

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

MINUTES
JOINT MEETING
NOVEMBER 17, 2010 – 8:15 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 and Mr. William Bensus of Wilshire Associates, Inc.

There were no public comments regarding agenda items.

Ms. Korzen noted that there was a revision to the October 20, 2010 Special Joint meeting minutes to accurately reflect the end of the discussion regarding the Executive Director's contract. Mr. Tryc made the motion to approve the minutes of the Joint meeting of September 15, 2010 and the minutes of the Special Joint meeting of October 20, 2010 as revised. The motion was seconded by Mr. Stokes and carried.

Mr. Bensus presented the quarterly performance report to Trustees. In a Capital Market Update through November 12, 2010, Mr. Bensus noted that the Federal Reserve will buy an additional \$600 billion of Treasuries through June to boost growth, GDP increased at an annual rate of 2.0% in the third quarter, 2nd quarter GDP was 1.7%, the unemployment rate remained at 9.6% in October with 151,000 jobs added, the ISM non-manufacturing index increased to 54.3 in October, which is up 1.1 from September, PPI increased by 0.4% in September and is up 4.0% versus one year ago, October retail sales increased 1.2% and the Consumer Confidence Index rose to 50.2 in October, a slight increase from 48.6 in September. In the U.S. Equity market YTD, the Wilshire 5000 has risen 10.8%, small cap stocks are outperforming large cap stocks, and growth stocks are leading value stocks in large and small cap stocks. In the Non-U.S. Equity market the global equity market has experienced a recent pullback as a result of policy shifts designed to slow economic growth in China and the Japanese yen was trading at 15-year highs against the U.S. dollar. In the Fixed Income market the FOMC held rates at current levels during its September 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 2.76%. As of November 12, 2010, YTD, the S&P 500 was up 9.4%, the Russell 2000 was up 16.2%, the Wilshire 5000 was up 10.8%, the ACWI Index was up 8.5%, the Barclays Aggregate Bond Index was up 7.8% and the Wilshire RESI Index was up 24.9%. 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 09/30/10**

<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	11.30	10.15	-7.17	0.64	-0.44
RUSSELL 2000	11.29	13.34	-4.29	1.60	4.00
NAREIT GLOBAL RE INDEX	19.11	15.74	N/A	N/A	N/A
MSCI ACWI FR X-US	16.58	7.56	-7.41	4.25	4.32
BARCLAYS AGGREGATE	2.48	8.16	7.42	6.20	6.41
91 DAY T-BILLS	0.04	0.12	1.13	2.60	2.55

General Retirement System

Asset Commitments as of 09/30/10:

Domestic Equity	50.2%
International Equity	15.4%
Fixed Income	28.6%
Cash Equivalents	0.2%
Real Estate	5.5%
Private Equity	0.1%

Asset Allocation to Managers:

Lotsoff Capital Management	16.0%
NTGI	16.0%
PIMCO	5.7%
Wellington Management Company	12.5%
Baird Advisors	13.9%
Western Asset Management	14.7%
Cash Account	0.2%
Neuberger Berman	15.4%
ING Clarion	5.5%
Adams Street Partners	0.1%

Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>09/30/10</u>	<u>Market Value</u> <u>06/30/10</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$328.0 million	\$300.8 million	\$27.2 million	10.57%	9 th percentile
Total U.S. Equity	\$164.7 million	\$148.3 million	\$16.4 million	12.21%	15 th percentile
Total Non-U.S. Equity	\$50.6 million	\$43.3 million	\$7.3 million	16.91%	23 rd percentile
Total Fixed Income	\$93.8 million	\$93.4 million	\$400 thousand	4.08%	40 th percentile
Total Real Estate	\$18.1 million	\$15.3 million	\$2.8 million	17.56%	8 th percentile
Total Private Equity	\$241 thousand	\$227 thousand	\$14 thousand	-0.91%	N/A
Lotsoff Capital Mgmt.	\$52.4 million	\$46.7 million	\$5.7 million	12.14%	18 th percentile
NTGI	\$52.5 million	\$47.2 million	\$5.3 million	11.22%	37 th percentile
PIMCO	\$18.7 million	\$16.6 million	\$2.1 million	12.29%	17 th percentile
Wellington Mgmt. Co.	\$41.1 million	\$37.8 million	\$3.3 million	13.57%	12 th percentile
Neuberger Berman	\$50.6 million	\$43.3 million	\$7.3 million	16.91%	38 th percentile
Baird Advisors	\$45.5 million	\$44.0 million	\$1.5 million	3.38%	15 th percentile
Western Asset Mgmt.	\$48.3 million	\$49.4 million	(\$1.1 million)	4.73%	7 th percentile
ING Clarion	\$18.1 million	\$15.3 million	\$2.8 million	17.56%	81 st percentile
Adams Street Partners	\$241 thousand	\$227 thousand	\$14 thousand	-0.91%	N/A

Police and Fire Retirement System

Asset Commitments as of 09/30/10:

Domestic Equity	49.6%
International Equity	15.2%
Fixed Income	29.3%
Cash Equivalents	0.3%
Real Estate	5.5%
Private Equity	0.1%

Asset Allocation to Managers:

Lotsoff Capital Management	15.8%
NTGI	15.7%
PIMCO	5.7%
Wellington Management Company	12.4%
Baird Advisors	14.0%
Western Asset Management	15.3%
Cash Account	0.3%
Neuberger Berman	15.2%
ING Clarion	5.5%
Adams Street Partners	0.1%

Quarterly Summary of the Police & Fire Retirement System

	<u>Market Value</u> <u>09/30/10</u>	<u>Market Value</u> <u>06/30/10</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$292.5 million	\$267.3 million	\$25.2 million	10.54%	15 th percentile
Total U.S. Equity	\$145.1 million	\$130.7 million	\$14.4 million	12.21%	12 th percentile
Total Non-U.S. Equity	\$44.5 million	\$38.0 million	\$6.5 million	16.93%	20 th percentile
Total Fixed Income	\$85.7 million	\$83.7 million	\$2.0 million	4.12%	37 th percentile
Total Real Estate	\$16.0 million	\$13.6 million	\$2.4 million	17.56%	8 th percentile
Total Private Equity	\$241 thousand	\$227 thousand	\$14 thousand	-0.91%	N/A
Lotsoff Capital Mgmt.	\$46.2 million	\$41.2 million	\$5.0 million	12.16%	18 th percentile
NTGI	\$45.8 million	\$41.7 million	\$4.1 million	11.22%	38 th percentile
PIMCO	\$16.7 million	\$14.9 million	\$1.8 million	12.29%	17 th percentile
Wellington Mgmt. Co.	\$36.4 million	\$33.0 million	\$3.4 million	13.53%	12 th percentile
Neuberger Berman	\$44.5 million	\$38.0 million	\$6.5 million	16.93%	38 th percentile
Baird Advisors	\$41.0 million	\$39.6 million	\$1.4 million	3.43%	14 th percentile
Western Asset Mgmt.	\$44.7 million	\$44.1 million	\$600 thousand	4.76%	7 th percentile
ING Clarion	\$16.0 million	\$13.6 million	\$2.4 million	17.56%	81 st percentile
Adams Street Partners	\$241 thousand	\$227 thousand	\$14 thousand	-0.91%	N/A

Mr. Bensus commented that the REIT market has been experiencing high returns lately and although ING has been trailing a bit, Wilshire believes that they are still a reasonable partner for the Retirement Systems. He noted that ING is looking to sell off this unit and is in limbo as to where the ownership of this unit will end up. Mr. Bensus stated that this is nothing to worry about; Trustees will have a choice: 1) do nothing; 2) hire another manager; or 3) wait and see what happens to this unit and then make a decision. Mr. Bensus commented that this universe isn't very large and he recommends waiting to see what happens. Mr. Bensus reviewed the private equity investment with Adams Street Partners (ASP) and how the investment vehicle operates. Mr. Timkovich commented that the investment process with ASP was happening a bit slower than he had anticipated and stated that now may be a prudent time to invest in a second private equity opportunity. Mr. Bensus stated that the time frame for the investment process with ASP is exactly how it is supposed to be going and the money is still invested; however, he suggested that maybe in February 2011 Wilshire can provide Trustees with a report outlining additional suitable private equity investment opportunities; Trustees agreed to have Mr. Bensus prepare this report for the February 2011 Joint Board meeting. The report was received and filed by Chairman Scripps.

Chairman Scripps next addressed the Executive Director's contract renewal. Ms. White noted that the contract has been drafted to incorporate all of the items that were previously discussed. Ms. Korzen noted that there was a typo on one of the pages and suggested combining two of the job description's line items pertaining to being a liaison. She also noted that there needs to be a section at the end of the job description referencing establishing and maintaining effective working relationships with City officials, employees, retirees and beneficiaries. Following Trustee discussion, Mr. Timkovich made the motion to approve the contract with the Executive Director, with the aforementioned revisions. The motion was seconded by Mr. Stokes and carried.

Chairman Scripps next addressed the Executive Director's goals for next year by noting that the performance evaluation committee discussed the goals with the Executive Director and recommended the list of goals that she provided Trustees. Mr. VanderWall made the motion to adopt the Executive Director's goals for August 2010 – July 2011 as outlined in her report. The motion was seconded by Mr. Tryc and carried.

Ms. Korzen noted that at the Special Joint Board meeting on October 20, 2010, Board approval was requested for the IMN Conference in December; it was not on the agenda and therefore needs to be approved at this meeting. Board approval was requested for attendance at the IMN Conference to be held December 5 – 8. Mr. Tryc made the motion to approve attendance of the aforementioned conference by Trustees and staff per the Trustee Training, Educational Development and Due Diligence policy in place. The motion was seconded by Mr. Gutowski and carried.

Ms. Korzen noted that the City of Grand Rapids has named a street at John Ball Park after former Trustee Joseph Sypniewski.

The Executive Director provided Trustees with a report outlining the internal controls for administering the retirement systems that are in place with the Retirement Systems Office staff.

Ms. Korzen provided an update to Trustees on the proposed changes to P.A. 314 by noting that the recent proposal allows for an increase to real estate allocations from 5% to 10%, an increase in the basket clause from 10% to 20% and an increase in foreign securities exposure from 20% to 30%. It is hoped that this bill would be voted on before the end of the year. Ms. Hight asked Ms. Korzen to provide Trustees with another update at the December Board meetings; she agreed.

The meeting adjourned at 9:19 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, December 15, 2010, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems