

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

MINUTES  
JOINT MEETING  
MARCH 21, 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, Mr. Philip Balkema, Mr. Walter Gutowski, Mr. William Butts, and Mr. Bill Alphenaar.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, Mr. Mark Babiec of CBRE Clarion, and Mr. Alan Matijas and Ms. Camilla Martin of Wellington Management Company.

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of February 15, 2012. The motion was seconded by Mr. VanderPloeg and carried.

Mr. Mark Babiec, CFA, Senior Vice President and Head of Client Service, of CBRE Clarion Securities (CBRE) presented his firm's annual report to Trustees. Mr. Babiec commented that CBRE is part of CBRE Group, Inc. and is the listed equity management arm of the firm's global real estate investment management division, CBRE Global Investors. He provided Trustees an overview of CBRE's organization and process by noting that they have been dedicated to real estate securities since 1984, they have deep regional expertise with a team of 80+ dedicated real estate securities professionals located in Philadelphia, Hong Kong, Tokyo, London and Sydney, they have had the same lead portfolio managers since inception, they have \$20 billion in assets under management and their compensation is linked to investment performance. He stated that the global universe of public real estate companies is large and diverse: 39% in the Americas; 46% in the Asia-Pacific region; 13% in Europe; and 2% in the Middle East/Africa. CBRE's investment process aims to add value through both research driven asset allocation and superior stock selection. Their global investment policy committee performs a top-down analysis while CBRE's global investment team performs a bottom-up analysis. The portfolio is well diversified by geography and property type. Investment returns as of 02/29/12 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>YTD 2012</u>	<u>Trailing 1-Year</u>	<u>Since Inception*</u>
General Retirement System	10.95%	1.61%	20.00%
Police & Fire Retirement System	10.95%	1.61%	20.00%
FTSE EPRA/NAREIT Developed Index	11.55%	0.76%	20.43%

\*Inception date – June 16, 2009

03/21/12

Mr. Babiec provided an outlook for 2012 and noted that mature economies are struggling to generate strong economic growth; the Eurozone debt crisis is leading to a banking crisis; positive earnings and dividend growth are supported by high-quality property portfolios, access to attractively priced capital and an increasing volume of investment opportunities; stock valuations are attractive; and there are favorable long-term supply/demand relationships. The risks to this outlook are: 1) any singular or cumulative negative macro-economic events that weaken the underpinnings of a solid real estate outlook; 2) dislocation in capital funding markets: cost and access to capital; 3) recession in mature economies; and 4) uncontrolled inflation or economic “hard landing” in emerging economies. Global GDP growth continues to be moderate, but the central banks remain proactive in managing economic risk. Despite the challenging economic conditions, real estate companies’ earnings grew approximately 8.0% in 2011; earnings growth is expected to remain positive over the next two years. Mr. Babiec stated that real estate stock dividends offer yields that are historically higher than long-term government bonds and listed real estate valuations are generally below private market values in most markets and geographies. The report was received and filed by Chairman Scripps.

Mr. Alan Matijas, Vice President and Relationship Manager and Ms. Camilla Martin, Portfolio Coordinator, of Wellington Management Company (WMC) presented their firm’s annual report to Trustees. Mr. Matijas stated that WMC has \$651 billion of client assets under management: 40% in equities; 46% in fixed income; and 14% in multi-strategies. WMC has over 1,900 employees in 11 offices and over 2,000 institutional clients based in more than 50 countries. WMC is managed by 25 global industry analysts; this deep industry expertise creates a competitive advantage as their analysts have an average of 18 years of experience. WMC has \$58 billion in assets under management in its Small Cap 2000 portfolio and has 5-7% analyst turnover. WMC’s Small Cap 2000 portfolio investment objective is to outperform the Russell 2000 Index by having its industry weights close to the benchmark and utilizing the analysts’ highest conviction ideas to construct a diversified and fully invested portfolio with primarily U.S. small cap stocks. WMC’s small cap core orientation has no “style” drift and its stock selection and emphasis/industry bets are minimized through integrated risk management. Annualized investment returns for periods ending December 31, 2011 for the General and Police & Fire Retirement Systems’ portfolios were reported as follows:

	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>Since Inception*</u>	
Ret. Systems	-1.9%	24.5%	3.7%	8.0%	9.5%	
Russell 2000	-4.2%	15.6%	0.1%	5.6%	5.9%	
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Ret. Systems	-1.9%	36.3%	44.4%	-39.0%	2.1%	16.0%
Russell 2000	-4.2%	26.9%	27.2%	-33.8%	-1.6%	18.4%
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Ret. Systems	9.4%	21.6%	39.4%	-16.4%	7.0%	12.7%
Russell 2000	4.6%	18.3%	47.3%	-20.5%	2.5%	-3.0%

\*Inception date is 08/31/99

Ms. Martin provided a review of WMC's portfolio management team and how the portfolio is constructed, discussing the positive and negative contributors to performance in 2011. She noted that continued economic expansion is likely in the U.S. due to economic growth in 2012, underpinned by falling inflation, accommodative monetary policy and only modest fiscal restraint. After a solid fourth quarter in 2011, the potential for weaker first quarter 2012 RGDP is due to expiring tax provisions, the recession in Europe and weaker global growth. Structural problems remain, but a lot of healing has taken place. The potential pothole in 2013: \$535 billion of fiscal restraints are set to take effect. The report was received and filed by Chairman Scripps.

There were no comments on items not on the agenda.

Ms. Korzen noted that Ms. Gina Taylor is the new Office Assistant III for the Retirement Systems Office. Ms. Taylor replaced Ms. Reinhard who was recently restored to an Office Assistant IV position in the Police Department.

The meeting adjourned at 8:38 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, May 16, 2012, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems