

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

MINUTES  
JOINT MEETING  
FEBRUARY 17, 2010 – 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, Mr. James Stokes, Mr. Michael Hawkins, Mr. Philip Balkema and Mr. Walter Gutowski. Absent: Ms. Dianette Hight.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, and Mr. Marlin Pease of Wilshire Associates, Inc.

Mr. Tryc made the motion to excuse the absence of Ms. Hight. The motion was seconded by Mr. Gutowski and carried.

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of January 20, 2010. The motion was seconded by Mr. Gutowski and carried.

Mr. Pease presented the quarterly performance report to Trustees. In a Capital Market Update through February 12, 2010, Mr. Pease noted that 4Q GDP grew 5.7%, the fastest rate in six years, the Federal Reserve forecasts moderate growth in 2010, the unemployment rate dropped to 9.7% in January, PPI increased by 0.2% in December, finished good prices were up 4.4% in 2009, U.S. import prices increased 8.6% in 2009, the University of Michigan Consumer Confidence Index rose 1.9% to 74.4 in January and 30-year mortgage rates are hovering near all-time lows at around 5.00%. In the U.S. equity market, the market experienced a 3.5% loss in January 2010; this was the worst month for the DJIA since February 2009. This recent correction has the U.S. equity market down approximately 2.9% YTD, small stocks are outperforming large stocks, and value stocks are outpacing growth stocks. In the international market, China has begun to tighten its lending after the country's GDP grew at a faster than expected rate of 8.7% in 2009, developed markets are down 7.2% YTD and emerging markets led all asset classes in 2009 for the third time in the last five years. The Fed kept rates at historic lows, and the 10-year Treasury yield was at 3.69%. As of February 12, 2010, YTD, the S&P 500 was down 3.3%, the Russell 2000 was down 3.1%, the Wilshire 5000 was down 2.9%, the ACWI Index was down 6.8%, the Barclays Aggregate Bond Index was up 1.3% and the Wilshire RESI Index was down 6.2%. Following a review of market returns, the Quarterly Funds Evaluation of the Investment Managers of the General and Police & Fire Retirement Systems was conducted.

**SUMMARY OF INDEX RETURNS**  
**PERIODS ENDED 12/31/09**

<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	6.0	26.5	-5.6	0.4	-1.0

<b>RUSSELL 2000</b>	<b>3.9</b>	<b>27.2</b>	<b>-6.1</b>	<b>0.5</b>	<b>3.5</b>
<b>NAREIT GLOBAL RE INDEX</b>	<b>4.0</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>MSCI ACWI FR X-US</b>	<b>3.7</b>	<b>41.4</b>	<b>-3.5</b>	<b>5.8</b>	<b>2.7</b>
<b>BARCLAYS AGGREGATE</b>	<b>0.2</b>	<b>5.9</b>	<b>6.0</b>	<b>5.0</b>	<b>6.3</b>
<b>91 DAY T-BILLS</b>	<b>0.0</b>	<b>0.2</b>	<b>2.4</b>	<b>3.0</b>	<b>3.0</b>

### General Retirement System

#### Asset Commitments as of 12/31/09:

Domestic Equity	51.9%
International Equity	15.1%
Fixed Income	27.6%
Cash Equivalents	0.1%
Real Estate	5.3%

#### Asset Allocation to Managers:

Lotsoff Capital Management	16.5%
NTGI	16.5%
PIMCO	5.6%
Wellington Management Company	13.3%
Baird Advisors	13.2%
Western Asset Management	14.5%
Cash Account	0.1%
Neuberger Berman	15.1%
ING Clarion	5.3%

### Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>12/31/09</u>	<u>Market Value</u> <u>09/30/09</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$313.4 million	\$303.8 million	\$9.6 million	4.5%	15 <sup>th</sup> percentile
Total U.S. Equity	\$162.8 million	\$158.2 million	\$4.6 million	5.5%	85 <sup>th</sup> percentile
Total Non-U.S. Equity	\$47.3 million	\$45.4 million	\$1.9 million	4.1%	50 <sup>th</sup> percentile
Total Fixed Income	\$86.5 million	\$84.3 million	\$2.2 million	2.6%	30 <sup>th</sup> percentile
Total Real Estate	\$16.5 million	\$15.7 million	\$800 thousand	4.8%	16 <sup>th</sup> percentile
Lotsoff Capital Mgmt.	\$51.6 million	\$50.2 million	\$1.4 million	5.0%	74 <sup>th</sup> percentile
NTGI	\$51.8 million	\$50.1 million	\$1.7 million	6.1%	38 <sup>th</sup> percentile
PIMCO	\$17.6 million	\$16.4 million	\$1.2 million	7.1%	15 <sup>th</sup> percentile
Wellington Mgmt. Co.	\$41.8 million	\$41.5 million	\$300 thousand	4.7%	41 <sup>st</sup> percentile
Baird Advisors	\$41.2 million	\$40.8 million	\$400 thousand	0.9%	30 <sup>th</sup> percentile
Western Asset Mgmt.	\$45.3 million	\$43.5 million	\$1.8 million	4.2%	1 <sup>st</sup> percentile
Neuberger Berman	\$47.3 million	\$45.4 million	\$1.9 million	4.1%	29 <sup>th</sup> percentile
ING Clarion	\$16.5 million	\$15.7 million	\$800 thousand	4.8%	N/A

### Police and Fire Retirement System

#### Asset Commitments as of 12/31/09:

Domestic Equity	51.8%
International Equity	15.0%
Fixed Income	27.7%
Cash Equivalents	0.3%
Real Estate	5.2%

#### Asset Allocation to Managers:

Lotsoff Capital Management	16.4%
NTGI	16.4%
PIMCO	5.8%
Wellington Management Company	13.2%
Baird Advisors	13.2%
Western Asset Management	14.5%
Cash Account	0.3%
Neuberger Berman	15.0%
ING Clarion	5.2%

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

	<u>Market Value</u> <u>12/31/09</u>	<u>Market Value</u> <u>09/30/09</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$279.2 million	\$271.3 million	\$7.9 million	4.5%	19 <sup>th</sup> percentile
Total U.S. Equity	\$144.6 million	\$141.4 million	\$3.2 million	5.5%	81 <sup>st</sup> percentile
Total Non-U.S. Equity	\$41.7 million	\$40.1 million	\$1.6 million	4.1%	20 <sup>th</sup> percentile
Total Fixed Income	\$77.5 million	\$75.4 million	\$2.1 million	2.6%	26 <sup>h</sup> percentile
Total Real Estate	\$14.6 million	\$13.9 million	\$700 thousand	4.8%	11 <sup>th</sup> percentile
Lotsoff Capital Mgmt.	\$45.8 million	\$44.8 million	\$1.0 million	5.0%	74 <sup>th</sup> percentile
NTGI	\$45.9 million	\$44.7 million	\$1.2 million	6.1%	39 <sup>th</sup> percentile
PIMCO	\$16.1 million	\$15.0 million	\$1.1 million	7.1%	15 <sup>th</sup> percentile
Wellington Mgmt. Co.	\$36.9 million	\$36.9 million	\$0	4.7%	41 <sup>st</sup> percentile
Baird Advisors	\$37.0 million	\$36.6 million	\$400 thousand	1.0%	24 <sup>th</sup> percentile
Western Asset Mgmt.	\$40.5 million	\$38.8 million	\$1.7 million	4.2%	1 <sup>st</sup> percentile
Neuberger Berman	\$41.7 million	\$40.1 million	\$1.6 million	4.1%	29 <sup>th</sup> percentile
ING Clarion	\$14.6 million	\$13.9 million	\$700 thousand	4.8%	N/A

The report was received and filed by Chairman Scripps.

Per Trustee request, Mr. Pease provided Trustees with a review of Private Equity (PE) Fund of Funds managers. He stated that Wilshire believes PE can play an important role in building a long-term investment program looking to gain access to outsized returns. Mr. Pease noted that a Fund of Funds account structure allows for both diversification and access to top-tier partnerships. He presented information on five potential global diversified PE candidates: 1) Adams Street Partners, 2) FLAG Capital Management, 3) HarbourVest Partners, 4) Mesirow Financial Private Equity, Inc., and 5) Portfolio Advisors. Mr. Pease provided an overview on each firm and its investment strategies, assets under management, fund size, expected asset allocations and minimum commitment. Mr. VanderWall asked if Trustees decide to implement a PE allocation, should they consider more than one firm for diversification purposes; Mr. Pease responded that any of the five firms listed will be globally diversified, but it would be prudent to invest in more than one PE firm. He stated that it would be important to look for a firm that has significant allocation to the secondary markets to help lessen the effect of the J-Curve. Mr. Timkovich asked Mr. Pease to clarify what would be an appropriate commitment to a PE allocation. Mr. Pease stated it would be appropriate to start with a commitment of \$5 million per retirement system. He noted that the \$5 million would not be given to the manager right away, but rather over a 3-5 year time span through capital calls. Ms. Korzen clarified that Wilshire is recommending an overall 5% allocation to PE per system, but not all at once; Mr. Pease agreed. He noted that all five candidates have strong external auditing procedures in place. Ms. Korzen asked Mr. Pease to discuss the fees associated with a PE account. Mr. Pease stated that there will always be a base investment fee that is assessed on the committed capital, but for some firms there is also a performance fee assessed on any return that the manager receives and in some cases they have a preferred return, which must be reached before the fee is assessed. Mr. Timkovich asked what the likelihood would be of the Retirement Systems not getting back their initial investment. Mr. Pease stated that probability would be very low; about a 5-10% chance. Mr. Timkovich asked if the PE manager would provide a quarterly report; Mr. Pease responded that PE managers provide quarterly statements, which lag by one quarter. Following Trustee discussion, Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to enter into an investment relationship with Adams Street Partners, contingent upon 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. Mr. Timkovich made the motion on behalf of the General Retirement System to enter into an investment relationship with Adams Street Partners, contingent upon successful due diligence visit and contract negotiations, and allocate \$5 million of the plan's total assets. The motion was seconded by Mr.

Stokes and carried; Mr. Tryc abstained, asking whether Trustees should interview more firms prior to making a decision. Chairman Scripps stated that the overall target allocation to PE will be \$15 million, so this investment would be just one-third of that allocation and the remaining two-thirds could be invested with other PE managers. He suggested that perhaps if a few Trustees conduct a due diligence visit to Neuberger Berman and Wellington Management Company this year they could visit FLAG Capital Management. Chairman Scripps asked Ms. Korzen to organize a due diligence visit to Adams Street Partners and asked Mr. Pease to have someone from Wilshire Associates present during the visit; Mr. Pease agreed. The report was received and filed by Chairman Scripps.

Board approval was requested for attendance at the following conference: 2010 Wilshire Client Conference to be held April 25 - 27. Mr. VanderWall made the motion to approve attendance of the aforementioned conference by trustees, legal counsel and staff per the Trustee Training, Educational Development and Due Diligence policy in place. The motion was seconded by Mr. Timkovich and carried.

Ms. Korzen commented that last August the lease for the Retirement Systems office was discussed and it was noted that the CPI was negative and the Masonic Center stated that the rent would not change; however, Ms. White reviewed the lease and noted that it did not prevent the rent from decreasing if there was a decrease in the CPI. She contacted the Masonic Center and they agreed and lowered the rent retroactive to July 2009.

The meeting adjourned at 9:07 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, March 17, 2010, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems