

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

MINUTES
JOINT MEETING
MAY 18, 2011 – 8:45 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, Mr. Michael Hawkins, Mr. Philip Balkema, and Mr. Walter Gutowski. Absent: Ms. Dianette Hight.

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 Bensur of Wilshire Associates, Inc., and Mr. David Hoffman of Gabriel, Roeder, Smith and Company.

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

There were no public comments regarding agenda items.

Mr. VanderWall made the motion to approve the minutes of the Joint meeting of March 16, 2011 and the Special Joint meeting of April 20, 2011. The motion was seconded by Mr. VanderPloeg and carried.

Mr. Bensur presented the quarterly performance report to Trustees. In a Capital Market Update through May 16, 2011, Mr. Bensur noted that the FOMC believes that “the economic recovery is on a firmer footing, and overall conditions in the labor market appear to be improving gradually;” GDP in the first quarter of 2011 increased 1.8%, down from 3.1% in the fourth quarter 2010; the ISM non-manufacturing index decreased to 52.8% in April; PPI increased by 0.7% in March – up 5.8% versus one year ago; and retail sales increased 0.4% in March. In the U.S. Equity market YTD, the Wilshire 5000 has risen 6.4%, large cap stocks are outperforming small cap stocks, and growth stocks are leading value stocks. In the Non-U.S. Equity markets, U.K. inflation jumped to a 2½ year high after consumer prices rose 4.5% in April following a 4% increase in March. On March 11th, Japan encountered an earthquake followed by a tsunami causing serious damage, and nuclear meltdown concerns have caused an approximate 4.5% loss YTD. Political unrest in Egypt and Libya has slowed emerging market performance this year relative to developed markets. In the Fixed Income market the FOMC held rates at current levels during its April meeting. Fed Funds rate increases are not expected as long as unemployment remains high and wages remain stagnant, and the 10-year Treasury yield is 3.15%. As of May 16, 2011, YTD, the S&P 500 was up 6.5%, the Russell 2000 was up 5.4%, the Wilshire 5000 was up 6.4%, the ACWI Index was up 3.3%, the Barclays Aggregate Bond Index was up 2.5% and the Wilshire RESI Index was up 10.8%. 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 03/31/11**

<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	5.92	15.64	2.35	2.63	3.29
RUSSELL 2000	7.93	25.78	8.56	3.35	7.87
NAREIT GLOBAL RE INDEX	2.04	18.32	N/A	N/A	N/A
MSCI ACWI FR X-US	3.41	13.15	-0.85	3.59	7.40
BARCLAYS AGGREGATE	0.42	5.12	5.30	6.02	5.57
91 DAY T-BILLS	0.05	0.16	0.51	2.22	2.24

General Retirement System

Asset Commitments as of 03/31/11:

Domestic Equity	52.5%
International Equity	15.3%
Fixed Income	26.4%
Cash Equivalents	0.5%
Real Estate	5.2%
Private Equity	0.1%

Asset Allocation to Managers:

Lotsoff Capital Management	16.3%
NTGI	16.6%
PIMCO	6.0%
Wellington Management Company	13.5%
Baird Advisors	12.7%
Western Asset Management	13.8%
Cash Account	0.5%
Neuberger Berman	15.3%
ING Clarion	5.2%
Adams Street Partners	0.1%

Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>03/31/11</u>	<u>Market Value</u> <u>12/31/10</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$359.6 million	\$348.1 million	\$11.5 million	4.52%	43 rd percentile
Total U.S. Equity	\$188.7 million	\$182.6 million	\$6.1 million	6.40%	56 th percentile
Total Non-U.S. Equity	\$55.0 million	\$52.7 million	\$2.3 million	4.29%	6 th percentile
Total Fixed Income	\$95.1 million	\$93.6 million	\$1.5 million	1.59%	29 th percentile
Total Real Estate	\$18.6 million	\$18.1 million	\$500 thousand	2.52%	93 rd percentile
Total Private Equity	\$484 thousand	\$409 thousand	\$75 thousand	1.21%	N/A
Lotsoff Capital Mgmt.	\$58.7 million	\$57.4 million	\$1.3 million	5.34%	69 th percentile
NTGI	\$60.0 million	\$57.4 million	\$2.6 million	5.94%	56 th percentile
PIMCO	\$21.6 million	\$20.2 million	\$1.4 million	6.53%	42 nd percentile
Wellington Mgmt. Co.	\$48.7 million	\$47.4 million	\$1.3 million	8.31%	60 th percentile
Neuberger Berman	\$55.0 million	\$52.7 million	\$2.3 million	4.29%	20 th percentile
Baird Advisors	\$45.6 million	\$45.1 million	\$500 thousand	1.12%	10 th percentile
Western Asset Mgmt.	\$49.5 million	\$48.5 million	\$1.0 million	2.02%	1 st percentile
ING Clarion	\$18.6 million	\$18.1 million	\$500 thousand	2.52%	48 th percentile
Adams Street Partners	\$484 thousand	\$409 thousand	\$75 thousand	1.21%	N/A

Police and Fire Retirement System

Asset Commitments as of 03/31/11:

Domestic Equity	52.0%
International Equity	15.3%
Fixed Income	26.7%
Cash Equivalents	0.7%
Real Estate	5.1%
Private Equity	0.1%

Asset Allocation to Managers:

Lotsoff Capital Management	16.2%
NTGI	16.5%
PIMCO	5.8%
Wellington Management Company	13.4%
Baird Advisors	12.7%
Western Asset Management	14.1%
Cash Account	0.7%
Neuberger Berman	15.3%
ING Clarion	5.1%
Adams Street Partners	0.1%

Quarterly Summary of the Police & Fire Retirement System

	<u>Market Value</u> <u>03/31/11</u>	<u>Market Value</u> <u>12/31/10</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$323.8 million	\$311.8 million	\$12.0 million	4.50%	46 th percentile
Total U.S. Equity	\$168.3 million	\$161.4 million	\$6.9 million	6.42%	53 rd percentile
Total Non-U.S. Equity	\$49.6 million	\$47.5 million	\$2.1 million	4.25%	9 th percentile
Total Fixed Income	\$86.6 million	\$85.2 million	\$1.4 million	1.57%	32 nd percentile
Total Real Estate	\$16.6 million	\$16.2 million	\$400 thousand	2.52%	93 rd percentile
Total Private Equity	\$484 thousand	\$409 thousand	\$75 thousand	1.21%	N/A
Lotsoff Capital Mgmt.	\$52.6 million	\$51.0 million	\$1.6 million	5.38%	69 th percentile
NTGI	\$53.4 million	\$50.8 million	\$2.6 million	5.94%	56 th percentile
PIMCO	\$18.8 million	\$17.7 million	\$1.1 million	6.53%	42 nd percentile
Wellington Mgmt. Co.	\$43.4 million	\$42.0 million	\$1.4 million	8.31%	60 th percentile
Neuberger Berman	\$49.6 million	\$47.5 million	\$2.1 million	4.25%	21 st percentile
Baird Advisors	\$41.0 million	\$40.6 million	\$400 thousand	1.09%	11 th percentile
Western Asset Mgmt.	\$45.5 million	\$44.6 million	\$900 thousand	2.02%	1 st percentile
ING Clarion	\$16.6 million	\$16.2 million	\$400 thousand	2.52%	48 th percentile
Adams Street Partners	\$484 thousand	\$409 thousand	\$75 thousand	1.21%	N/A

The reports were received and filed by Chairman Scripps.

Mr. Bensur next addressed a couple of issues regarding Lotsoff Capital Management (LCM). He stated that they have recently been acquired by Ziegler Capital Management (ZCM). Mr. Bensur stated he is not familiar with ZCM, however, they are a bit bigger firm than LCM and he felt that the acquisition makes sense. There should be no changes to personnel at LCM and this should allow the investment team at LCM to focus more on what they do best. It is Wilshire's recommendation at this point to make no change. The second issue regarding LCM is their lagging performance. Mr. Bensur stated LCM is a quantitative firm and their strategies for some reason do not appear to be working right now. He stated that Wilshire had recently sent some of their representatives to LCM to discuss this matter with them and there were no recommendations to make changes. Mr. Bensur stated for the time being, make no changes to this investment, but if LCM's performance does not pick up in the near future, then consider making a change.

Ms. Korzen noted that the Securities Litigation committee recently met as the Retirement Systems' securities litigation firm, Scott + Scott, informed us about a significant loss (approximately \$700,000 between the two systems) with the company Weatherford International (an oil services company). Mr. Broggi from Scott + Scott mentioned they have two other clients from Georgia and Texas who have also sustained significant losses with this company and asked if the City of Grand Rapids Retirement Systems would like to join them as lead plaintiffs in the class action case. The committee discussed all of the ramifications with Mr. Broggi and decided that it would be prudent to become involved as lead plaintiffs with their other clients in this case. Since the deadline for responding to this action was before the May Joint Board meeting, the committee signed the contract with Scott + Scott to become co-lead plaintiffs. Mr. VanderPloeg made the motion on behalf of the Police & Fire Retirement System to be combined with Scott + Scott's other clients as lead plaintiffs in the class action lawsuit against Weatherford International. The motion was seconded by Mr. Balkema and carried. Mr. Tryc made the motion on behalf of the General Retirement System to be combined with Scott + Scott's other clients as lead plaintiffs in the class action lawsuit against Weatherford International. The motion was seconded by Mr. Hawkins and carried. Chairman Scripps asked what the costs would be; Ms. Korzen stated there would be none. Scott + Scott fronts all of the costs and reimburses the clients for their time spent in connection with the case.

Chairman Scripps provided Trustees with a report outlining the Executive Director's Annual Review Process. The report provided a timeline of events regarding this process and a copy of the revised Executive Director's goals was also given to Trustees. Chairman Scripps noted that he and Ms. Korzen have been meeting once at least every other week to review the report from Mr. Mark Nottley to address Trustees' concerns. He asked Trustees to review the materials and stated that he will contact them individually to discuss the matter.

The Executive Director provided Trustees with a draft Code of Conduct Policy for their review. Although the Retirement Systems have not had any issues, it is a prudent idea to have a policy in place. The proposed policy includes examples of required reporting as well as an example of an annual disclosure statement that would need to be completed by Trustees and staff. She asked Trustees to review the policy and to provide her feedback on the document.

The meeting adjourned at 9:45 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 15, 2011, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems