

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

MINUTES  
JOINT MEETING  
NOVEMBER 16, 2016 – 8:12 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. Thomas VanderPloeg, Mr. Philip Balkema, Mr. William Butts, Mr. Jon O’Connor, and Mr. Phillip Mitchell. Absent: Ms. Jane Hofmeyer.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, and Mr. J.M. Ruscetti and Mr. Alex Ford of Wilshire Associates, Inc.

Mr. Timkovich made the motion to excuse the absence of Ms. Hofmeyer. The motion was seconded by Mr. Tryc and carried.

There were no public comments regarding agenda items.

Mr. Butts made the motion to approve the minutes of the Joint meetings of September 21, 2016 and October 19, 2016. The motion was seconded by Mr. O’Connor and carried.

Mr. J.M. Ruscetti and Mr. Alex Ford presented the quarterly performance report to Trustees. Mr. Ruscetti noted that the U.S. stock market was up by 4.3% for the third quarter. The post-Brexit rebound resulted in a 3.7% gain in the U.S., with a modest net gain thereafter. Large cap stocks underperformed smaller shares while growth stocks led value. Real GDP growth during the first half of the year equaled 1.1% at an annualized rate. Solid jobs growth and a slow but upward trend in hourly earnings provided a boost as consumer spending contributed 2% to overall real growth. Equity markets outside the U.S. were in positive territory during the quarter, particularly within emerging countries. The European Central Bank maintained their accommodative policies while the Bank of England cut their bank rate to 0.25% and extended their existing quantitative easing. Emerging market equities have benefited from strong economic growth, asset inflows and economic resilience in China. U.S. Treasury yields were on a slow and steady rise for most of the quarter. The Federal Open Market Committee decided to leave the overnight rate unchanged at their September meeting, the sixth consecutive meeting with no interest rate increase. Credit spreads tightened during the quarter in both investment grade and high yield bonds. YTD as of November 11, 2016: the Wilshire 5000 was up 8.73%; the MSCI ACWI Ex-US was up 1.59%; the Barclays Aggregate was up 3.60%; the Barclays U.S. TIPS Index was up 5.84%; the Bloomberg Commodity Index was up 5.13%; and the Alerian MLP Index was up 10.74%. 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 09/30/16**

<b><u>Index</u></b>	<b><u>QTR.</u></b>	<b><u>1 YEAR</u></b>	<b><u>3 YEARS</u></b>	<b><u>5 YEARS</u></b>	<b><u>10 YEARS</u></b>
<b>S&amp;P 500</b>	<b>3.85</b>	<b>15.43</b>	<b>11.16</b>	<b>16.37</b>	<b>7.24</b>
<b>RUSSELL 2000</b>	<b>9.05</b>	<b>15.47</b>	<b>6.71</b>	<b>15.82</b>	<b>7.07</b>

<b>NAREIT GLOBAL RE INDEX</b>	<b>1.25</b>	<b>14.85</b>	<b>7.71</b>	<b>12.29</b>	<b>N/A</b>
<b>MSCI ACWI X-US</b>	<b>6.91</b>	<b>9.26</b>	<b>0.18</b>	<b>6.04</b>	<b>2.16</b>
<b>BARCLAYS AGGREGATE</b>	<b>0.46</b>	<b>5.19</b>	<b>4.03</b>	<b>3.08</b>	<b>4.79</b>
<b>BLOOMBERG COMMODITY</b>	<b>-3.86</b>	<b>-2.58</b>	<b>-12.34</b>	<b>N/A</b>	<b>N/A</b>
<b>91 DAY T-BILLS</b>	<b>0.10</b>	<b>0.27</b>	<b>0.12</b>	<b>0.10</b>	<b>0.92</b>

### General Retirement System

#### Asset Commitments as of 09/30/16:

Domestic Equity	25.6%
Fixed Income	25.0%
Cash Equivalents	0.2%
Real Estate	5.0%
Private Equity	2.4%
Non-U.S. Equity	23.2%
Commodities	3.5%
MLPs	4.8%
TIPS	10.2%

#### Asset Allocation to Managers:

NTAM	15.9%
PIMCO	2.9%
Wellington Management Company	6.7%
Baird Advisors	12.4%
Western Asset Management	12.5%
Cash Account	0.4%
Neuberger Berman	15.0%
Harding Loevner	7.8%
CBRE Clarion	5.0%
Adams Street Partners	1.7%
Aberdeen Asset Management	0.9%
Wellington Commodities	3.7%
Harvest Fund Advisors	5.2%
Brown Brothers Harriman	9.9%

### Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>09/30/16</u>	<u>Market Value</u> <u>06/30/16</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$398.6 million	\$390.1 million	\$8.5 million	3.50%	41 <sup>st</sup> percentile
Total U.S. Equity	\$101.6 million	\$99.3 million	\$2.3 million	4.89%	44 <sup>th</sup> percentile
Total Non-U.S. Equity	\$91.0 million	\$85.2 million	\$5.8 million	6.81%	53 <sup>rd</sup> percentile
Total Fixed Income	\$99.2 million	\$98.4 million	\$800 thousand	1.31%	37 <sup>th</sup> percentile
Total Real Estate	\$20.0 million	\$19.8 million	\$200 thousand	1.09%	61 <sup>st</sup> percentile
Total Private Equity	\$10.5 million	\$9.8 million	\$700 thousand	8.68%	N/A
Total Commodities	\$14.6 million	\$14.7 million	(\$100 thousand)	-0.74%	N/A
Total MLPs	\$20.6 million	\$22.1 million	(\$1.5 million)	4.19%	N/A
Total TIPS	\$39.6 million	\$39.8 million	(\$200 thousand)	0.98%	53 <sup>rd</sup> percentile
NTAM	\$63.4 million	\$63.5 million	(\$100 thousand)	3.86%	57 <sup>th</sup> percentile
PIMCO	\$11.4 million	\$10.9 million	\$500 thousand	4.29%	41 <sup>st</sup> percentile
Wellington Mgmt. Co.	\$26.9 million	\$24.9 million	\$2.0 million	7.73%	41 <sup>st</sup> percentile
Neuberger Berman	\$59.8 million	\$56.0 million	\$3.8 million	6.67%	48 <sup>th</sup> percentile
Harding Loevner	\$31.2 million	\$29.2 million	\$2.0 million	7.10%	41 <sup>st</sup> percentile
Baird Advisors	\$49.6 million	\$49.2 million	\$400 thousand	0.84%	45 <sup>th</sup> percentile
Western Asset Mgmt.	\$49.6 million	\$49.3 million	\$300 thousand	1.78%	7 <sup>th</sup> percentile
CBRE Clarion	\$20.0 million	\$19.8 million	\$200 thousand	1.09%	61 <sup>st</sup> percentile
Adams Street Partners	\$6.8 million	\$6.3 million	\$500 thousand	76.47%	N/A
Aberdeen Asset Mgmt.	\$3.6 million	\$3.5 million	\$100 thousand	6.99%	N/A
Wellington Commodities	\$14.6 million	\$14.7 million	(\$100 thousand)	-0.74%	N/A
Harvest Fund Advisors	\$20.6 million	\$22.1 million	(\$1.5 million)	4.19%	N/A
Brown Brothers Harriman	\$39.6 million	\$39.8 million	(\$200 thousand)	0.98%	53 <sup>rd</sup> percentile

## Police and Fire Retirement System

### Asset Commitments as of 09/30/16:

Domestic Equity	25.4%
Fixed Income	24.8%
Cash Equivalents	0.6%
Real Estate	5.1%
Private Equity	2.7%
Non-U.S. Equity	22.6%
Commodities	3.6%
MLPs	5.2%
TIPS	9.9%

### Asset Allocation to Managers:

NTAM	15.9%
PIMCO	2.9%
Wellington Management Company	6.6%
Baird Advisors	12.3%
Western Asset Management	12.5%
Cash Account	0.6%
Neuberger Berman	15.0%
Harding Loevner	7.7%
CBRE Clarion	5.1%
Adams Street Partners	1.7%
Aberdeen Asset Management	0.9%
Wellington Commodities	3.6%
Harvest Fund Advisors	5.2%
Brown Brothers Harriman	9.9%

## Quarterly Summary of the Police & Fire Retirement System

	<u>Market Value</u> <u>09/30/16</u>	<u>Market Value</u> <u>06/30/16</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$387.5 million	\$377.4 million	\$10.1 million	3.50%	41 <sup>st</sup> percentile
Total U.S. Equity	\$98.6 million	\$95.9 million	\$2.7 million	4.88%	45 <sup>th</sup> percentile
Total Non-U.S. Equity	\$87.6 million	\$82.6 million	\$5.0 million	6.79%	53 <sup>rd</sup> percentile
Total Fixed Income	\$96.0 million	\$95.1 million	\$900 thousand	1.33%	35 <sup>th</sup> percentile
Total Real Estate	\$19.6 million	\$19.4 million	\$200 thousand	1.09%	61 <sup>st</sup> percentile
Total Private Equity	\$10.5 million	\$9.8 million	\$700 thousand	8.68%	N/A
Total Commodities	\$14.1 million	\$14.1 million	\$0	-0.74%	N/A
Total MLPs	\$20.2 million	\$21.3 million	(\$1.1 million)	4.20%	N/A
Total TIPS	\$38.5 million	\$38.1 million	\$400 thousand	0.98%	53 <sup>rd</sup> percentile
NTAM	\$61.6 million	\$61.3 million	\$300 thousand	3.86%	57 <sup>th</sup> percentile
PIMCO	\$11.3 million	\$10.8 million	\$500 thousand	4.29%	41 <sup>st</sup> percentile
Wellington Mgmt. Co.	\$25.7 million	\$23.8 million	\$1.9 million	7.73%	41 <sup>st</sup> percentile
Neuberger Berman	\$57.9 million	\$54.8 million	\$3.1 million	6.67%	48 <sup>th</sup> percentile
Harding Loevner	\$29.7 million	\$27.8 million	\$1.9 million	7.03%	42 <sup>nd</sup> percentile
Baird Advisors	\$47.7 million	\$47.2 million	\$500 thousand	0.88%	45 <sup>th</sup> percentile
Western Asset Mgmt.	\$48.3 million	\$47.8 million	\$500 thousand	1.78%	7 <sup>th</sup> percentile
CBRE Clarion	\$19.6 million	\$19.4 million	\$200 thousand	1.09%	61 <sup>st</sup> percentile
Adams Street Partners	\$6.8 million	\$6.3 million	\$500 thousand	75.34%	N/A
Aberdeen Asset Mgmt.	\$3.6 million	\$3.5 million	\$100 thousand	6.99%	N/A
Wellington Commodities	\$14.1 million	\$14.1 million	\$0	-0.74%	N/A
Harvest Fund Advisors	\$20.2 million	\$21.3 million	(\$1.1 million)	4.20%	N/A
Brown Brothers Harriman	\$38.5 million	\$38.1 million	\$400 thousand	0.98%	53 <sup>rd</sup> percentile

The report was received and filed by the Chairman.

The Executive Director next addressed the 2017 Board meeting schedule. She presented Trustees with three options regarding meetings. The first option divided the investment managers among the meetings during which the investment consultant will be present. The second option mirrored the meeting schedule for 2016 and the third option scheduled the investment manager presentations over six Board meetings with the investment consultant to be present for all six Board meetings; the consultant would not make presentations during the additional two meetings that do not fall on their regular quarterly presentation dates. Trustees agreed

that the October 19, 2016 Board meeting was rather long and did not favor repeating that format. Mr. Balkema asked which meetings, if any, would be scheduled at City Hall. Ms. Korzen stated none at the present time; however, if Trustees wish to have one scheduled at City Hall, she could try to secure the City Commission chambers. She stated the primary reason that the October 19<sup>th</sup> meeting was held at City Hall was because the investment manager presentations were the only items on the agenda; no disability applications. She recommended option three as the investment consultant would be present at two more meetings and it would afford the opportunity to spread out the investment manager presentations more. Mr. Timkovich stated that he preferred just having the investment managers present at the meetings and no investment consultant. Mr. Michaud stated there is value in having the investment consultant present at investment manager presentations as they can ask additional questions from their perspective. Following Trustee discussion, Mr. VanderWall made the motion to approve option three for the Board meetings for 2017 as outlined by the Executive Director. The motion was seconded by Mr. Mitchell and carried. Mr. Michaud commented that if Trustees wish to have one meeting per year at City Hall, perhaps either the May or November Board meeting would be appropriate as the actuary and auditor are scheduled at those meetings. Ms. Korzen stated she will check with the City to see if either one of those dates could be scheduled at City Hall.

Trustees discussed the presentations by the four investment consultant firms at the July 27, 2016 Special Joint Meeting. As a follow up, Ms. Korzen provided Trustees with responses to their questions from NEPC and Wilshire Associates, Inc. Wilshire noted that their fees would be: 1) year one - \$210,000; 2) year two - \$217,500; and 3) year three - \$225,000. The annual fee will be adjusted each year forward (on the month-end closest to the contract anniversary) to reflect the change in the prior 12-month increase in the Consumer Price Index (CPI). Each Trustee voiced his opinion of the two firms. Mr. Michaud stated that he provided both firms with a proposed contract and they each provided comments, none of which were overly significant. He stated that the term of the contract is three years; however, it is terminable immediately if desired. He asked Trustees if they wish to follow Wilshire's proposal of a three year fixed fee with it then following changes in the CPI, or would they like something different. Since it is a rolling contract, it may be prudent to have Wilshire discuss fees with Trustees after the initial three-year period. Following Trustee discussion, Mr. Timkovich made the motion on behalf of the General Retirement System to approve the investment consultant contract with Wilshire Associates, Inc., subject to successful contract negotiations. The motion was seconded by Mr. Tryc and carried. Mr. VanderPloeg made the motion on behalf of the Police & Fire Retirement System to approve the investment consultant contract with Wilshire Associates, Inc., subject to successful contract negotiations. The motion was seconded by Mr. VanderWall and carried. Trustees commented that they are comfortable with approving the three-year contract and fee schedule as outlined Wilshire Associates and adjusting the annual fee thereafter reflecting the changes in the CPI.

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

The meeting adjourned at 9:20 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, December 21, 2016, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems