

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

MINUTES
JOINT MEETING
JANUARY 15, 2014 – 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. William Butts, and Ms. Jane Hofmeyer. Absent: Mr. Walter Gutowski.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, Mr. Geoffrey LeMieux of FLAG Capital, Mr. Lawrence Fumarolo, Mr. Jeff Porta and Mr. Brian Duhn of The Northern Trust Company, and Mr. Gregory Sundstrom, City Manager.

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

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of December 18, 2013. The motion was seconded by Mr. Hawkins and carried.

Mr. Geoff LeMieux, Vice President and Investment Relationship Manager of FLAG Capital (FLAG), presented his firm's annual report to Trustees. Mr. LeMieux noted that FLAG was founded in 1994, is solely dedicated to private capital strategies, has nearly \$7.0 billion in assets under management, has over 65 full-time professionals and is an independent and employee-owned company. FLAG has offices in Stamford, CT; Boston, MA; and Hong Kong. He reviewed FLAG's organization, their global offerings and provided a portfolio update. He noted that FLAG's private equity philosophy is to focus on the less efficient lower middle market; utilize operationally-oriented managers with demonstrated track records; have an emphasis on regional and/or sector-focused funds and maximize the potential for future alpha generation across private capital asset classes. FLAG is globally diversified across a number of dimensions as their Global Partnership Program is allocated to multiple FLAG strategies, creating additional layers of diversification across geography; markets; investment strategy; and vintage year. Mr. LeMieux reviewed FLAG's current fund manager commitments and underlying portfolio characteristics. The report was received and filed by Chairman Scripps.

Mr. Lawrence Fumarolo, Vice President and Senior Relationship Manager and Mr. Jeff Porta, Senior Vice President and Division Manager of The Northern Trust Company (NT), provided Trustees with an update on their firm. Mr. Fumarolo noted that NT was founded in 1889, has \$5.24 trillion in assets under custody, \$3.1 trillion in assets under administration and \$846 billion in assets under management. He stated that NT is sharply focused on asset management and asset servicing and offers a full array of capabilities to meet the needs of sophisticated institutional investors. Mr. Porta reviewed NT's profile and the services they offer. Mr. Fumarolo provided Trustees with an overview of the schematics for the General and Police & Fire Retirement Systems at NT and gave Trustees and update on the benefit payments side of NT. Mr. Fumarolo provided an update on the Securities Lending program at NT and noted that NT has an emphasis on customization, automation and transparency. NT's lendable base is \$775 billion for 368 clients; they have \$101 billion loans outstanding and they have a diverse global client base spanning 28 countries. NT has 185 securities lending partners in Chicago, London, Toronto, Hong Kong and Bangalore. The program currently

has \$105 billion in collateral (\$77 billion cash, \$28 billion in non-cash) and approximately 44% of cash in commingled pools and 56% in separately managed accounts. Mr. Fumarolo reviewed how NT manages risk within their Securities Lending program and noted that loan balances continue to increase supported by the ongoing global equity rally, and an improving economy in Europe is resulting in growing borrower demand for Eurozone equities. U.S. Treasuries have risen as market participants anticipate a slow-down in Federal Reserve asset purchases, and the demand for sovereign debt has been driven by the need to source high grade collateral to pledge in other transactions. He reviewed the Core USA Collateral Fund's characteristics and historical net earnings for the General Retirement System (\$492,222 since 2007) and the Police & Fire Retirement System (\$420,545 since 2007). The report was received and filed by Chairman Scripps.

Mr. Brian Duhn, Investment Relationship Manager of Northern Trust Asset Management (NTAM), formerly Northern Trust Global Investments, presented his firm's report to Trustees. Mr. Duhn noted that NTAM has \$846.2 billion in assets under management as of September 30, 2013, with \$418.2 billion of that amount in global index products. Mr. Duhn reviewed NTAM's organization, people and process. The following returns were reported for the period ending November 30, 2013:

	<u>1 mo.</u>	<u>3 mo.</u>	<u>YTD</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>10 yr.</u>
NT S&P 500 Index Fund	3.05%	11.18%	29.19%	30.40%	17.80%	17.78%	7.67%
S&P 500	3.05%	11.16%	29.12%	30.30%	17.73%	17.60%	7.69%

Mr. Duhn provided Trustees with some of the current trends in global investing. He noted that the short-term resolution to the U.S. fiscal situation has set a supportive backdrop for risk taking. U.S. growth indicators are mixed (better employment, but softer housing), but global indicators suggest acceleration in 2014. The U.S. stock market is still only at its median historic price-to-earnings multiple. {Mr. VanderPloeg left the meeting at 9:00 a.m.} The report was received and filed by Chairman Scripps.

There were no comments on items not on the agenda.

The Executive Director noted that Ms. White has recently completed her review of the contract from MMro and will discuss a few questions with Mr. Thomas Michaud; hopefully the contract will be signed soon.

Ms. Korzen commented that Mr. Marlin Pease of Wilshire Associates, Inc. has decided to leave the firm and will be going back to work for the University of Pittsburgh.

The meeting adjourned at 9:09 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 19, 2014, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
 Executive Director
 General and Police & Fire Retirement Systems