

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

MINUTES  
JOINT MEETING  
SEPTEMBER 16, 2015 – 8:21 a.m.  
233 East Fulton

The meeting was called to order by Chairman Hawkins. Other members present: Mr. Craig VanderWall, Mr. David Tryc, Mr. Martin Timkovich, Mr. Thomas VanderPloeg, Mr. Philip Balkema, Mr. William Butts, and Mr. Elias Lumpkins, Jr. Absent: Mr. J. Patrick Scripps and Ms. Jane Hofmeyer.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. John Simkiss, and Mr. Anthony Merhige of Harvest Fund Advisors, and Ms. Sara VanderWerff, City Comptroller.

Mr. VanderPloeg made the motion to excuse the absences of Mr. Scripps and Ms. Hofmeyer. The motion was seconded by Mr. Tryc 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 19, 2015. The motion was seconded by Mr. VanderPloeg and carried.

Mr. John Simkiss, Portfolio Strategist and Mr. Anthony Merhige, Chief Operating Officer and General Counsel, of Harvest Fund Advisors (HFA) presented their firm’s annual report to Trustees. Mr. Merhige noted that HFA has 17 employees and total assets under management of more than \$8.8 billion, of which \$7.9 billion is in their MLP Alpha Strategy. He reviewed the management team and their investor base noting HFA serves 40+ public plan clients. Mr. Simkiss commented on HFA’s investment process and provided a summary on both portfolios and noted the following return statistics for the portfolios:

	<b><u>General Retirement System</u></b>	<b><u>Police &amp; Fire Retirement System</u></b>	<b><u>S&amp;P MLP Index</u></b>
Last 3 Months	-10.96%	-10.92%	-14.74%
YTD	-7.66%	-7.67%	-13.71%
<b><u>Since Inception:</u></b>			
Cumulative Return	-7.66%	-7.67%	-13.71%

Mr. Simkiss reviewed the position detail for the holdings within the portfolios and provided background on the best and worst performers. Mr. Merhige provided a valuation update and an update on macro industry drivers. He stated that there is inefficient transportation capacity as natural gas and crude oil differentials drive infrastructure build-out. Changing technology and more production are driving the need for additional infrastructure; this will more than double the market cap of the MLP space over the next two decades. The drivers to growth are: 1) power generation; 2) LNG exports; 3) petrochemical demand; and 4) transportation. Fund flows do not drive prices and yield spreads to the 10-year Treasury yield do not adequately reflect the growth component of MLP total returns. He stated that retail energy investors focus on yield, largely disregarding underlying growth rates. HFA believes that MLP equity yields will be re-priced over time to match the quality of their cash flows. Mr. Simkiss commented that MLPs offer investors a hedge against inflation, commodities, and traditional fixed income instruments. He stated that strong commodity prices, though indirectly affecting MLP operations, will expedite midstream CAPEX projects in order to

accommodate new upstream production, facilitating distribution growth. Distribution growth will allow well positioned partnerships to stay ahead of potential yield compression. In inflationary periods, he noted that MLPs have outperformed rate-sensitive commodities and bonds, exhibiting a low correlation to changing yield environments. MLP price performance has been a fraction of the decline in oil prices while MLP yields have been consistently strong when compared against other asset classes. The report was received and filed by Chairman Hawkins.

Ms. Korzen next presented an online disclosure memo prepared by Mr. Thomas Michaud. The disclosure was prepared in order to assist Trustees and staff with compliance regarding online disclosure requirements. Three areas that are required to be posted and maintained online are: 1) the Retirement Systems' FOIA policy, procedures, and a written summary; 2) the Retirement Systems' Summary Annual Reports; and 3) Notice of any rescheduled regular or special meetings of the Board of Trustees at least 18 hours before the meeting. Mr. Michaud outlined several other topics that Trustees may wish to consider placing on their website. Mr. Balkema asked when the state law took effect requiring additional transparency and disclosure rules about what information must be posted and made available online; Mr. Michaud stated it took effect July 1, 2015. Mr. Michaud stated that the Retirement Systems currently have a FOIA policy in place, which is the City's policy. He suggested having Trustees revisit that policy specifically for the two plans and decide how they wish to approach the documentation of the forms as the law has dramatically changed regarding this issue.

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

The Executive Director noted that the current contract with BDO USA will expire after they complete the audit for the General Retirement System as of June 30, 2015. She requested that the Board authorize her to issue an RFP for auditing services beginning with the Police & Fire Retirement System audit as of December 31, 2015. Mr. Balkema made the motion to authorize the Executive Director to issue an audit RFP to qualified auditing firms for a three-year contract for each Retirement System beginning with the audit for December 31, 2015 for the Police & Fire Retirement System and June 30, 2016 for the General Retirement System. The motion was seconded by Mr. VanderWall and carried.

Chairman Hawkins next addressed the Board meeting schedule for 2016. He commented that this year there are Board meetings scheduled every month. He suggested for 2016 having one of the meetings last approximately four hours with six of the 12 investment managers presenting at that meeting. The remaining six managers would be spread out over the other meetings. He also proposed having 10 meetings, including the one with the six investment manager presentations. Mr. Balkema voiced his concern regarding any potential disability retirement requests; however a special meeting could be called to accommodate that situation if necessary. Ms. Korzen stated that the Retirement Systems used to hold only nine meetings per year but as more investment managers were hired, it was necessary to increase the number of Board meetings to accommodate their annual presentations. Mr. Balkema commented that Trustees may wish to consider a different venue for the meeting with the six investment managers due to the number of people that might be attending. Chairman Hawkins stated that Ms. Korzen will provide Trustees with a proposed schedule of meetings for 2016 at a later date.

The meeting adjourned at 9:14 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, October 21, 2015, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems

09/16/15