

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

MINUTES
JOINT MEETING
DECEMBER 17, 2014 – 8:12 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. Michael Hawkins, Mr. Philip Balkema, Mr. Walter Gutowski, and Mr. William Butts. Absent: Mr. Thomas VanderPloeg, and Ms. Jane Hofmeyer.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, and Ms. Sara VanderWerff, City Comptroller.

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

Mr. Gutowski thanked Trustees for the time he has served the Boards. He stated that he has not been reappointed to serve as Employer Trustee for the Boards for 2015 due to some differences between himself and Mayor Heartwell regarding the Boards. He noted that he and the Mayor continue to be good friends. He did not challenge the decision and feels that both Boards are very strong. He fought to retain Mr. Hawkins on the Board and was not sure why things transpired the way that they did but felt that the Boards will continue to serve the plans well. He did comment that although he has great respect for the City Attorney, he is aware of some emails that have been circulated regarding comments made at Board meetings; those emails may not have made the facts clear. He asked that going forward, if issues discussed during Board meetings are communicated to others not present at the meeting, they will not be sent out in insensitive emails. The Retirement Systems' Boards have not only provided great results and success to the members and the City of Grand Rapids, but they have gone about achieving this the right way. Chairman Scripps thanked Mr. Gutowski for his service on the Boards and expressed his disappointment that he was not reappointed to the Boards. He stated that Mr. Hawkins has been reappointed to the Boards for a four-year term. Mr. Balkema asked who the City Commission appointed instead of Mr. Gutowski; Mr. Elias Lumpkins, Jr. will be the new Employer Trustee for both Boards. Mr. Gutowski has confidence that Mr. Lumpkins will serve the Boards well.

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint meeting of September 17, 2014, and the minutes of the Special Joint meeting of October 15, 2014. The motion was seconded by Mr. Tryc and carried.

Ms. Korzen made the request to go into closed session for the purpose of discussing her performance evaluation and to include herself, Ms. White and Ms. Balkema. Mr. Balkema made the motion to go into closed session for the periodic performance evaluation of the Executive Director. The motion was seconded by Mr. Tryc and carried. Roll call vote: yeas: 8, nays: 0.

Executive Session began at 8:23 a.m. and ended at 8:32 a.m.

Chairman Scripps stated that Trustees met in closed session for the purpose of discussing the performance evaluation and goals for the Executive Director. The committee comprised of the Chairman and two Vice Chairmen recommend the continuance of the contract with Ms. Korzen as Executive Director under its current terms.

The Executive Director next addressed a proposed Plan Professional Review policy drafted by Mr. Thomas Michaud. The policy formalizes the proper way to conduct business with respect to the general administration, management, and operation of the Retirement Systems. Trustees should review on a regular basis the Systems' five primary service providers: 1) attorney; 2) actuary; 3) custodial bank; 4) investment consultant; and 5) auditor. Trustees should review one provider each year. Ms. Korzen stated that there is some discretion in the policy that if there is an issue with a given provider then Trustees can opt to change the order in which the service providers are reviewed. Chairman Scripps stated he approved of the order in which the service providers were listed in the policy. Mr. Balkema made the motion to approve the Advisor and Consultant Reviews policy as written. The motion was seconded by Mr. Gutowski and carried. Mr. Timkovich stated that the auditor is on a 3-year contract so this policy may not be a prudent schedule for them. Ms. Korzen stated that Trustees could opt to renew the contract with the auditors for a one or two-year term and also Trustees do not necessarily have to send out a Request for Proposal (RFP) or Request for Information (RFI) every five years. The policy is merely stating that Trustees will be assembling a committee to discuss the service provider and decide whether or not to send out an RFP or RFI. Ms. Korzen asked what the Board's desired time frame is for implementing the policy. Chairman Scripps stated that he believes there is interest amongst Trustees to retain additional legal counsel. He commented that it would be prudent for Trustees to have legal counsel that would be acting in the Boards' sole interest especially when there is a conflict of interest with the City. Mr. Gutowski made the motion to authorize Ms. Korzen to develop an RFI for outside legal counsel and to establish a committee consisting of Mr. Balkema, Ms. Hofmeyer, Mr. Hawkins, and Mr. Butts, to review the responses from the RFIs. The motion was seconded by Mr. Hawkins and carried. Mr. Balkema stated that there are times when the office of the City Attorney is placed in a precarious position of trying to serve two masters and it can be difficult at times. There is language in City Code that allows Trustees to obtain outside legal counsel in matters that create a conflict of interest. He stated that if an outside firm is hired he would hope that Trustees do not make that firm the first point of contact and the standard for legal advice, but rather utilize that firm as a backup for advice in circumstances where there may be a conflict of interest or a difference of opinions might be helpful. Ms. White stated that she agrees with much of what has been said on this issue. She commented that the Boards' main concern should be to ensure that they are well served. She is committed to doing the best job she can as legal counsel for the Boards. Assisting the Retirement Systems with ordinance issues can be time consuming, but the issues are able to be resolved; however, there are some issues which pose a conflict for Ms. White. Chairman Scripps clarified that it is the exclusive duty of Trustees to ensure that the Boards and the plans are well served. Ms. White reiterated that Trustees' main concern with legal issues is to make sure that they are well served. Ms. Korzen stated she would contact Mr. Balkema and Ms. Hofmeyer to see if they have any recommendations for local firms. She has talked to other administrators and there are a few firms that specialize in this type of work; one is Mr. Thomas Michaud's firm. Mr. Timkovich clarified that the committee would be reviewing the responses of the RFIs. Ms. Korzen stated that she can consult MAPERS to obtain a sample RFI for outside legal counsel and modify it to meet the needs of the Retirement Systems. Mr. Balkema suggested trying to have this matter addressed and the results shared with Trustees at the February 18, 2015 Joint Board meeting.

Ms. Korzen next provided Trustees with a document regarding investment guidelines for Northern Trust's securities lending program. She stated that earlier this year Northern Trust had notified her that the securities lending cash collateral pool that the Retirement Systems currently participate in, Core USA, will no longer be offered due to the restrictions imposed on many of their cash collateral pools by Section 619 of the Dodd-Frank Act. In order to continue participating in the securities lending program with Northern Trust, Trustees will need to select a different cash collateral investment fund. She reviewed the guidelines of the current program compared to the two proposed programs. She noted that the SL Core STIF fund is essentially the same as the current collateral pool. Mr. Tryc questioned why the fees are higher in the SL Core STIF fund; Ms. Korzen stated she did not know the specific reason why they are higher, but surmised that when Northern analyzed the data and proposed the two new funds they also analyzed their fee structure; but it could also be a regulatory issue. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to authorize

Northern Trust to utilize the SL Core STIF fund for its securities lending collateral. The motion was seconded by Mr. Gutowski and carried. Mr. Tryc made the motion on behalf of the General Retirement System to authorize Northern Trust to utilize the SL Core STIF fund for its securities lending collateral. The motion was seconded by Mr. Butts and carried.

Ms. Korzen presented a request for renewal of the Business Owner's Insurance Policy for the period 12/31/14 – 12/31/15, noting that the annual premium increased from \$760 to \$807. Mr. VanderWall made the motion to approve the renewal request of the Business Owner's Insurance Policy underwritten by Citizens Insurance Company for the period 12/31/14 – 12/31/15. The motion was seconded by Mr. Tryc and carried.

Ms. Korzen commented that the 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 21, 2015 Board meetings.

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

The meeting adjourned at 8:53 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, January 21, 2015, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems