

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

MINUTES
JOINT MEETING
FEBRUARY 15, 2012 – 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. Michael Hawkins, Mr. Philip Balkema, Mr. Walter Gutowski, and Mr. William Butts.

Also present: Ms. Peggy Korzen, Executive Director, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, Mr. Miguel Gonzalo of Adams Street Partners, and Mr. Marlin Pease and Mr. J.M. Ruscetti of Wilshire Associates, Inc.

There were no public comments regarding agenda items.

Mr. VanderPloeg made the motion to approve the minutes of the Joint meeting of January 18, 2012. The motion was seconded by Mr. Tryc and carried.

Mr. Miguel Gonzalo, CFA and Partner of Adams Street Partners (ASP) presented his firm's annual report to Trustees. Mr. Gonzalo noted that ASP is a 100% employee-owned private equity firm. They have offices in Chicago, London, Menlo Park, Singapore and Beijing. ASP has \$22.4 billion in assets under management. He reviewed their organization, people and process. ASP strives to: offer enhanced returns; mitigate poor outcomes; and provide access to opportunities which may provide outsized returns. They have an annual global fund offering established administrative convenience and provide access to top performing investments across the entire global private equity opportunity set. ASP also provides diversification across five dimensions: 1) strategy (primary, secondary and direct); 2) time; 3) manager; 4) subclass; and 5) geography. Their philosophy regarding secondary investing is to: 1) be selective when choosing investments; 2) be disciplined in building the portfolio; 3) integrate at every step of the process; and 4) invest with a knowledgeable partner willing to share ideas and insights. He stated that pricing in the secondary market has remained relatively stable after rebounding off 2009 lows. Mr. Gonzalo reviewed the Private Equity Fund program at ASP and provided Trustees with a review of the City of Grand Rapids General and Police & Fire Retirement Systems' portfolios as of December 31, 2011:

<u>ASP 2010 Fund Name</u>	<u>Subscription</u>	<u>Estimated Investment Commitments</u>	<u>Gross IRR*</u>	<u>Est. M.V. (NAV)</u>	<u>Dist. Rec. (D)</u>	<u>Estimated Total Value (NAV+D)</u>
U.S. Fund	\$5,000,000	\$1,920,000	33.13%	\$1,107,000	\$0	\$1,107,000
Non-U.S. Developed	\$3,000,000	\$1,280,000	6.32%	\$458,000	\$0	\$458,000
Non-U.S. Emerging	\$1,000,000	\$420,000	-7.20%	\$65,000	\$0	\$65,000
Direct Fund	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>20.94%</u>	<u>\$357,000</u>	<u>\$0</u>	<u>\$357,000</u>
Participant Total	\$10,000,000	\$4,620,000	25.80%	\$1,987,000	\$0	\$1,987,000

*Since Inception at 09/30/11

He provided Trustees with an historical review of vintage-year performance on all secondary investments since inception; ASP's since inception IRR is 21.37%. He noted that ASP will be making a distribution to the portfolios in late 2012 or early 2013. Mr. Gonzalo commented that in the first quarter of 2012 the backdrop of a challenging macro environment across their three core regions impacts fundraising and portfolio companies, although companies' performance to date is not reflecting the macro outlook. The capital reduction into Europe should lead to reduced competition and better returns. Oversubscribed funds in certain sectors (growth equity, small buyouts, certain emerging markets) means prompt due diligence and commitment is key. Continued focus on proactive pricing for secondary opportunities will be key to success. He noted that the Private Equity industry has recovered but is braced for further challenges. Buyout transaction volume has been moderate after the active start to 2011 and the venture market is mixed. The report was received and filed by Chairman Scripps.

Mr. Pease and Mr. Ruscetti presented the quarterly performance report to Trustees. In a Capital Market Update through February 10, 2012, Mr. Pease noted that the Fed instituted a more transparent monetary policy; the unemployment rate fell 0.2% to 8.3% in January; the CPI remained unchanged in December and was up 3.0% over the past year. The ISM non-manufacturing index rose by 3.8 in January to 56.8, the 25th consecutive month of manufacturing sector expansion. U.S. retail sales grew by 0.1% in December; up 6.5% since December 2010 and personal income increased 0.4% in December. December housing starts were down 4.1% from November but 24.9% above the December 2010 rate; existing home sales increased 5.0% in December and were up 3.6% versus one year ago. In the U.S. Equity market U.S. equities outpaced the global ex-U.S. equity market by nearly 15% in 2011, the financial sector is leading the S&P 500 Index (11.9% YTD) while the utilities sector is lagging (-3.5% YTD). YTD small cap stocks are outperforming large cap stocks and growth stocks are leading value stocks. In the Non-U.S. Equity markets the European Commission welcomed Greek approval of the austerity steps demanded for a financial lifeline, suggesting Euro finance chiefs will pull Greece back from the brink. China expects downward pressure in 2012, but growth estimates are near 9% and the Asian Development Bank forecasted a slowing but robust growth expectation of 7.5% for developing countries in 2012. In the Fixed Income market the Fed Funds Target Rate is 0.0% to 0.25% and the Federal Discount Rate is 0.75%. Fed funds rate increases are not expected for at least the next two years. As of February 10, 2012, YTD, the S&P 500 was up 7.0%, the Russell 2000 was up 9.9%, the Wilshire 5000 was up 7.6%, the ACWI Index was up 9.1%, the Barclays Aggregate Bond Index was up 0.6% and the Wilshire RESI Index was up 7.1%. 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 12/31/11**

<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	11.82	2.12	14.10	-0.25	2.92
RUSSELL 2000	15.48	-4.17	15.63	0.15	5.62
NAREIT GLOBAL RE INDEX	7.36	-5.82	N/A	N/A	N/A
MSCI ACWI X-US	3.72	-13.71	10.70	-2.92	6.31
BARCLAYS AGGREGATE	1.12	7.84	6.77	6.50	5.78
91 DAY T-BILLS	0.00	0.10	0.14	1.48	1.95

General Retirement System

Asset Commitments as of 12/31/11:

Domestic Equity	51.1%
Fixed Income	29.7%
Cash Equivalents	0.1%
Real Estate	4.8%
Private Equity	0.3%

Asset Allocation to Managers:

NTGI	16.8%
PIMCO	6.1%
Wellington Management Company	11.8%
Ziegler Lotsoff Capital Management	16.5%
Baird Advisors	14.6%

Western Asset Management	15.1%
Cash Account	0.1%
Neuberger Berman	13.9%
CBRE Clarion	4.8%
Adams Street Partners	0.3%

Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>12/31/11</u>	<u>Market Value</u> <u>09/30/11</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$332.8 million	\$313.7 million	\$19.1 million	7.42%	15 th percentile
Total U.S. Equity	\$170.1 million	\$152.2 million	\$17.9 million	12.77%	45 th percentile
Total Non-U.S. Equity	\$46.4 million	\$45.1 million	\$1.3 million	2.94%	75 th percentile
Total Fixed Income	\$98.8 million	\$99.2 million	(\$400 thousand)	1.42%	49 th percentile
Total Real Estate	\$16.0 million	\$14.9 million	\$1.1 million	7.65%	N/A
Total Private Equity	\$980 thousand	\$724 thousand	\$256 thousand	0.24%	N/A
NTGI	\$55.8 million	\$49.9 million	\$5.9 million	11.83%	41 st percentile
PIMCO	\$20.2 million	\$17.9 million	\$2.3 million	12.81%	21 st percentile
Wellington Mgmt. Co.	\$39.3 million	\$33.9 million	\$5.4 million	15.62%	46 th percentile
Ziegler Lotsoff Cap. Mgmt.	\$54.8 million	\$50.5 million	\$4.3 million	11.54%	47 th percentile
Neuberger Berman	\$46.4 million	\$45.1 million	\$1.3 million	2.94%	92 nd percentile
Baird Advisors	\$48.7 million	\$48.2 million	\$500 thousand	1.07%	52 nd percentile
Western Asset Mgmt.	\$50.1 million	\$51.0 million	(\$900 thousand)	1.62%	15 th percentile
CBRE Clarion	\$16.0 million	\$14.9 million	\$1.1 million	7.65%	28 th percentile
Adams Street Partners	\$980 thousand	\$724 thousand	\$256 thousand	0.24%	N/A

Police and Fire Retirement System

Asset Commitments as of 12/31/11:

Domestic Equity	51.0%
International Equity	13.8%
Fixed Income	29.7%
Cash Equivalents	0.4%
Real Estate	4.8%
Private Equity	0.3%

Asset Allocation to Managers:

NTGI	16.7%
PIMCO	5.9%
Wellington Management Company	11.9%
Ziegler Lotsoff Capital Management	16.5%
Baird Advisors	14.4%
Western Asset Management	15.3%
Cash Account	0.4%
Neuberger Berman	13.8%
CBRE Clarion	4.8%
Adams Street Partners	0.3%

Quarterly Summary of the Police & Fire Retirement System

	<u>Market Value</u> <u>12/31/11</u>	<u>Market Value</u> <u>09/30/11</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$303.2 million	\$284.8 million	\$18.4 million	7.42%	10 th percentile
Total U.S. Equity	\$154.5 million	\$137.7 million	\$16.8 million	12.80%	32 nd percentile
Total Non-U.S. Equity	\$41.9 million	\$40.7 million	\$1.2 million	2.94%	75 th percentile
Total Fixed Income	\$90.1 million	\$90.2 million	(\$100 thousand)	1.44%	44 th percentile
Total Real Estate	\$14.7 million	\$13.6 million	\$1.1 million	7.65%	N/A
Total Private Equity	\$980 thousand	\$724 thousand	\$256 thousand	0.24%	N/A
NTGI	\$50.6 million	\$45.4 million	\$5.2 million	11.83%	41 st percentile
PIMCO	\$18.0 million	\$16.0 million	\$2.0 million	12.81%	21 st percentile
Wellington Mgmt. Co.	\$36.0 million	\$31.1 million	\$4.9 million	15.62%	46 th percentile
Ziegler Lotsoff Cap. Mgmt.	\$50.0 million	\$45.3 million	\$4.7 million	11.61%	47 th percentile

Neuberger Berman	\$41.9 million	\$40.7 million	\$1.2 million	2.94%	92 nd percentile
Baird Advisors	\$43.8 million	\$43.3 million	\$500 thousand	1.10%	50 th percentile
Western Asset Mgmt.	\$46.4 million	\$46.9 million	(\$500 thousand)	1.62%	15 th percentile
CBRE Clarion	\$14.7 million	\$13.6 million	\$1.1 million	7.65%	28 th percentile
Adams Street Partners	\$980 thousand	\$724 thousand	\$256 thousand	0.24%	N/A

Mr. Pease highlighted additional items contained in the reports: 1) a recent Euro survey that Wilshire conducted; 2) information on the deleveraging cycle; and 3) Wilshire's 2012 return and risk assumptions. He commented that Wilshire will be preparing an Asset Allocation Study for the General and Police & Fire Retirement Systems and presenting it to Trustees at the August 2012 Joint Board meeting. The reports were received and filed by Chairman Scripps.

Ms. Korzen noted that Ms. Shelly Reinhard, Office Assistant III for the Retirement Systems Office, has been restored to her former position as Office Assistant IV in the Police Department effective February 13, 2012. She noted that Ms. Margaret Reith has agreed to work on a part-time basis to assist the office until Ms. Reinhard's replacement is secured.

The meeting adjourned at 9:17 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, March 21, 2012, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems