

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

MINUTES
JOINT MEETING
JANUARY 21, 2015 – 8:50 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 Mr. Elias Lumpkins, Jr. Absent: 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, Mr. Geoffrey LeMieux and Mr. Ryan Tiffany of FLAG Capital, Mr. Matthew Clark and Ms. Mariko Boswell of PIMCO, and Ms. Sara VanderWerff, City Comptroller.

Mr. Balkema made the motion to excuse the absence of Ms. Hofmeyer. The motion was seconded by Mr. Hawkins and carried.

There were no public comments regarding agenda items.

Chairman Scripps introduced Mr. Elias Lumpkins, Jr. as Employer Trustee. Mr. Lumpkins is a 3rd Ward City Commissioner. Trustees welcomed him to the Board.

Mr. Timkovich made the motion to approve the minutes of the Joint Meeting of December 17, 2014. The motion was seconded by Mr. Tryc and carried.

The educational session notes from November 19, 2014 were received and filed by the Chairman.

Mr. Geoff LeMieux, Vice President and Investment Relationship Manager and Mr. Ryan Tiffany of FLAG Capital (FLAG), presented their firm's annual report to Trustees. Mr. LeMieux noted that FLAG was founded in 1994, is solely dedicated to private capital strategies, has approximately \$6.5 billion in assets under management, has over 60 full-time professionals and is an independent and employee-owned company. FLAG has offices in Stamford, CT, Boston, MA, and Hong Kong. Mr. Tiffany reviewed FLAG's organization, their global offerings and provided a portfolio update. He noted that FLAG has a single solution providing access to a global portfolio of "best in class" private capital managers. He reviewed their different products and the characteristics of each: 1) FLAG Private Equity V; 2) FLAG International Partners III; and 3) FLAG Venture Partners VIII. Mr. LeMieux noted that FLAG Global Partners is 99% committed and of that 32% has been called. 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 and Mr. Tiffany reviewed FLAG's current fund manager commitments and underlying portfolio characteristics. The report was received and filed by Chairman Scripps.

Mr. Matthew Clark, CFA and Senior Vice President, and Ms. Mariko Boswell, CFA and Senior Vice President of Pacific Investment Management Company (PIMCO), presented their firm's annual report to Trustees. Mr. Clark noted that PIMCO manages their StocksPLUS strategy by selecting desired equity market exposures, buying and holding equity futures and/or swaps to provide stock market exposure, and attempting to enhance returns with active bond management. Ms. Boswell provided Trustees with an in-depth overview of PIMCO's organization, people and process. There are more shared responsibilities now

within the firm. She stated that the StocksPLUS portfolio has not been impacted negatively by the departure of Mr. Gross last fall. While Mr. Gross had a large say in the alpha transfer piece of the product, he was not the only one to impact decisions made in the portfolio; it was still a team process. PIMCO's organizational structure remains the same and their management team delivers broad coverage and specialization. PIMCO has \$1.87 trillion in assets under management as of September 30, 2014 with 2,462 employees, of which, 758 are investment professionals. The following returns were reported for the period ending December 31, 2014:

	<u>10 yrs.</u>	<u>5 yrs.</u>	<u>3 yrs.</u>	<u>1 yr.</u>	<u>6 mo.</u>	<u>3 mo.</u>	Since <u>09/30/87</u>	Since <u>Inception*</u>
StocksPLUS L.P.	8.5%	17.4%	23.0%	14.4%	5.6%	4.3%	10.2%	10.6%
S&P 500	7.7%	15.5%	20.4%	13.7%	6.1%	4.9%	9.5%	9.9%

*Inception date: 09/01/00

Mr. Clark noted that the U.S. demonstrated pronounced decoupling from mediocre growth elsewhere and inflation expectations were impacted by the unexpected collapse in oil prices. While the Fed ended its purchases, the Bank of Japan ramped up its quantitative easing and ECB signaled additional easing to come. Ms. Boswell commented that the strength of the dollar, oil weakness, and disinflation drove markets in 2014. She noted that PIMCO's cyclical outlook is: 1) there is evidence mounting that economic recovery is becoming self-sustaining and broad-based in the U.S.; 2) in the Eurozone the focus is now on the ECB's additional easing measures and their impact on inflation expectations; 3) in the U.K. above-trend growth is expected despite the drag from the Eurozone; 4) policy maker comfort in China with gradual moderation of growth suggests only modest additional easing to come; and 5) growth-supportive reflationary policies in Japan are in place as the spotlight shifts to structural reforms. Mr. Clark noted that the supply-induced weakness in oil prices is likely to support higher global growth in 2015. Developed markets have diverging policies but also have inflation worries, while opportunities exist in emerging markets despite growth concerns. The report was received and filed by Chairman Scripps.

Ms. Korzen next addressed an email she received from BLB&G regarding an issue of critical importance to shareholders' rights. The issue is the recent decision by the Delaware Supreme Court in ATP Tour v. Deutscher Tennis Bund in which fee-shifting corporate bylaws adopted unilaterally by directors (i.e. without stockholder approval) have been ruled valid and enforceable under Delaware law. Such bylaws and charter provisions seek to eliminate the feasibility of investor suits for management misconduct, no matter how egregious, by shifting a corporation's entire legal bill onto any shareholder that brings a legal action against the corporation, its officers or directors. These provisions make it prohibitively risky for shareholders to bring suit, thereby effectively immunizing corporate executives and board from civil liability. BLB&G is requesting additional support from the institutional investor community to petition the Delaware legislature and the major proxy advisors to oppose fee-shifting provisions through an amendment to Delaware's General Corporation law. The letter that these investors are asked to sign makes it clear that investors oppose fee-shifting provisions and support the Delaware Corporation Law Council's proposed ban on fee-shifting bylaws and corporate charter provisions. Ms. Korzen noted that MAPERS is supporting this measure on behalf of its Michigan plan members. Mr. Butts reviewed the case involved and offered to share the information with Trustees. Mr. Balkema stated that if this type of fee-shifting takes hold, it would change his perspective on getting involved as lead plaintiffs in securities litigation cases. Ms. Korzen stated it would certainly be a disincentive for plans to become involved as plaintiffs in securities litigation cases. Following Trustee discussion, Mr. VanderPloeg made the motion on behalf of the Police & Fire Retirement System to lend the Retirement System's name to the letter as outlined by BLB&G. The motion was seconded by Mr. VanderWall and carried. Mr. Tryc made the motion on behalf of the General Retirement System to lend the Retirement System's name to the letter as outlined by BLB&G. The motion was seconded by Mr. Butts and carried. Mr. Lumpkins abstained.

The Executive Director next presented a request to Trustees to purchase a new copier for the Retirement Systems office. She noted that the current copier was purchased in 2007 and when it was purchased she anticipated a 5-6 year break-even cost to own versus lease. The current copier has been

requiring more frequent service lately. She provided them with a proposal for a new RICOH Aficio MP C4503, which is similar to the current copier with respect to the functions it can perform but a newer model. The cost would be \$240.00/month for a 48 month lease (total cost of \$11,520.00) or \$8,819.00 to purchase the copier. The purchase cost in 2007 was \$12,049.00. Ms. Korzen recommended purchasing the copier versus leasing it. Applied Imaging has suggested a preventative maintenance plan similar to what the Retirement Systems office has now. There are different levels of maintenance plans and she recommended the plan that locks in the maintenance costs for 60 months. The per copy charge would be \$.0125 for black and white copies and \$.086 for color copies (these are rarely used). The minimum billing is \$55.00 which would not be a problem as on a quarterly basis the Retirement Systems office typically generates about 20,000 copies. Mr. Balkema made the motion to purchase the RICOH Aficio MP C4503 as outlined in the proposal by Applied Imaging. The motion was seconded by Mr. Hawkins and carried.

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

Ms. Korzen commented that the Harvest Fund Advisor contracts should be signed today and the contracts with Brown Brothers Harriman and Harding Loevner are very close to being finalized; hopefully within the next few weeks. She anticipated that the funding for all three accounts should occur in February.

The meeting adjourned at 10:07 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 18, 2015, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems