The motion was seconded by Mr. Timkovich and carried.

Mr. Pease presented the quarterly performance report to Trustees. In a Capital Market update, Mr. Pease noted that the U.S. stock market was flat for the quarter, up just 0.06%; although the news out of Europe concerning the fate of Greece dominated the headlines as the quarter ended, there is no evidence that the broad market is overly concerned as implied volatility measures remain within a normal range. Large cap stocks outperformed smaller cap stocks for the quarter while growth stocks led value stocks. There have been three major downward shifts in Treasury yields since the start of the last recession. Employment conditions in the U.S. have slowly but steadily been improving since the credit crisis. The European stock market rally that ushered in 2015 was brought to an abrupt end by the late June breakdown in negotiations between the European Central Bank and beleaguered Greece, resulting in a second quarter loss for European region stocks in local currency terms. China's stock market suffered a deep correction in June, but year-to-date its run-up has been stunning, underpinning gains in emerging market equities as a whole. In fixed income, although the U.S. Federal Reserve refrained from raising short-term interest rates, investors still began selling bonds to lock in gains and prepare for higher rates by year-end. U.S. Treasury yields rose during the quarter at all maturities beyond one year. Following a review of the capital markets, the Quarterly Funds Evaluation of the investment managers of the General and Police & Fire Retirement Systems was conducted.

**SUMMARY OF INDEX RETURNS**  
**PERIODS ENDED 06/30/15**

<u>Index</u>	<u>QTR.</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>10 YEARS</u>
S&P 500	0.28	7.42	17.31	17.34	7.89
RUSSELL 2000	0.42	6.49	17.81	17.08	8.40
NAREIT GLOBAL RE INDEX	-6.90	-0.36	8.69	11.58	N/A
MSCI ACWI X-US	0.53	-5.26	9.44	7.76	5.54
BARCLAYS AGGREGATE	-1.68	1.86	1.83	3.35	4.44

<b>DJ UBS COMMODITY INDEX</b>	<b>4.66</b>	<b>-23.71</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>91 DAY T-BILLS</b>	<b>0.01</b>	<b>0.02</b>	<b>0.06</b>	<b>0.08</b>	<b>1.41</b>

### General Retirement System

<u>Asset Commitments as of 06/30/15:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	26.2%	NTAM	16.7%
Fixed Income	25.2%	PIMCO	2.9%
Cash Equivalents	0.6%	Wellington Management Company	6.6%
Real Estate	4.4%	Baird Advisors	12.7%
Private Equity	1.8%	Western Asset Management	12.6%
Non-U.S. Equity	22.9%	Cash Account	0.6%
Commodities	4.1%	Neuberger Berman	15.5%
MLPs	4.8%	Harding Loevner	7.4%
TIPS	10.0%	CBRE Clarion	4.4%
		Adams Street Partners	1.2%
		FLAG Capital	0.6%
		Wellington Commodities	4.1%
		Harvest Fund Advisors	4.8%
		Brown Brothers Harriman	10.0%

### Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>06/30/15</u>	<u>Market Value</u> <u>03/31/15</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$414.1 million	\$421.2 million	(\$7.1 million)	-0.73%	90 <sup>th</sup> percentile
Total U.S. Equity	\$108.6 million	\$127.5 million	(\$18.9 million)	0.28%	49 <sup>th</sup> percentile
Total Non-U.S. Equity	\$94.7 million	\$94.3 million	\$400 thousand	0.52%	84 <sup>th</sup> percentile
Total Fixed Income	\$104.5 million	\$129.3 million	(\$24.8 million)	-1.59%	73 <sup>rd</sup> percentile
Total Real Estate	\$18.0 million	\$22.2 million	(\$4.2 million)	-6.93%	84 <sup>th</sup> percentile
Total Private Equity	\$7.6 million	\$7.0 million	\$600 thousand	7.83%	N/A
Total Commodities	\$16.9 million	\$16.5 million	\$400 thousand	1.98%	N/A
Total MLPs	\$19.8 million	\$20.3 million	(\$500 thousand)	-2.72%	N/A
Total TIPS	\$41.3 million	\$0	\$41.3 million	N/A	N/A
NTAM	\$69.2 million	\$74.6 million	(\$5.4 million)	0.35%	39 <sup>th</sup> percentile
PIMCO	\$12.0 million	\$17.7 million	(\$5.7 million)	0.13%	70 <sup>th</sup> percentile
Wellington Mgmt. Co.	\$27.4 million	\$35.2 million	(\$7.8 million)	0.19%	52 <sup>nd</sup> percentile
Neuberger Berman	\$64.1 million	\$63.7 million	\$400 thousand	0.53%	70 <sup>th</sup> percentile
Harding Loevner	\$30.7 million	\$30.6 million	\$100 thousand	0.50%	70 <sup>th</sup> percentile
Baird Advisors	\$52.5 million	\$65.0 million	(\$12.5 million)	-1.48%	38 <sup>th</sup> percentile
Western Asset Mgmt.	\$52.0 million	\$64.3 million	(\$12.3 million)	-1.70%	51 <sup>st</sup> percentile
CBRE Clarion	\$18.0 million	\$22.2 million	(\$4.2 million)	-6.93%	84 <sup>th</sup> percentile
Adams Street Partners	\$5.0 million	\$4.7 million	\$300 thousand	37.47%	N/A
FLAG Capital	\$2.7 million	\$2.3 million	\$400 thousand	3.97%	N/A
Wellington Commodities	\$16.9 million	\$16.5 million	\$400 thousand	1.98%	N/A
Harvest Fund Advisors	\$19.8 million	\$20.3 million	(\$500 thousand)	-2.72%	N/A
Brown Brothers Harriman	\$41.3 million	\$0	\$41.3 million	N/A	N/A

### Police and Fire Retirement System

<u>Asset Commitments as of 06/30/15:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	26.4%	NTAM	16.8%

Fixed Income	25.2%	PIMCO	2.9%
Cash Equivalents	0.5%	Wellington Management Company	6.7%
Real Estate	4.5%	Baird Advisors	12.7%
Private Equity	1.9%	Western Asset Management	12.6%
Non-U.S. Equity	22.8%	Cash Account	0.5%
Commodities	4.1%	Neuberger Berman	15.4%
MLPs	4.7%	Harding Loevner	7.4%
TIPS	9.9%	CBRE Clarion	4.5%
		Adams Street Partners	1.2%
		FLAG Capital	0.7%
		Wellington Commodities	4.1%
		Harvest Fund Advisors	4.7%
		Brown Brothers Harriman	9.9%

### Quarterly Summary of the Police & Fire Retirement System

	<u>Market Value</u> <u>06/30/15</u>	<u>Market Value</u> <u>03/31/15</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$396.1 million	\$402.2 million	(\$6.1 million)	-0.73%	90 <sup>th</sup> percentile
Total U.S. Equity	\$104.5 million	\$124.7 million	(\$20.2 million)	0.28%	49 <sup>th</sup> percentile
Total Non-U.S. Equity	\$90.2 million	\$89.8 million	\$400 thousand	0.52%	84 <sup>th</sup> percentile
Total Fixed Income	\$100.0 million	\$121.6 million	(\$21.6 million)	-1.59%	73 <sup>rd</sup> percentile
Total Real Estate	\$17.7 million	\$21.6 million	(\$3.9 million)	-6.91%	83 <sup>rd</sup> percentile
Total Private Equity	\$7.6 million	\$7.0 million	\$600 thousand	7.83%	N/A
Total Commodities	\$16.2 million	\$15.9 million	\$300 thousand	1.98%	N/A
Total MLPs	\$18.8 million	\$19.3 million	(\$500 thousand)	-2.67%	N/A
Total TIPS	\$39.3 million	\$0 million	\$39.3 million	N/A	N/A
NTAM	\$66.4 million	\$72.7 million	(\$6.3 million)	0.35%	39 <sup>th</sup> percentile
PIMCO	\$11.5 million	\$18.0 million	(\$6.5 million)	0.12%	72 <sup>nd</sup> percentile
Wellington Mgmt. Co.	\$26.6 million	\$34.1 million	(\$7.5 million)	0.19%	52 <sup>nd</sup> percentile
Neuberger Berman	\$61.0 million	\$60.7 million	\$300 thousand	0.53%	70 <sup>th</sup> percentile
Harding Loevner	\$29.2 million	\$29.1 million	\$100 thousand	0.52%	70 <sup>th</sup> percentile
Baird Advisors	\$50.1 million	\$60.9 million	(\$10.8 million)	-1.47%	38 <sup>th</sup> percentile
Western Asset Mgmt.	\$49.8 million	\$60.7 million	(\$10.9 million)	-1.70%	51 <sup>st</sup> percentile
CBRE Clarion	\$17.7 million	\$21.6 million	(\$3.9 million)	-6.91%	83 <sup>rd</sup> percentile
Adams Street Partners	\$5.0 million	\$4.7 million	\$300 thousand	37.84%	N/A
FLAG Capital	\$2.7 million	\$2.3 million	\$400 thousand	3.97%	N/A
Wellington Commodities	\$16.2 million	\$15.9 million	\$300 thousand	1.98%	N/A
Harvest Fund Advisors	\$18.8 million	\$19.3 million	(\$500 thousand)	-2.67%	N/A
Brown Brothers Harriman	\$39.3 million	\$0	\$39.3 million	N/A	N/A

Mr. Pease commented on the following issues with the following investment managers: 1) Wellington Management Company – investigation by the SEC into allegations of insider trading, 2) PIMCO – investigation by the SEC regarding EFT Total Return Fund and 3) FLAG Capital – acquisition by Aberdeen Asset Management. Mr. Pease noted that these issues are fairly recent and Wilshire does not have much information on them at this time, but will continue to monitor these situations and report back to the Board with any pertinent developments.

Mr. Pease next provided Trustees with a draft updating the Investment Policy Statement for the General Retirement System and the Police & Fire Retirement System. Ms. Korzen noted that these were initially supplied to Trustees at the May 20, 2015 Joint Board meeting; however, there were a few changes that needed to be made to the statements to ensure that all of the managers are reflected in the document, as well as

implementing a numbering system for the sections. Mr. Pease stated that the policies are in place to provide background information as to what the investment objectives are for the fund as a whole and then to provide a summary of what each individual investment manager's objectives and guidelines are within the portfolio. These guidelines also outline what each manager can and cannot invest in. There is also a section that addresses the portfolio's asset allocation. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to approve the Investment Policy Statement as written. The motion was seconded by Mr. VanderWall and carried. Mr. Tryc made the motion on behalf of the General Retirement System to approve the Investment Policy Statement as written. The motion was seconded by Mr. Butts and carried.

Board approval was requested for attendance at the following conferences: Baird Advisors 16<sup>th</sup> Annual Institutional Investors Conference to be held September 13 – 14 by Mr. Scripps, Chairman Hawkins, Mr. VanderWall, Mr. Tryc, and Mr. Butts; the 2015 Fall MAPERS Conference to be held September 27 - 29 by Chairman Hawkins, Mr. Lumpkins, Mr. Tryc, Mr. VanderWall, Ms. Korzen and Ms. Balkema; and the 2015 Public Safety Employees Pension & Benefits Conference to be held October 25-28 by Mr. VanderWall. Mr. Balkema made the motion to approve attendance of the aforementioned conferences by Trustees and staff per the Trustee Training, Educational Development and Due Diligence policy. The motion was seconded by Mr. Timkovich and carried.

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

Chairman Hawkins commented that the performance review for the Executive Director is available online for Trustees to complete. He asked that Trustees complete their review by August 28, 2015.

Ms. Korzen provided Trustees with an update on the IT conversion and noted that everything has gone quite well. This past Monday was the official conversion date to the new network. The new phone system was up and running on Monday as well. The IT department at the City has been very helpful throughout this process; they are forwarding the phones and emails to staff members. She stated that she will ask the City to send out an all users email to notify everyone in the City of the changes, and there will be a newsletter that will be going out very soon as well to notify members and retirees of the changes. Trustees will have their new emails up and running soon, too. The web site will be one of the final pieces to transition as the new web site is not quite ready yet; she anticipated it being ready in the next two to three weeks. Once it is ready, the City's web site will point to the new site.

The meeting adjourned at 8:46 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, September 16, 2015, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems