

GENERAL RETIREMENT SYSTEM
and
POLICE and FIRE RETIREMENT SYSTEM

BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
JOINT MEETING
SEPTEMBER 21, 2011 – 8:30 a.m.
233 East Fulton

The meeting was called to order by Mr. Craig VanderWall. Other members present: Mr. David Tryc, Mr. Martin Timkovich, Mr. Thomas VanderPloeg, Mr. James Stokes, Ms. Dianette Hight, Mr. Michael Hawkins, Mr. Philip Balkema, and Mr. Walter Gutowski. Absent: Chairman J. Patrick Scripps.

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 Wallace, Mr. Brian Faleiro and Mr. Benjamin Segal of Neuberger Berman, and Mr. Joseph Carieri of Western Asset Management.

Mr. Tryc made the motion to excuse the absence of Chairman Scripps. The motion was seconded by Mr. Gutowski and carried.

There were no public comments regarding agenda items.

Ms. Hight voiced her concern that the minutes of the Joint Meeting of August 17, 2011 be amended to reflect wording in the discussion regarding Lotsoff Capital Management, Ziegler Capital Management and RTM that would indicate that Mr. Bensus will conduct some due diligence on RTM and report his findings back to Trustees. Ms. Hight stated that she will provide Ms. Korzen with the wording she would like to see in that discussion and then the minutes will be brought back for Trustee approval at the November 2011 Board meeting.

Mr. William Wallace, CFA, Senior Vice President, Institutional Sales and Client Service, Mr. Brian Faleiro, CFA, Vice President and Mr. Benjamin Segal, CFA, Managing Director of Neuberger Berman (NB) presented their firm's annual report to Trustees. Mr. Wallace introduced himself and Mr. Faleiro and noted that earlier this year the NB portfolios were moved from separately managed accounts to the institutional fund at NB. He stated that on a year-to-date basis, the fund is in the 10th percentile, on a 5-year basis, it is in the 8th percentile and on a 10-year basis it is in the 26th percentile. Mr. Segal stated that NB was founded in 1939 and today is among the world's largest private employee-controlled asset management companies. NB has over 400 investment professionals with an average of 16 years of experience and their portfolio managers have an average of 24 years of industry experience. Mr. Faleiro commented that NB's strategy is as follows: 1) they believe that high returning, growing businesses trading at low valuations outperform over time; 2) they use in-depth fundamental analysis so they can identify great businesses across industries and geographies that span the market capitalization spectrum; 3) they employ prudent risk management techniques to help optimize risk/return characteristics; 4) bottom-up fundamental analysis; 5) all-cap core style; and 6) manage risk to ensure that performance is driven by stock picking, not countries or sectors, and that the tracking error remains in the 4-7% range. Mr. Faleiro reviewed the City of Grand Rapids Retirement Systems' objectives and portfolio guidelines and provided the following return statistics for both portfolios for periods ending June 30, 2011:

Annualized Returns Gross of Fees

	<u>3M</u>	<u>YTD</u>	<u>1 Yr.</u>	<u>3 Yr.</u>	Since Inception <u>06/30/06</u>
General Retirement System	(2.31)	6.41	35.99	0.31	2.09
Police & Fire Retirement System	(2.31)	6.38	36.03	0.40	2.15
MSCI ACWI Ex-U.S.	(3.53)	4.11	30.27	0.11	4.14

Mr. Segal reviewed the equity holdings, sector allocations and attribution, market cap allocation and regional and country allocations for the portfolios. The report was received and filed by Mr. VanderWall.

Mr. Joseph Carieri, Client Services of Western Asset Management (WAM) presented his firm's annual report to Trustees. He provided Trustees with an update of WAM and noted that as of June 30, 2011 they have 901 staff members, 533 client relationships and \$447.1 billion under management. He reviewed WAM's investment management team and their investment philosophy and process; they employ a long-term, fundamental value orientation and diversified strategies. Mr. Carieri provided a market review and commented on the recent market volatility, credit performance and the changes in U.S. Treasury yields and the yield curve. He stated that the U.S. economic recovery is ongoing, secular headwinds remain in developed countries and inflation should remain benign, but longer term risks exist following the end of the 2nd quarter. He noted his opinion that he does not think we are in a double dip recession and it would not be prudent taking on a lot of risk at the present time. The jobs and growth opportunities that are being seen right now are primarily in the emerging markets overseas. He commented that the credit/risk markets are attractive and they favor financials, non-agency mortgages, bank loans, higher-grade high-yield and emerging market sectors. It will be prudent to employ more tactical duration management as the rates should trade in a broad range of 2-3.50% and there will be a modest flattening of the yield curve. The primary risks will be: 1) disappointing growth; 2) European sovereigns and banks; 3) U.S. fiscal imbalances; 4) regulatory impacts on growth; and 5) emerging country growth and inflation concerns. Mr. Carieri provided the following return statistics for both portfolios as of July 31, 2011:

	<u>3 Mo.</u>	<u>YTD</u>	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	Since <u>Inception*</u>	<u>YTD</u> <u>Aug. 11</u>	<u>1 Mo.</u> <u>Aug. 11</u>
GRS	2.0%	5.7%	9.1%	12.1%	7.3%	6.5%	5.6%	-0.1%
PFRS	2.0%	5.7%	9.1%	12.1%	7.3%	6.4%	5.6%	-0.1%
Barclays Agg. Index	2.6%	4.4%	4.4%	7.0%	6.6%	5.5%	5.9%	1.5%

The report was received and filed by Mr. VanderWall.

The Executive Director provided Trustees with a report outlining her tentative goals for the upcoming year. She asked them to review the report and provide her with feedback and/or suggestions so she can bring it back to Trustees at the November 2011 Board meeting for adoption. She also mentioned that she was recently elected to serve as a Trustee on the MAPERS Executive Board.

There were no comments on items not on the agenda.

Ms. Korzen stated that she recently received communication from Scott + Scott regarding a class action lawsuit involving Wells Fargo. The lawsuit is similar to that of Bank of New York Mellon, the recent securities litigation suit that Trustees voted to be added as plaintiffs at last month's Board meeting. She commented that Mr. Broggi of Scott + Scott stated that the Police & Fire Retirement System sustained losses involving the Wells Fargo case of approximately \$300,000, but the General Retirement System sustained no losses. Ms. Korzen stated that she felt that was odd as both systems have had the same

investment managers for many years; she asked Mr. Broggi to double-check the records. Following Trustee discussion, Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to have Scott + Scott engage the Retirement System as plaintiffs in the Wells Fargo litigation. The motion was seconded by Mr. VanderPloeg and carried. Mr. Gutowski made the motion on behalf of the General Retirement System to have Scott + Scott engage the Retirement System as plaintiffs in the Wells Fargo litigation, should it be determined that the General Retirement System also sustained losses. The motion was seconded by Mr. Hawkins and carried.

Mr. Stokes asked Ms. Korzen if it was necessary to discuss her contract at this Board meeting. She noted that it is still in the review process and once all of the responses are received by Chairman Scripps, she will meet with the committee to go over the responses and the contract will then be reviewed in November. Mr. Stokes asked if there are any deadlines in terms of giving notice that are in jeopardy; Ms. Korzen said no, the process is on schedule. Ms. Hight stated that a timeline problem would only occur if there is a wide disparity between Trustees and the Executive Director regarding the contract provisions; however, if that did occur Trustees could extend the current contract by another month in order to work out the details. Ms. White stated that the current contract no longer has the automatic rollover provision.

The meeting adjourned at 9:58 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, November 16, 2011, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems