

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

MINUTES
SPECIAL JOINT MEETING
October 15, 2014 - 8:01 a.m.
233 East Fulton Street

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, and Mr. William Butts. Absent: Mr. Walter Gutowski and 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. William Bensur of Wilshire Associates, Inc., Ms. Kristin Burke, Manager and Mr. S. Clarke Moody, CFA, of Harding Loevner, Mr. Douglas Jackman, CFA, Executive Vice President, and Mr. Christopher Neill, CFA, Senior Vice President of Thomas White International, and Mr. Rick Agosto, President and CEO of Aureus Partners, Inc.

Mr. Tryc made the motion to excuse the absences of Mr. Gutowski and Ms. Hofmeyer. The motion was seconded by Mr. Hawkins and carried.

There were no public comments regarding agenda items.

This special joint meeting was called to interview two ADR investment management firms, and discuss recent personnel changes at PIMCO.

Mr. Bensur first addressed the recent personnel changes at PIMCO by noting that Mr. Bill Gross left the firm and went to Janus Capital Group and it is very unclear as to why. PIMCO has since elevated Mr. Dan Ivascyn to the CIO position and the remaining five CIOs have been elevated to product line CIOs. He stated that he felt this situation was handled poorly by both sides. Mr. Bensur noted that the Retirement Systems are invested in PIMCO's StocksPlus product and the primary risk for this product is the S&P 500 Index exposure; they add value to that by managing short-term fixed income. Wilshire has decided to look at their clients' exposures to PIMCO on a case-by-case basis. Due to the short-term exposure to fixed income within these portfolios, he does not believe that Mr. Gross' departure will be a significant risk and stated that Wilshire's recommendation for now is to stay the course. The StocksPlus product is relatively liquid and Mr. Gross did not have a big impact on the investment of the portfolios. Wilshire will continue to monitor the situation at PIMCO.

Mr. William Bensur next noted that Wilshire conducted an asset liability study earlier this year and as part of that study, Wilshire recommended eliminating the home-country bias. {Mr. VanderPloeg arrived at 8:06 a.m.} An exposure to non-US equities through American Depository Receipts (ADRs) would accomplish this while not violating Michigan Public Act 314 of 1965, because ADRs are considered to be US equities and therefore do not count toward the 20% limitation for global securities.

The following ADR manager representatives were interviewed:

8:11 – 9:09 Harding Loevner, Bridgewater, NJ
 Ms. Kristin Burke, Manager
 Mr. S. Clarke Moody, CFA

9:11 – 10:24 Thomas White International, Chicago, IL
Mr. Douglas Jackman, CFA, Executive Vice President
Mr. Christopher Neill, CFA, Senior Vice President
Mr. Rick Agosto, President and CEO of Aureus Partners, Inc.

After conclusion of the interview process, Mr. Hawkins commented that the presenters represented their firms well; however, he felt that Harding Loevner's (HL) process was a bit more refined and felt that that Mr. Jackman and Mr. Neill of Thomas White International (TWI) did not address the firm ownership issue satisfactorily; Chairman Scripps agreed. Mr. Balkema commented that he was impressed with HL's investment strategy and they explained it very carefully and it is industry by industry within sectors and not based on the countries. Mr. VanderPloeg commented that HL appears to have an individual making an investment decision v. TWI where a group is making an investment decision; he asked Mr. Bensus if there is a benefit to one way versus the other. Mr. Bensus stated that HL makes investment decisions on a collaboration without consensus basis. He commented that both investment strategies work at times and sometimes they do not work. The group investment decision strategy can create group-think and not foster a lot of debate, whereas the collaboration without consensus method does allow for debate. Mr. Bensus stated that Wilshire has lowered the ranking of TWI lately due to the ownership issues they face. He stated that HL is a larger firm while TWI is a smaller boutique firm; both are institutional quality firms. Mr. Tryc asked how large the ADR market is; Mr. Bensus stated he was unsure; however, it is significant in terms of dollars. Following Trustee discussion, Mr. VanderPloeg made the motion on behalf of the Police & Fire Retirement System to enter into an investment relationship with Harding Loevner, contingent upon a successful due diligence visit and contract negotiations, and allocate approximately 7.5% of the plan's total assets. The motion was seconded by Mr. Balkema and carried. Mr. Tryc made the motion on behalf of the General Retirement System to enter into an investment relationship with Harding Loevner, contingent upon a successful due diligence visit and contract negotiations, and allocate approximately 7.5% of the plan's total assets. The motion was seconded by Mr. Timkovich and carried.

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

Chairman Scripps stated that the securities litigation law firm Scott + Scott had requested a teleconference call with Trustees today to update them on the status of pending litigation. Mr. Tryc made the motion to go into Executive Session for the purpose of discussing information that is exempt from the Freedom of Information Act as it pertains to pending litigation and to include Ms. Korzen, Ms. White and Ms. Balkema. The motion was seconded by Mr. Butts and carried. Roll call vote: yeas: 8, nays: 0.

Executive Session began at 10:38 a.m. and ended at 11:06 a.m.

Mr. VanderPloeg made the motion on behalf of the Police & Fire Retirement System to authorize Scott + Scott to settle based on the discussion that took place in Executive Session. The motion was seconded by Mr. VanderWall and carried. Mr. Timkovich made the motion on behalf of the General Retirement System to authorize Scott + Scott to settle based on the discussion that took place in Executive Session. The motion was seconded by Mr. Tryc and carried.

The meeting adjourned at 11:08 a.m.

Peggy Korzen
Executive Director
Police & Fire and General Retirement Systems