

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

MINUTES  
JOINT MEETING  
FEBRUARY 17, 2016 – 8:05 a.m.  
233 East Fulton

The session was called to order by Chairman Michael Hawkins. Other members present: Mr. David Tryc, Mr. Craig VanderWall, Mr. Martin Timkovich, Mr. Philip Balkema, Mr. William Butts, Ms. Jane Hofmeyer, Mr. Jon O'Connor, and Mr. Phillip Mitchell. Absent: Mr. Thomas VanderPloeg.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Marlin Pease and Mr. J.M. Ruscetti of Wilshire Associates, Inc., and Ms. Sara VanderWerff, City Comptroller.

Mr. Tryc made the motion to excuse the absence of Mr. VanderPloeg. The motion was seconded by Mr. Balkema and carried.

Chairman Hawkins and Trustees welcomed Mr. Phillip Mitchell to the Boards. He noted that Mr. Mitchell is a CFA and is employed with Kroon & Mitchell, a local accounting and investment firm.

There were no public comments regarding agenda items.

Mr. Butts made the motion to approve the minutes of the Joint meeting of January 20, 2016. The motion was seconded by Mr. Tryc and carried.

Mr. Marlin Pease and Mr. J.M. Ruscetti presented the quarterly performance report to Trustees. Mr. Pease commented that Mr. Nicholas Sefchok resigned from Wilshire to take over his father's financial investment business. Mr. Alex Ford, who has been with Wilshire for approximately 10 years, will be expanding his role at Wilshire and may accompany Mr. Pease and Mr. Ruscetti to Board meetings from time to time. Mr. Ruscetti noted that the U.S. stock market was up for the fourth quarter by 6.36%; although the annual return of 0.67% marked the index's seventh consecutive annual gain, it was the lowest annual return since 2008. Large cap stocks outperformed smaller stocks during the quarter while growth stocks trailed value stocks. After seven years with a Fed funds rate set at zero, the Federal Reserve took the first step toward raising short-term interest rates with a 25 basis point increase. They maintained their expected trajectory for rates for 2016 but lowered them for 2017 and 2018. Global developed economy stock markets ended 2015 with moderate gains for the year. Investors were cheered by Europe's nascent economic recovery, the European Central Bank's accommodative monetary policy and overall resilience in the Asia-Pacific region outside of China. Emerging markets continue to suffer from China's weakness, the worldwide collapse in commodities and the strong U.S. dollar. The Federal Reserve's decision on December 16 to raise the key federal-funds rate to 0.25-0.50% target range had little real impact on Treasury markets. Credit spreads widened during 2015, especially at year-end. High yield bonds hit strong headwinds in 2015 as oil and gas-related issues dealt with the ongoing slump in commodities prices. As of February 12, 2016 YTD, the S&P 500 Index was down 8.5%; the Russell 2000 was down 14.3%; the Wilshire 5000 was down 9.3%; the MSCI ACWI Ex-US was down 12.0%; the Barclays Aggregate was up 1.8%; the Barclays U.S. TIPS Index was up 1.6%; the Bloomberg Commodity Index was down 4.0%; and the Alerian MLP Index was down 23.9%. Mr. Ruscetti provided Trustees a report on Wilshire's return and risk assumptions and asset allocation expectations for the City of Grand Rapids Retirement Systems as of December 31, 2015. Following a review of the capital markets, the Quarterly Funds Evaluation of the investment managers of the General and Police & Fire Retirement Systems was conducted.

**SUMMARY OF INDEX RETURNS  
PERIODS ENDED 12/31/15**

<u>Index</u>	<u>QTR.</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>10 YEARS</u>
<b>S&amp;P 500</b>	<b>7.04</b>	<b>1.38</b>	<b>15.13</b>	<b>12.57</b>	<b>7.31</b>
<b>RUSSELL 2000</b>	<b>3.59</b>	<b>-4.41</b>	<b>11.65</b>	<b>9.19</b>	<b>6.80</b>
<b>NAREIT GLOBAL RE INDEX</b>	<b>4.19</b>	<b>-0.79</b>	<b>5.76</b>	<b>7.17</b>	<b>N/A</b>
<b>MSCI ACWI X-US</b>	<b>3.24</b>	<b>-5.66</b>	<b>1.50</b>	<b>1.06</b>	<b>2.92</b>
<b>BARCLAYS AGGREGATE</b>	<b>-0.57</b>	<b>0.55</b>	<b>1.44</b>	<b>3.25</b>	<b>4.52</b>
<b>BLOOMBERG COMMODITY INDEX</b>	<b>-10.52</b>	<b>-24.66</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>91 DAY T-BILLS</b>	<b>0.03</b>	<b>0.05</b>	<b>0.05</b>	<b>0.08</b>	<b>1.24</b>

**General Retirement System**

<u>Asset Commitments as of 12/31/15:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	25.5%	NTAM	16.3%
Fixed Income	25.4%	PIMCO	3.0%
Cash Equivalents	0.2%	Wellington Management Company	6.2%
Real Estate	4.8%	Baird Advisors	12.7%
Private Equity	2.3%	Western Asset Management	12.7%
Non-U.S. Equity	23.2%	Cash Account	0.2%
Commodities	3.3%	Neuberger Berman	15.8%
MLPs	5.0%	Harding Loevner	7.4%
TIPS	10.4%	CBRE Clarion	4.8%
		Adams Street Partners	1.4%
		Aberdeen Asset Management	0.8%
		Wellington Commodities	3.3%
		Harvest Fund Advisors	5.0%
		Brown Brothers Harriman	10.4%

**Quarterly Summary of the General Retirement System**

	<u>Market Value</u> <u>12/31/15</u>	<u>Market Value</u> <u>09/30/15</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$389.8 million	\$385.1 million	\$4.7 million	2.38%	65 <sup>th</sup> percentile
Total U.S. Equity	\$99.3 million	\$97.8 million	\$1.5 million	6.49%	31 <sup>st</sup> percentile
Total Non-U.S. Equity	\$90.4 million	\$85.5 million	\$4.9 million	5.74%	24 <sup>th</sup> percentile
Total Fixed Income	\$98.9 million	\$103.9 million	(\$5.0 million)	-0.32%	37 <sup>th</sup> percentile
Total Real Estate	\$18.5 million	\$17.8 million	\$700 thousand	4.14%	31 <sup>st</sup> percentile
Total Private Equity	\$8.9 million	\$8.2 million	\$700 thousand	8.37%	N/A
Total Commodities	\$12.8 million	\$14.5 million	(\$1.7 million)	-11.85%	N/A
Total MLPs	\$19.5 million	\$15.0 million	\$4.5 million	-5.02%	N/A
Total TIPS	\$40.6 million	\$40.8 million	(\$200 thousand)	-0.52%	23 <sup>rd</sup> percentile
NTAM	\$63.7 million	\$62.4 million	\$1.3 million	7.09%	17 <sup>th</sup> percentile
PIMCO	\$11.6 million	\$10.8 million	\$800 thousand	7.00%	38 <sup>th</sup> percentile
Wellington Mgmt. Co.	\$24.1 million	\$24.6 million	(\$500 thousand)	4.64%	28 <sup>th</sup> percentile
Neuberger Berman	\$61.7 million	\$58.5 million	\$3.2 million	5.44%	27 <sup>th</sup> percentile
Harding Loevner	\$28.8 million	\$27.1 million	\$1.7 million	6.39%	16 <sup>th</sup> percentile
Baird Advisors	\$49.4 million	\$52.5 million	(\$3.1 million)	-0.48%	56 <sup>th</sup> percentile
Western Asset Mgmt.	\$49.4 million	\$51.7 million	(\$2.3 million)	-0.17%	28 <sup>th</sup> percentile
CBRE Clarion	\$18.5 million	\$17.8 million	\$700 thousand	4.14%	31 <sup>st</sup> percentile
Adams Street Partners	\$5.8 million	\$5.5 million	\$300 thousand	48.00%	N/A
Aberdeen Asset Mgmt.	\$3.1 million	\$2.7 million	\$400 thousand	6.06%	N/A

Wellington Commodities	\$12.8 million	\$14.5 million	(\$1.7 million)	-11.85%	N/A
Harvest Fund Advisors	\$19.5 million	\$15.0 million	\$4.5 million	-5.02%	N/A
Brown Brothers Harriman	\$40.6 million	\$40.8 million	(\$200 thousand)	-0.52%	23 <sup>rd</sup> percentile

### Police and Fire Retirement System

<u>Asset Commitments as of 12/31/15:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	25.7%	NTAM	16.3%
Fixed Income	25.3%	PIMCO	3.0%
Cash Equivalents	0.3%	Wellington Management Company	6.3%
Real Estate	4.8%	Baird Advisors	12.7%
Private Equity	2.4%	Western Asset Management	12.6%
Non-U.S. Equity	23.0%	Cash Account	0.3%
Commodities	3.3%	Neuberger Berman	15.7%
MLPs	5.0%	Harding Loevner	7.3%
TIPS	10.3%	CBRE Clarion	4.8%
		Adams Street Partners	1.5%
		Aberdeen Asset Management	0.8%
		Wellington Commodities	3.3%
		Harvest Fund Advisors	5.0%
		Brown Brothers Harriman	10.3%

### Quarterly Summary of the Police & Fire Retirement System

	<u>Market Value</u> <u>12/31/15</u>	<u>Market Value</u> <u>09/30/15</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$374.8 million	\$369.5 million	\$5.3 million	2.39%	65 <sup>th</sup> percentile
Total U.S. Equity	\$96.2 million	\$94.3 million	\$1.9 million	6.48%	31 <sup>st</sup> percentile
Total Non-U.S. Equity	\$86.1 million	\$81.4 million	\$4.7 million	5.74%	24 <sup>th</sup> percentile
Total Fixed Income	\$94.7 million	\$99.5 million	(\$4.8 million)	-0.32%	37 <sup>th</sup> percentile
Total Real Estate	\$18.2 million	\$17.4 million	\$800 thousand	4.14%	31 <sup>st</sup> percentile
Total Private Equity	\$8.9 million	\$8.2 million	\$700 thousand	8.37%	N/A
Total Commodities	\$12.4 million	\$14.0 million	(\$1.6 million)	-11.85%	N/A
Total MLPs	\$18.8 million	\$14.3 million	\$4.5 million	-5.04%	N/A
Total TIPS	\$38.6 million	\$38.8 million	(\$200 thousand)	-0.52%	23 <sup>rd</sup> percentile
NTAM	\$61.2 million	\$59.9 million	\$1.3 million	7.09%	17 <sup>th</sup> percentile
PIMCO	\$11.4 million	\$10.6 million	\$800 thousand	7.00%	38 <sup>th</sup> percentile
Wellington Mgmt. Co.	\$23.6 million	\$23.8 million	(\$200 thousand)	4.64%	28 <sup>th</sup> percentile
Neuberger Berman	\$58.7 million	\$55.7 million	\$2.0 million	5.44%	27 <sup>th</sup> percentile
Harding Loevner	\$27.4 million	\$25.8 million	\$1.6 million	6.39%	16 <sup>th</sup> percentile
Baird Advisors	\$47.4 million	\$49.9 million	(\$2.5 million)	-0.46%	53 <sup>rd</sup> percentile
Western Asset Mgmt.	\$47.3 million	\$49.6 million	(\$2.3 million)	-0.17%	28 <sup>th</sup> percentile
CBRE Clarion	\$18.2 million	\$17.4 million	\$800 thousand	4.14%	31 <sup>st</sup> percentile
Adams Street Partners	\$5.8 million	\$5.5 million	\$300 thousand	48.01%	N/A
Aberdeen Asset Mgmt.	\$3.1 million	\$2.7 million	\$400 thousand	6.06%	N/A
Wellington Commodities	\$12.4 million	\$14.0 million	(\$1.6 million)	-11.85%	N/A
Harvest Fund Advisors	\$18.8 million	\$14.3 million	\$4.5 million	-5.04%	N/A
Brown Brothers Harriman	\$38.6 million	\$38.8 million	(\$200 thousand)	-0.52%	23 <sup>rd</sup> percentile

The report was received and filed by the Chairman.

Board approval was requested for attendance at the following conferences: MAPERS One Day Seminar to be held March 4<sup>th</sup>, 2016 by Ms. Korzen; and the Wilshire Client Conference to be held April 10 – 12 by Mr. Tryc and Mr. VanderWall. Mr. Balkema made the motion to approve attendance of the aforementioned conferences by

Trustees and staff per the Trustee Training, Educational Development and Due Diligence policy. The motion was seconded by Ms. Hofmeyer and carried.

Chairman Hawkins commented that there is a need to enter into closed session to discuss pending litigation. Mr. O'Connor made the motion to go into closed 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 and Ms. Balkema. The motion was seconded by Mr. Tryc and carried. Roll call vote: yeas: 9, nays: 0. Following the closed session, Mr. Balkema made the motion on behalf of the Police & Fire Retirement System, based upon the discussion in closed session, to authorize the Executive Director to execute any and all documents necessary related to this litigation. The motion was seconded by Ms. Hofmeyer and carried. Mr. Timkovich made the motion on behalf of the General Retirement System, based upon the discussion in closed session, to authorize the Executive Director to execute any and all documents necessary related to this litigation. The motion was seconded by Mr. Tryc and carried.

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

Chairman Hawkins noted that he wished to publicly acknowledge Mr. J. Patrick Scripps for his 19+ years of faithful and dedicated service to the Boards. He commented that Mr. Scripps was tremendously helpful in the transition from his tenure as Chairman to Mr. Hawkins. Chairman Hawkins noted that Mr. Scripps will be recognized officially by the Boards at a future date; Trustees agreed.

The meeting adjourned at 9:05 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, March 16, 2016, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems