

GENERAL RETIREMENT SYSTEM  
and  
POLICE and FIRE RETIREMENT SYSTEM

BOARD OF TRUSTEES  
CITY OF GRAND RAPIDS  
MICHIGAN

MINUTES  
JOINT MEETING  
DECEMBER 21, 2011 – 8:05 a.m.  
233 East Fulton

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. Dianne 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, Ms. Allison Brink and Mr. Scott Roberts of Ziegler Lotsoff Capital Management and Mr. William Butts.

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

There were no public comments regarding agenda items.

Mr. VanderPloeg made the motion to approve the minutes of the Joint Meeting of November 16, 2011. The motion was seconded by Mr. Tryc and carried.

Ms. Korzen presented a request for renewal of the Business Owner's Insurance Policy for the period 12/31/11 – 12/31/12, noting that the annual premium increased slightly to \$663. Mr. Tryc made the motion to approve the renewal request of the Business Owner's Insurance Policy underwritten by Citizens Insurance Company for the period 12/31/11 – 12/31/12. The motion was seconded by Mr. VanderWall and carried.

Ms. Allison Brink and Mr. Scott Roberts of Ziegler Lotsoff Capital Management (ZLCM) presented Trustees with an update on their firm. Ms. Brink introduced Mr. Roberts to Trustees. She noted that Ziegler Capital Management and Lotsoff Capital Management became Ziegler Lotsoff Capital Management as of June 10, 2011. ZLCM has \$3.5 billion in assets under management as of September 30, 2011. The firm is owned by senior management (employees), the Ziegler companies and Rizvi Traverse Management, LLC (RTM). Ms. Brink provided a breakdown of the various strategies that ZLCM manages. Mr. Roberts provided Trustees with some background about himself. He noted that the RTM ownership provides the firm with working capital to grow the ZLCM distribution channels and product lines. ZLCM recently acquired Red Granite Advisors (expected to close January 3, 2012) and this will give ZLCM a premier large cap growth strategy. Mr. Roberts provided an overview on the Ziegler Lotsoff Companies by noting that Ziegler was founded in 1902 as an insurance business in West Bend, Wisconsin. Today, Ziegler is a specialty investment bank with unique expertise in complex credit structures and financial advisory services. Mr. Roberts provided Trustees with information on RTM by noting that RTM was founded in 2004 and is headquartered in Birmingham, Michigan with additional offices in New York and Los Angeles. RTM believes in a value-oriented, opportunistic investment strategy that combines capital with management expertise. RTM seeks to actively create value at its portfolio companies by providing capital, management resources, strategic direction, and merger and acquisition advice. ZLCM is a long-term investment for RTM. The associates that work at RTM have extensive experience in industries including telecommunications, electronics, media, manufacturing and finance and maintain close ties with quality teams in these industries. Ms. Hight asked Mr. Roberts to explain RTM's involvement with ZLCM; since RTM has a 51% ownership stake in ZLCM, are they only providing capital or are they involved with the daily operations of ZLCM. Mr. Roberts stated that ZLCM is the only investment into

the financial services arena by RTM. He noted that he has known RTM for a long time and they are there to assist ZLCM, not manage it. RTM has been very hands-off with respect to ZLCM's operations. Mr. Roberts stated that the affiliation between Ziegler and Lotsoff, and soon Red Granite, will be a positive one as it will add more depth and breadth to the firm which ultimately will benefit its clients. Ms. Brink provided Trustees with investment returns for both portfolios for 2011:

	<u>1<sup>st</sup> Qtr</u>	<u>2<sup>nd</sup> Qtr</u>	<u>3<sup>rd</sup> Qtr</u>	<u>4<sup>th</sup> Qtr (2 months)</u>
General Retirement System	5.44%	0.39%	-14.34%	11.71%
Police & Fire Retirement System	5.47%	0.39%	-14.32%	11.71%
S&P 500 Index	5.92%	0.09%	-13.87%	10.67%

Mr. Roberts noted that ZLCM will look to grow its existing product lines rather than expand into other areas. Ms. Brink commented that over the past year, at ZLCM there has been an increase in investment professionals, with a vast array of experience in different market areas, which will serve clients better especially in these volatile markets. Mr. Balkema asked where the Red Granite growth portfolio team will be based. Ms. Brink stated they will be based in Milwaukee, with training and operations based in Chicago. She anticipated that it will be a smooth transition assimilating Red Granite into ZLCM. Ms. Hight asked how large Red Granite is; Mr. Roberts stated it has nine investment professionals.

The Executive Director commented that the contract has been signed with FLAG Capital and she is awaiting the first capital call. She stated she expects the capital call to come probably in January 2012.

Chairman Scripps noted that Mr. Stokes tendered a letter of resignation to the City Commission on December 5<sup>th</sup>, citing personal reasons for leaving the Boards. His resignation is effective as of December 31, 2011.

Chairman Scripps asked Trustees to consider conducting a review of the 13<sup>th</sup> Check with respect to the process and methodology of calculating the 13<sup>th</sup> Check, as it has never been reviewed by an accounting firm and is not part of the annual audit. Ms. Korzen spoke with Plante & Moran and they can conduct a review of the 13<sup>th</sup> Check for approximately \$1,800 - \$2,500; this would cover both systems. The review would be conducted by someone who is not on the audit team. They would review the past five years. Mr. Balkema made the motion to retain Plante & Moran for the purpose of conducting a review of the process and methodology of the 13<sup>th</sup> Check. The motion was seconded by Mr. VanderWall and carried.

Ms. Korzen commented that the new Code of Conduct policy requires that Trustees and staff complete an annual disclosure statement; Ms. Balkema provided Trustees with the form. She stated that the forms are due by the January 18, 2012 Board meetings.

The meeting adjourned at 8:34 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, January 18, 2012, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
 Executive Director  
 General and Police & Fire Retirement Systems