

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

MINUTES
JOINT MEETING
JANUARY 18, 2012 – 8:05 a.m.
233 East Fulton

The meeting was called to order by Chairman J. Patrick Scripps. Other members present: Mr. David Tryc, Mr. Craig VanderWall, Mr. Martin Timkovich, Mr. Thomas VanderPloeg, Mr. Michael Hawkins and Mr. William Butts. Absent: Mr. Philip Balkema and Mr. Walter Gutowski.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, Mr. Daniel Hynes of Northern Trust Global Investments and Mr. Matthew Clark of Pacific Investment Management Company.

Mr. VanderWall made the motion to excuse the absences of Mr. Balkema and Mr. Gutowski. The motion was seconded by Mr. Hawkins and carried.

Chairman Scripps welcomed Mr. Butts to the General Retirement System Board as Member Trustee.

The Executive Director noted that due to the discussion with the auditor at the November 16, 2011 Board meeting, the financial statements for the General Retirement System will be reissued to clarify the securities lending investment issue.

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of December 21, 2011. The motion was seconded by Mr. VanderPloeg and carried.

Mr. Daniel Hynes, Vice President and Investment Relationship Manager of Northern Trust Global Investments (NTGI), presented his firm's annual report to Trustees. Mr. Hynes noted that NTGI has \$644.2 billion in assets under management as of September 30, 2011, with \$268.8 billion of that amount in global index products. Mr. Hynes reviewed NTGI's investment management organization, people and process. The following returns were reported for the period ending December 31, 2011:

	<u>1 mo.</u>	<u>3 mo.</u>	<u>YTD</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>10 yr.</u>
NT S&P 500 Index Fund	1.03%	11.85%	2.19%	2.19%	14.34%	-0.33%	2.92%
S&P 500	1.02%	11.82%	2.11%	2.11%	14.11%	-0.25%	2.92%

Mr. Hynes provided Trustees with some of the current trends in global investing. He noted that there has been increased demand for index exposure, with a reduction of risk and cost, increased transparency, liquidity, and synthetic beta demand. He also stated that there has been a broader and deeper equity exposure with a reduction of home and country bias, an increased opportunity set and diversification. Finally, he commented that there have been improved global benchmarks. The report was received and filed by Chairman Scripps.

Mr. Matthew Clark, CFA and Senior Vice President of Pacific Investment Management Company (PIMCO), presented his firm's annual report to Trustees. Mr. Clark provided Trustees with an overview of PIMCO's organization, people and process. PIMCO has \$1.4 billion in assets under management as of September 30, 2011 with 1,976 employees, of which, 581 are investment professionals. The following returns were reported for the period ending December 31, 2011:

	<u>10 yrs.</u>	<u>5 yrs.</u>	<u>3 yrs.</u>	<u>1 yr.</u>	<u>3 mo.</u>	<u>6 mo.</u>	Since <u>09/30/87</u>	Since <u>Inception*</u>
StocksPLUS L.P.	3.2%	0.2%	18.6%	1.7%	12.8%	-4.8%	8.7%	6.7%
S&P 500	2.9%	-0.3%	14.1%	2.1%	11.8%	-3.7%	8.2%	6.5%

*Inception date: 08/31/00

Mr. Clark noted that the markets are in transition; in Europe there is a continental liquidity trap, the window for policy solutions is closing and there are dwindling external creditors. In the U.S., there are uncertain growth prospects and fiscal challenges are being heightened by the election season. China's growth trajectory is now in doubt and they experienced their first lowering of their reserve requirement ratio since 2008. Mr. Clark noted that unprecedented events in the third quarter of 2011 drove the volatile second half of the year. U.S. Treasuries rallied in 2011 as Europe's debt crisis accelerated and liquidity concerns deteriorated. Mr. Clark commented that PIMCO will maintain a defensive positioning while seeking high quality yields as opportunities for structural yield capture persist amid market dislocations. They will emphasize investment grade credit and continue to hold agency MBS, CMBS, and non-agency RMBS. He commented that there is fiscal duress in the developed markets due to consumer deleveraging since the crisis has been offset by increased government spending and there is politicization of continued U.S. borrowing; however, this has steered the discourse toward a reduction in government support. There is potential deceleration in emerging markets as the Chinese property market has been stagnating meaningfully as restrictive monetary policy and macro-prudential measure have limited credit; Chinese manufacturing activity has also fallen. He noted that PIMCO expects the E.U. to re-enter a recession in 2012 as European recessionary risks pose a new threat to the financial system. Mr. Clark commented that PIMCO believes that the U.S. will experience a partial recovery as forces of deleveraging, de-globalization and re-regulation will restrain the nominal growth to 1-3%. The report was received and filed by Chairman Scripps.

There were no comments on items not on the agenda.

Ms. Korzen commented that at the December 21, 2011 Joint Board meeting Trustees asked her to have a representative from Plante & Moran conduct a review of the 13th Check program. She stated that someone from their office reviewed the information last week and she will have a report and recommendations from that review for Trustees' consideration at the February 15, 2012 Joint Board meeting. She noted that there will not be a 13th Check for either retirement system this year.

Board approval was requested for attendance at the following conferences: 2012 MAPERS One Day Seminar to be held February 3, the 2012 Wilshire Client Conference to be held April 22-24, the 2012 Annual NCPERS Conference to be held May 5-10, the Spring 2012 MAPERS Conference to be held May 20-22, the Baird Institutional Client Conference to be held September 9-10 and the Fall 2012 MAPERS Conference to be held September 9-11. Mr. VanderPloeg made the motion to approve attendance of the aforementioned conferences by Trustees, legal counsel and staff per the Trustee Training, Educational Development and Due Diligence policy. The motion was seconded by Mr. Tryc and carried.

Trustees were given the due diligence list for 2012 and asked to sign up for the visits that they are available to conduct to the various consultants and managers.

The Executive Director commended her staff for the hard work they have done and continue to do to meet today's deadline for inputting all of the Michigan State withholding information for all retirees in both plans to the Northern Trust benefit payments system.

The meeting adjourned at 9:00 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 15, 2012, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems