

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

MINUTES  
JOINT MEETING  
MARCH 19, 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. Martin Timkovich, Mr. Thomas VanderPloeg, Mr. Michael Hawkins, Mr. Philip Balkema, Mr. William Butts, and Ms. Jane Hofmeyer. Absent: Mr. Craig VanderWall and 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. Mark Babiec of CBRE Clarion, and Mr. Gregory Sundstrom, City Manager.

Mr. Tryc made the motion to excuse the absences of Mr. VanderWall and Mr. Gutowski. The motion was seconded by Mr. Balkema and carried.

There were no public comments regarding agenda items.

Mr. VanderPloeg made the motion to approve the minutes of the Joint Meeting of February 19, 2014. The motion was seconded by Mr. Timkovich and carried.

Mr. Mark Babiec, CFA, Senior Vice President and Head of Client Service, of CBRE Clarion Securities (CBRE) presented his firm's annual report to Trustees. Mr. Babiec commented that CBRE: has been 100% dedicated to real estate securities since 1984; has 85+ dedicated real estate securities professionals located in Philadelphia, Hong Kong, Tokyo, London and Sydney; employs a team-oriented approach; and has exceptionally low turnover of investment team personnel. CBRE is part of CBRE Group, Inc. and has \$23 billion in assets under management as of December 31, 2013. He noted that ING will be rebranding its asset management products as of May 1, 2014 and the new brand name will be Voya, but this will be a name change only; everything else will remain the same. CBRE has a total investment team of 36 dedicated professionals and the senior portfolio management team has average team experience of 24 years. He provided Trustees an overview of CBRE's organization and process. CBRE's investment philosophy is to generate consistent outperformance v. passive strategies through building conviction-based portfolios. They aim to identify undervalued real estate in the listed markets through superior information and research and allocate capital to regions and sectors where they believe real estate fundamentals and valuations are most attractive. CBRE manages risk via intensive company due diligence and prudent security selection while maintaining a diversification of companies, property sectors and geography. He stated that the global universe of public real estate companies is large and diverse: 38% in the Americas; 46% in the Asia-Pacific region; 14% in Europe; and 2% in the Middle East/Africa. CBRE's global investment policy committee performs a top-down analysis while its global investment team performs a bottom-up analysis. The portfolio is well diversified by geography and property type. Investment returns as of 02/28/14 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>YTD 2014</u>	<u>Calendar Year 2013</u>	<u>Since Inception*</u>
General Retirement System	3.30%	4.31%	16.52%
Police & Fire Retirement System	3.30%	4.31%	16.52%
FTSE EPRA/NAREIT Developed Index	3.86%	4.39%	17.21%

\*Inception date – June 16, 2009

Mr. Babiec stated that global real estate stocks delivered positive returns in all geographic regions in 2013 (4.4%); the performance was led by Europe (16.2%), followed by the Asia-Pacific Region (4.4%) and North America (1.3%). He noted that the fundamental outlook remains good for U.S. real estate stocks; in Japan “Abenomics” appears to be having a positive economic impact; in China, Hong Kong and Singapore government policies to control residential price appreciation and sales volumes are dampening the outlook for public companies with residential exposure; and in Europe the macro situation tail risks are subsiding and real estate fundamentals are not getting worse. Mr. Babiec commented that the negative contributors in 2013 were: an overweight of underperforming Hong Kong securities early in the year; an overweight of underperforming U.S. securities; and stock selection in Hong Kong and the U.K. He provided an outlook for 2014 and noted that CBRE expects a total return of 8-12% for global property stocks. Some of the key factors that support this estimate are: 1) macroeconomic environment showing signs of improvement; 2) limited new construction activity combined with healthy leasing and investment demand should bolster real estate values; 3) attractive stock valuations; and 4) they expect that volatility and correlation trends should continue to improve. In the commercial property markets low new supply bodes well for future space absorption and earnings growth is expected to remain healthy over the next two years in the global listed property securities area. He noted that historically, REITs have generated positive returns in rising interest rate environments and that real estate stocks are behaving like real estate stocks again. The report was received and filed by Chairman Scripps.

There were no comments on items not on the agenda.

Ms. Korzen noted that the following Trustees will be attending the upcoming NCPERS Conference: Mr. Michael Hawkins; Ms. Jane Hofmeyer (Trustee Education Seminar portion only); Mr. Martin Timkovich; Mr. David Tryc; and Mr. Thomas VanderPloeg. The following Trustees and staff will be attending the upcoming Spring MAPERS Conference: Ms. Lisa Balkema; Ms. Peggy Korzen; Mr. David Tryc; and Mr. Thomas VanderPloeg.

The meeting adjourned at 8:43 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, April 16, 2014, at 8:00 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems