

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

MINUTES  
JOINT MEETING  
APRIL 15, 2015 – 8:44 a.m.  
233 East Fulton

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Steven Wilde and Mr. Jeffrey Burgis of Adams Street Partners, and Ms. Sara VanderWerff, City Comptroller.

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

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of March 18, 2015. The motion was seconded by Mr. Butts and carried.

Mr. Steven Wilde, CFA and Partner and Mr. Jeffrey Burgis, Partner, of Adams Street Partners (ASP) presented their firm's annual report to Trustees. Mr. Wilde noted that ASP is a 100% employee-owned private equity firm. They have offices in Chicago, London, Menlo Park, Singapore, Beijing and Tokyo. ASP has \$27 billion in assets under management. Mr. Wilde commented that Mr. Bon French, Chairman and CEO, is planning to retire in 2017 and there are succession plans in place for Mr. Jeff Diehl, Head of Investments, to assume his duties. Mr. Wilde and Mr. Burgis reviewed their organization, people and process. Mr. Wilde reviewed the diverse global investor base as of December 31, 2014. He stated that ASP has an integrated global offering with access to top-performing investments across the entire global private equity opportunity set. They have diversification across five dimensions: strategy; time; manager; subclass; and geography. Mr. Burgis reviewed the 2015 global investment program with respect to the U.S. markets, developed markets and emerging markets and noted that there have been enhancements to ASP's global program. ASP has a unique platform with multiple strategies. Mr. Wilde stated that private equity results have been strong; the exit markets, and particularly the IPO market, are robust and open, a high valuation environment persists in both the venture and buyout spaces, but many GPs are still exercising caution. Credit markets remain robust. Fundraising, although bifurcated, is trending upward, secondary market transaction volume increased dramatically in 2014, the expanding middle class continues to drive growth in emerging markets, but disruptive new business models are emerging. ASP is looking for managers with the skills and experience to navigate through and invest successfully in changing and maturing markets. He reviewed the primary investment strategies for the U.S., developed markets and emerging markets. ASP strives to offer enhanced returns, mitigate poor outcomes, and provide access to opportunities which may provide outsized returns. Mr. Wilde reviewed the Private Equity Fund program at ASP and provided Trustees with a review of the City of Grand Rapids General and Police & Fire Retirement Systems' portfolios as of September 30, 2014:

<u>ASP 2010 Fund Name</u>	<u>Subscription</u>	<u>Investment Commitments</u>	<u>Net IRR*</u>	<u>M.V. (NAV)</u>	<u>Dist. Rec. (D)</u>	<u>Total Value (NAV+D)</u>
U.S. Fund	\$5,000,000	\$5,005,230	15.05%	\$2,814,420	\$548,362	\$3,362,782
Non-U.S. Developed	\$3,000,000	\$3,026,326	7.29%	\$1,398,622	\$219,498	\$1,618,120
Non-U.S. Emerging	\$1,000,000	\$968,734	5.07%	\$576,576	\$0	\$576,576
Direct Fund	\$1,000,000	\$1,000,000	15.56%	\$1,120,540	\$101,492	\$1,222,032
ASP 2013 Global Fund	<u>\$10,000,000</u>	<u>\$6,628,190</u>	<u>3.24%</u>	<u>\$1,770,284</u>	<u>\$0</u>	<u>\$1,770,284</u>
Participant Total	\$20,000,000	\$16,628,480	11.97%	\$7,680,442	\$869,352	\$8,549,794

\*Since Inception

Mr. Wilde also provided Trustees with an historical review of vintage-year performance on investment commitments. The report was received and filed by Chairman Hawkins.

Mr. Scripps provided Trustees with an update from the Operations Committee. He noted that the committee recently met with Ms. Korzen and discussed five areas: 1) communications; 2) IT; 3) audit function; 4) consulting function; and 5) actuary function. He stated the first priority is to recommend that Trustees approve conducting an actuarial audit. Ms. Korzen noted that she has spoken with Gabriel Roeder Smith and Company (GRS) about this topic and they have been supportive of the idea. She stated that Trustees have never conducted an actuarial audit; she recommended a full replication of the most recent valuation. This would entail hiring an actuarial firm and providing the firm with the same information that was provided to GRS, and they reproduce the valuation and hopefully come to the same conclusions as GRS. She stated that actuarial audits are expensive; however, they are only conducted once every 10 years and it is a good double-check to ensure the Retirement Systems do not have anything that has gotten off track that needs to be corrected. Mr. Balkema asked since both plans have the same actuary and since they both use the same assumptions, is there a need to have both systems audited. Ms. Korzen stated it would be prudent to have both systems audited as the systems have different provisions and it would therefore be valuable to have them both audited. Mr. VanderPloeg noted that Mr. Timkovich previously stated his opinion that since the General Retirement System is now closed to new members it may be prudent to wait a few years to conduct the actuarial audit for that system and go forward with the Police & Fire Retirement System actuarial audit this year. Mr. Balkema asked if there are several firms that perform these audits; Ms. Korzen said yes. She has spoken with a representative from a plan in Texas that has completed an actuarial audit recently and he has provided her with the list of firms that were sent the actuarial audit RFP and a sample of their RFP. She commented that Ms. Balkema will be attending the upcoming NCPERS conference and there will be an administrators session in which she will reach out to other attendees to see if they have gone through this process and if so, obtain additional information on their RFP process and firms they contacted. Mr. Balkema asked if the firms that provide this service are also regular actuarial firms and if they could possibly be competing for the business and therefore might have a bias. Ms. Korzen stated the firms that provide this service are regular actuarial firms (GRS also conducts actuarial audits); however, she did not feel there would be any competition issues. Mr. VanderWall asked Mr. Michaud if actuarial audits are common practice. Mr. Michaud stated most of the actuarial audits naturally occur when plans change actuaries. Mr. Hawkins asked if there was any due diligence that Trustees could do; GRS has probably been audited in the past and perhaps the results of these audits would be available online. Ms. Korzen stated that could be done and GRS has offered to supply her a list of firms that have audited them in the past. She cautioned that even though past actuarial audits of GRS may be available online the City of Grand Rapids Retirement Systems are very different than other plans so it would still be prudent to conduct actuarial audits for both plans. Mr. Michaud commented that any actuarial firm that would be hired to perform an actuarial audit should be made well aware in the RFP that the Retirement Systems are not looking for a new actuary and the audit would not

be an opportunity to gain a new client. Some boards have even restricted the firms from presenting their services for a few years following an audit. This will mitigate some of the issues that lead to biased reports in hopes of gaining a new client. Chairman Hawkins asked if there were any additional items that need to be presented to Trustees today; Mr. Scripps stated the remaining items will be presented at a later date. Mr. Balkema commented that one of the items to be reviewed by the committee is per diem; Mr. Scripps stated the committee is looking at this issue and will report back with recommendations at a later date. On behalf of the Operations Committee, Mr. Scripps noted that they recommend sending an RFP on behalf of the Police & Fire Retirement System to approximately five qualified actuarial firms to perform an actuarial audit of Gabriel Roeder Smith and Company; Trustees agreed. Ms. Korzen stated that she will wait for the information from Ms. Balkema and send the RFP next month. The firms will be asked in the RFP to replicate the December 31, 2014 actuarial valuation.

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

The meeting adjourned at 9:26 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, May 20, 2015, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems