

GENERAL RETIREMENT SYSTEM
and
POLICE and FIRE RETIREMENT SYSTEM

BOARD OF TRUSTEES
CITY OF GRAND RAPIDS
MICHIGAN

MINUTES
JOINT MEETING
SEPTEMBER 18, 2013 – 8:05 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. Thomas VanderPloeg, Mr. Martin Timkovich, Mr. Michael Hawkins, Mr. Philip Balkema, and Mr. William Butts. Absent: Mr. Walter Gutowski and Mr. Bill Alphenaar.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Ms. Catherine Mish, City Attorney, Mr. Brian Faleiro and Ms. Cheryl Cannistra of Neuberger Berman, Ms. Allison Brink and Mr. Donald Nesbitt of Ziegler Lotsoff Capital Management, and Mr. Jeremy Friedman and Mr. Mark Lebovitch of BLB&G.

Mr. Tryc made the motion to excuse the absences of Mr. Gutowski and Mr. Alphenaar. The motion was seconded by Mr. VanderPloeg and carried.

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint meeting of August 21, 2013. The motion was seconded by Mr. Timkovich and carried.

Mr. Brian Faleiro, CFA, Senior Vice President and Ms. Cheryl Cannistra, Vice President of Neuberger Berman (NB) presented their firm's annual report to Trustees. Ms. Cannistra provided an overview of NB and recent developments within the firm; she stated that NB is 74% employee owned and they will hopefully be back to 100% within two years. Mr. Faleiro noted that NB was founded in 1939 and today is among the world's largest private employee-controlled asset management companies. NB has 439 investment professionals with an average of 27 years of experience. NB has over \$214 billion in assets under management, and more than 1,800 employees worldwide; he also reviewed the global equity team structure. Mr. Faleiro commented that NB's process emphasizes strategic analysis, valuation and risk management. Their screens narrow the universe to a manageable set of companies that undergo in-depth analysis. NB has proprietary screening and comprehensive fundamental analysis and they construct and monitor risk-managed portfolios through adherence to pre-determined guidelines. 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 July 31, 2013:

Annualized Returns

	<u>3 Mo.</u>	<u>YTD</u>	<u>1 Yr.</u>	<u>3 Yr.</u>	<u>5 Yr.</u>	Since Inception <u>06/30/06</u>
General Retirement System	1.36	7.73	20.12	9.86	2.49	2.29
Police & Fire Retirement System	1.36	7.73	20.12	9.85	2.51	2.34
MSCI ACWI Ex-U.S.	-2.31	4.69	17.47	6.91	1.25	3.18

Mr. Hawkins, Mr. Balkema and Mr. Butts, recently met and reviewed all of the items contained in the renewal request. There are a few items that are different from the current contract. For example, when NT recoups money for the Retirement Systems due to securities litigation they put the funds back into the respective Retirement Systems' account. This process consumes a fair amount of their resources; they are beginning to charge a nominal fee for this service. The fee was actually implemented by NT a few years ago, but because we were in the middle of a contract, it was not assessed to us. This fee appears to be a common practice in the industry. Mr. Hawkins stated that the committee feels that it would be prudent at some point to issue an RFP to ascertain if the fees and services NT is providing are in line with comparable custodial banks. The committee recommends approving the three-year renewal request submitted by NT and in 2015 issue an RFP for the custodial banking services to compare. Ms. Korzen noted NT would be locking in their fees for the next three years; there were no fee increases in custody, investment management or benefit payment fees. Mr. Balkema stated that there is no dissatisfaction with the services that NT has been providing; however, it may be prudent to periodically check other institutions to ascertain whether or not the fees and services NT provides are reasonable. Following Trustees discussion, Mr. Balkema stated the committee's recommendation to approve the contract extension fee renewal request as written in the proposal by the Northern Trust Company for custody, investment management services and benefit payments. The fee structure for the aforementioned services remains unchanged and will cover the period October 1, 2013 – September 30, 2016. Chairman Scripps noted that since the recommendation came from the committee, no support is required. The motion carried.

Ms. Korzen stated that retirees can currently opt for direct deposit for their monthly pension check; however, the funds can only be sent to one bank. Ms. Korzen asked Mr. Lawrence Fumarolo at NT if there would be additional fees to add the ability for retirees to split their payments into more than one direct deposit account; he stated that there are no additional fees and the Retirement Systems could offer up to three separate accounts for direct deposit. She stated it would be a bit more setup work for staff, but once it is in place, there would be no additional maintenance required. She asked Trustees if they wished to offer this service; Trustees responded yes as long as there are no additional costs to the Retirement Systems.

Mr. Jeremy Friedman and Mr. Mark Lebovitch of BLB&G provided Trustees with a report outlining their securities litigation monitoring services. Mr. Lebovitch noted that Trustees had recently agreed to hire BLB&G pending successful contract negotiations and he anticipates that contract should be in place soon. He noted that BLB&G was founded over 30 years ago, has 150 attorneys, offices in New York, California, Illinois, and Louisiana. They have a successful history and commitment to representing public pension funds and other institutional investors in litigation. Some of their attorneys are former federal and state prosecutors, SEC attorneys and federal and state judicial clerks. BLB&G only pursues meritorious cases and they employ a rigorous case analysis and review process to ensure their clients receive the best advice regarding their claims. Their Department of Governance focuses on filing high-impact M&A and shareholder derivative actions; their goal is to obtain additional merger consideration, remedy flawed processes and/or reform deficient corporate governance practices. Since 1983, BLB&G has recovered over \$25 billion for defrauded investors and they are responsible for the largest percentage of total recoveries. They have also recovered nearly \$5.5 billion for investors since the onset of the subprime credit crisis. BLB&G has received several accolades over the years by various legal publications. Mr. Lebovitch reviewed their representative client list. Mr. Friedman noted that BLB&G provides customized client reports and then reviewed some of their more recent cases. The report was received and filed by the Chairman.

Ms. Korzen noted that at last month's Joint Board meeting she provided Trustees with an updated copy of the Rules and Regulations regarding the Trustee election process. Mr. Balkema made the motion to approve the updated copy of the Rules and Regulations regarding the Trustees election process as outlined by Ms. Korzen. The motion was seconded by Mr. VanderWall and carried.

Mr. VanderWall commented that at last month's Joint Board meeting Mr. Bensur agreed to provide Trustees with a report outlining other qualified large cap equity managers to potentially replace Ziegler Lotsoff Capital Management. Mr. Bensur asked Trustees to let him know if they have any suggestions of managers that they would like to see in the report; Mr. VanderWall asked to have Mr. Bensur include Michigan firms in the search document, provided they meet Wilshire's screening process. Chairman Scripps cautioned that Trustees need to be mindful that they are not selecting managers merely because they are from Michigan. They should consider only qualified firms which pass Wilshire's screening process.

The meeting adjourned at 9:50 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, November 20, 2013, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems