

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

MINUTES
JOINT MEETING
MAY 19, 2010 – 8:32 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, Ms. Dianette Hight, Mr. Michael Hawkins, Mr. Philip Balkema 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. William Bensus of Wilshire Associates, Inc. and Mr. David Hoffman of Gabriel, Roeder, Smith and Company.

There were no public comments regarding agenda items.

Mr. VanderPloeg made the motion to approve the minutes of the Joint Meeting of March 17, 2010 and the minutes of the Special Joint Meeting April 14, 2010. The motion was seconded by Mr. Gutowski and carried.

Mr. Bensus presented the quarterly performance report to Trustees. In a Capital Market Update through May 14, 2010, Mr. Bensus noted that 4Q GDP grew 5.6%, the fastest rate in six years, the unemployment rate edged up to 9.9% in April, PPI increased by 0.7% in March, finished goods prices were up 4.4% in 2009, U.S. import prices increased 0.7% in March, the Conference Board Consumer Confidence Index rose to 52.5 in March from 46.4 in February, and housing starts have begun to rise but remain at depressed levels. In the U.S. equity market, mid-cap stocks continue their strong run in 2010 with a YTD return of 10.4%, small cap stocks are outperforming large cap stocks and value stocks are leading growth stocks. In the international market, financial stability remains in question throughout Europe as sovereign debt questions have yet to be answered, the Euro recently reached a 17-month low, China's GDP grew 11.9% in the first quarter of 2010 with inflation rising 2.4% from March 2009 levels, developed markets are down 9.1% YTD, and emerging markets led all asset classes in 2009 for the third time in the last five years. The FOMC raised the discount rate 0.25% to force banks to borrow more from private markets for short-term credit and Fed funds rate increases are not expected as long as unemployment remains high and wages remain stagnant. As of May 14, 2010, YTD, the S&P 500 was up 2.6%, the Russell 2000 was up 11.4%, the Wilshire 5000 was up 3.8%, the ACWI Index was down 6.6%, the Barclays Aggregate Bond Index was up 3.1% (YTD through May 13, 2010) and the Wilshire RESI Index was up 15.0%. 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 03/31/10

<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	5.4	49.8	-4.2	1.9	-0.7
RUSSELL 2000	8.9	62.8	-4.0	3.4	3.7
NAREIT GLOBAL RE INDEX	3.5	N/A	N/A	N/A	N/A
MSCI ACWI FR X-US	1.6	60.9	-4.2	6.1	2.8

BARCLAYS AGGREGATE	1.8	7.7	6.1	5.4	6.3
91 DAY T-BILLS	0.0	0.2	2.0	2.9	2.9

General Retirement System

Asset Commitments as of 03/31/10:

Domestic Equity	52.5%
International Equity	14.5%
Fixed Income	27.7%
Cash Equivalents	0.1%
Real Estate	5.2%

Asset Allocation to Managers:

Lotsoff Capital Management	16.5%
NTGI	16.5%
PIMCO	5.7%
Wellington Management Company	13.8%
Baird Advisors	13.1%
Western Asset Management	14.6%
Cash Account	0.1%
Neuberger Berman	14.5%
ING Clarion	5.2%

Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>03/31/10</u>	<u>Market Value</u> <u>12/31/09</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$326.0 million	\$313.4 million	\$12.6 million	5.30%	6 th percentile
Total U.S. Equity	\$171.2 million	\$162.8 million	\$8.4 million	7.38%	1 st percentile
Total Non-U.S. Equity	\$47.2 million	\$47.3 million	(\$100 thousand)	1.28%	71 st percentile
Total Fixed Income	\$90.4 million	\$86.5 million	\$3.9 million	4.36%	6 th percentile
Total Real Estate	\$16.8 million	\$16.5 million	\$300 thousand	1.82%	54 th percentile
Lotsoff Capital Mgmt.	\$53.7 million	\$51.6 million	\$2.1 million	5.46%	32 nd percentile
NTGI	\$53.9 million	\$51.8 million	\$2.1 million	5.42%	34 th percentile
PIMCO	\$18.7 million	\$17.6 million	\$1.1 million	6.46%	7 th percentile
Wellington Mgmt. Co.	\$44.9 million	\$41.8 million	\$3.1 million	12.66%	5 th percentile
Baird Advisors	\$42.7 million	\$41.2 million	\$1.5 million	3.53%	3 rd percentile
Western Asset Mgmt.	\$47.7 million	\$45.3 million	\$2.4 million	5.10%	1 st percentile
Neuberger Berman	\$47.2 million	\$47.3 million	(\$100 thousand)	1.28%	60 th percentile
ING Clarion	\$16.8 million	\$16.5 million	\$300 thousand	1.82%	N/A

Police and Fire Retirement System

Asset Commitments as of 03/31/10:

Domestic Equity	52.2%
International Equity	14.3%
Fixed Income	27.9%
Cash Equivalents	0.3%
Real Estate	5.1%

Asset Allocation to Managers:

Lotsoff Capital Management	16.4%
NTGI	16.4%
PIMCO	5.9%
Wellington Management Company	13.5%
Baird Advisors	13.2%
Western Asset Management	14.7%
Cash Account	0.3%
Neuberger Berman	14.3%
ING Clarion	5.1%

Quarterly Summary of the Police & Fire Retirement System

	<u>Market Value</u> <u>03/31/10</u>	<u>Market Value</u> <u>12/31/09</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$289.8 million	\$279.2 million	\$10.6 million	5.29%	8 th percentile

Total U.S. Equity	\$151.4 million	\$144.6 million	\$6.8 million	7.36%	3 rd percentile
Total Non-U.S. Equity	\$41.5 million	\$41.7 million	(\$200 thousand)	1.27%	72 nd percentile
Total Fixed Income	\$80.9 million	\$77.5 million	\$3.4 million	4.41%	1 st percentile
Total Real Estate	\$14.9 million	\$14.6 million	\$300 thousand	1.84%	50 th percentile
Lotsoff Capital Mgmt.	\$47.5 million	\$45.8 million	\$1.7 million	5.45%	32 nd percentile
NTGI	\$47.6 million	\$45.9 million	\$1.7 million	5.42%	34 th percentile
PIMCO	\$17.1 million	\$16.1 million	\$1.0 million	6.46%	7 th percentile
Wellington Mgmt. Co.	\$39.1 million	\$36.9 million	\$2.2 million	12.65%	5 th percentile
Baird Advisors	\$38.3 million	\$37.0 million	\$1.3 million	3.65%	3 rd percentile
Western Asset Mgmt.	\$42.6 million	\$40.5 million	\$2.1 million	5.10%	1 st percentile
Neuberger Berman	\$41.5 million	\$41.7 million	(\$200 thousand)	1.27%	60 th percentile
ING Clarion	\$14.9 million	\$14.6 million	\$300 thousand	1.84%	N/A

The report was received and filed by Chairman Scripps.

Chairman Scripps next asked Trustees how they wish to proceed with the Executive Director's current contract with respect to the compensation and classification study that is being conducted. He reminded Trustees of the timeline for the study which could take up to 60 days and commented that realistically this might not be completed by the June 30, 2010 deadline. He stated that it will be necessary to extend the Executive Director's current contract. He provided three options: 1) a three months extension, with an expiration of 10/31/10, 2) a four month extension, with an expiration of 11/30/10 or 3) a five month extension, with an expiration of 12/31/10. He commented that if Trustees choose option #3, a new contract would need to be in place by November 30, 2010. Chairman Scripps provided a likely timeline for this process by noting that Municipal Consulting Services, LLC (MCS) will be providing a report to Trustees with their findings within 60 days, however, since the Board does not meet in July the report will be reviewed at the August Board meeting. After the review, the committee will negotiate the new contract with the Executive Director and present the information to the full Board at the September Board meeting and the new contract would begin in October. Chairman Scripps stated that if a new contract is implemented in October, it would supersede any extensions of the current contract. Mr. Timkovich made the motion to extend the Executive Director's current contract five months, with an expiration of 12/31/10 and should a new contract be negotiated prior to that time, it will supersede the extension. The motion was seconded by Mr. Tryc and carried. Mr. Gutowski voted no. Mr. Stokes asked if the MCS consultant can make retroactive recommendations due to the prolonged nature of this process; Chairman Scripps stated the consultant can make any recommendation he wishes; however, it will be the Trustees' decision as to what is negotiated with the Executive Director. Ms. Hight suggested that it might be prudent to hold special joint meetings in July and October to ensure that the process is given enough time to accommodate negotiations to make the November 30, 2010 deadline; Mr. Gutowski agreed. Mr. Balkema commented that just because Trustees approve the five month extension of the Executive Director's current contract, that doesn't mean that if there is no meeting of the minds in negotiations in September or October Trustees can't serve notice to the Executive Director; the contract reads a minimum of 30 days notice of discontinuation, not maximum. He did not advocate this, but stated that if it did happen, that would give Trustees more time to devise a plan of action. Mr. VanderWall agreed and reiterated that if a new contract is negotiated prior to November 30, 2010 it would supersede the current contract.

Mr. Mark Nottley of Municipal Consulting Services, LLC (MCS) provided Trustees with an overview of the compensation analysis for the Executive Director position. He stated the objective of the study is to: 1) clearly document positional duties for the Executive Director position; 2) identify and survey an appropriate labor market for the position; 3) develop a suggested pay range; and 4) define agreed upon methods for performance evaluations/pay adjustments. Mr. Nottley outlined the major steps in the study by noting that he will attend Board meetings (initial and ongoing), define (with Board input) a comparable labor market, develop and administer a compensation survey, and meet and determine performance evaluation criteria and related systems. He will also develop a final report to include: 1) a new job description for the position; 2) survey results related to wages and benefits; 3) an evaluation of the survey results: wage and benefits; 4) a suggested salary range for the Executive Director's position; and 5) a performance evaluation tool and discussion of usage. Mr. Hawkins stated that the committee is also interested in ascertaining what comparable benefits are

being offered to individuals in similar positions; Mr. Nottley stated he will be surveying that information as well. Ms. Hight commented that it is expected that MCS will meet with Trustees to ensure that their expectations are being met through this process. Mr. Nottley stated that he will not be interviewing board members separately; however, he would be available to speak with Trustees individually by phone if desired. He stated a good approach may be to meet with Ms. Korzen, review the ordinances, speak with her about the position, review the duties and obtain the job description and disseminate this information to Trustees and then schedule a meeting with Trustees to review the information and the benchmark comparables. Mr. Hawkins noted that the critical piece of this process is to define what it is that Trustees expect of this position. Mr. Nottley stated that he will provide samples of performance evaluations to Trustees so that they can review them and hopefully construct a performance evaluation tool that will suit their needs. He stated that his final narrative report will include a job description, a salary range and a benefits comparison. The report will not provide recommendations, but rather conclusions from the study to assist Trustees with this issue.

Mr. David Hoffman of Gabriel, Roeder, Smith and Company (GRS) commented that his firm will be present at a work session with the City Commission next week reviewing the results of some recent actuarial studies on behalf of the City. He stated that it has always been an arrangement by the Board to allow GRS to do any work for any party that asks. He suggested that perhaps a change in that arrangement might be to have the Board request that any GRS work requests from the City be coordinated through the Executive Director. Chairman Scripps asked if that has been happening all along; Mr. Hoffman stated that it doesn't always happen. Mr. Hoffman suggested that another possibility would be to have any work product that GRS produces for the City be provided to Trustees. Ms. Hight questioned if Trustees have the authority to say whether or not another group within the City can request actuarial work from GRS without going through the Executive Director; Mr. VanderPloeg responded yes because GRS is under contract with the Retirement Systems. Mr. Balkema stated it has always made sense to use GRS rather than another actuarial firm because GRS has all of the historical data available. Ms. Korzen noted that any additional studies that GRS performs for the City or bargaining units are paid for by those parties. Chairman Scripps stated he would like to see all GRS work requests from the City directed to Peggy; however, Trustees wouldn't necessarily need to see all reports unless they are germane to Trustees' duties; Ms. Hight agreed. Ms. White asked for time to review the contract with GRS before Trustees make this decision. Trustees tabled the issue until the June Board meeting.

Ms. Korzen commented that there has been some interest in placing a benefit calculator program on the Retirement Systems' Web site and she recently received a proposal from a company, RCM Technologies, to provide this service. She has also asked Mr. Hoffman to explore this possibility with his firm. Once she receives the information back from Mr. Hoffman, she will be able to present more information to Trustees for their consideration.

The meeting adjourned at 10:23 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 16, 2010, at 8:15 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems