

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

MINUTES
JOINT MEETING
JANUARY 20, 2016 – 9:18 a.m.
233 East Fulton

The meeting 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, and Mr. Jon O’Connor. Absent: Mr. J. Patrick Scripps, Mr. Thomas VanderPloeg, and Ms. Jane Hofmeyer.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Justin Barnum, Mr. Matthew Clark and Ms. Mariko Boswell of PIMCO, and Ms. Sally Corbin and Mr. Gary Corbin of Union Services Agency.

Mr. Balkema made the motion to excuse the absences of Mr. Scripps, Mr. VanderPloeg, and Ms. Hofmeyer. The motion was seconded by Mr. VanderWall and carried.

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of December 16, 2015. The motion was seconded by Mr. Timkovich and carried.

Mr. Justin Barnum, Senior Product Associate, Mr. Matthew Clark, CFA and Senior Vice President, and Ms. Mariko Boswell, CFA and Senior Vice President of Pacific Investment Management Company (PIMCO), presented their firm’s annual report to Trustees. Mr. Clark noted that PIMCO’s StockPLUS product strategy utilizes equity linked instruments such as futures as they typically provide market exposure at money-market cost. The money-market cost of equity exposure provides attractive outperformance opportunity. PIMCO seeks to enhance returns with active bond management and the yield premium over money-markets provides a potential tailwind for generating excess returns. The following returns were reported for the period ending December 31, 2015:

	<u>10 yrs.</u>	<u>5 yrs.</u>	<u>3 yrs.</u>	<u>1 yr.</u>	<u>6 mo.</u>	<u>3 mo.</u>	<u>Since 09/30/87</u>	<u>Acct. Inception*</u>
StocksPLUS L.P.	8.0%	13.5%	14.9%	-0.3%	-1.3%	7.0%	9.8%	9.7%
S&P 500	7.3%	12.6%	15.1%	1.4%	0.2%	7.0%	9.2%	9.2%

*Inception date: 02/04/03

Mr. Barnum noted that the U.S. duration detracted in the fourth quarter 2015 and the duration and curve positioning detracted from performance as the Federal Reserve raised rates at their December meeting. He also commented that corporate credit holdings helped performance as credit spreads narrowed, there was continued strength in the U.S. housing recovery, which benefited non-agency mortgage holdings, and U.S. inflation expectations increased on labor market gains. Mr. Clark stated that opportunities to capture high quality sources of structural yield persist due to key opportunities derived from divergent global growth and policy trajectories. Ms. Boswell provided PIMCO’s cyclical outlook by noting that: 1) the Federal Reserve is on the move, but slowly and to a lower destination; 2) growth momentum should remain as developed economies converge; 3) within emerging markets, caution remains, but opportunities are present; and 4) PIMCO remains focused on managing risks and delivering returns. Ms. Boswell provided Trustees with an in-depth overview of PIMCO’s organization, people and process. PIMCO has \$1.47 trillion in assets under

management as of September 30, 2015 with nearly 2,400 employees. Chairman Hawkins asked Ms. Boswell to comment on the recent lawsuit filed by Mr. Bill Gross against PIMCO. She stated that since it is an ongoing process she is unable to make specific comments; however, PIMCO is seeking to have the case dismissed as they believe it has no merit. She commented that PIMCO has formed a global advisory board consisting of Mr. Ben Bernanke, Mr. Gordon Brown, Mr. Ng Kok Song, Ms. Anne-Marie Slaughter, and Mr. Jean-Claude Trichet. The board will meet several times per year and attend PIMCO's secular forum. They will offer collective views on global economic, political and strategic developments and will inform, but not change, PIMCO's longstanding investment process. Mr. Clark noted that since Mr. Gross' departure from PIMCO, the process has been one of evolution and not revolution and the team seems to be functioning well. The report was received and filed by Chairman Hawkins.

Ms. Sally Corbin and Mr. Gary Corbin of Union Services Agency (USA) provided an informational session on fiduciary liability insurance. Ms. Corbin and Mr. Corbin gave Trustees some background on themselves and their firm and noted that they are members of MAPERS. Ms. Corbin provided comparisons between the current fiduciary liability policies that the Retirement Systems have and three other potential options. Mr. Michaud supplied Trustees with examples of why fiduciary liability insurance is prudent to have and how most policies work. {Mr. Tryc left the meeting at 10:33 a.m.} Ms. Corbin noted that it is permissible in Michigan to terminate an existing fiduciary liability policy during its policy period and obtain a new policy. Following Trustee discussion, Chairman Hawkins stated that this issue will be referred to the operations committee for further consideration.

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

Chairman Hawkins commented that he was recently notified that Mr. Nicholas Sefchok of Wilshire Associates, Inc. will be leaving the firm in the next few weeks. Mr. Sefchok will take over operation of his father's financial investment firm due to his father's passing last year. He stated that Mr. Marlin Pease and Mr. J.M. Ruscetti will still be our investment consultants going forward. He commented that this Friday he, Mr. Tryc and Mr. VanderWall will be meeting with Mr. Sefchok, Mr. Pease, and Mr. Andrew Junkin of Wilshire Associates and asked Trustees if they have any concerns that they would like him to address. Mr. Timkovich noted that there is the question of Wilshire's ongoing commitment to the Retirement Systems and the consulting business. Ms. Korzen stated that there does not seem to be a sense of urgency to leave Wilshire; however, issuing the RFP for investment consultant services should probably be done sooner rather than later.

Mr. Balkema requested that if it is known that there will be a lengthy disability discussion and it is scheduled to be the first meeting, to please make an accommodation for the two subsequent meetings or perhaps have the meeting with the disability be the last meeting so as to be courteous to all attendees.

Mr. Timkovich asked if Trustees share his opinion that if the Boards ever are sued, that it probably would not be for investment related reasons, but that it would be the legal costs that would be the Boards' expense and that is the main reason for having a fiduciary liability insurance policy. Trustees agreed.

The meeting adjourned at 10:56 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 17, 2016, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems

01/20/16