

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

MINUTES  
JOINT MEETING  
MAY 16, 2012 – 8:12 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, Ms. Elizabeth White, Deputy City Attorney and Legal Advisor to the Boards, Mr. William Bensus of Wilshire Associates, Inc., and Mr. David Hoffman and Mr. Randall Dziubek of Gabriel, Roeder, Smith and Company.

There were no public comments regarding agenda items.

Mr. VanderPloeg made the motion to approve the minutes of the Joint meeting of March 21, 2012. The motion was seconded by Mr. Tryc and carried.

Mr. Bensus presented the quarterly performance report to Trustees. In a Capital Market Update through May 11, 2012, Mr. Bensus noted that the unemployment rate decreased to 8.1% from 8.2% in April and CPI increased in March by 0.3%; 2.7% over the past year. The ISM non-manufacturing index fell by 2.5 in April to 56.0, the 28<sup>th</sup> consecutive month of non-manufacturing sector expansion. The U.S. trade deficit increased to \$51.8 billion in March, an increase of \$6.4 billion from February. U.S. retail sales grew by 0.8% in March, up 6.5% over the past 12 months; and personal income increased 0.4%. Housing starts declined by 5.8% in March, but were up 10.3% when compared to March 2011; existing home sales fell by 2.6% in March but were up 5.2% over the past 12 months. In the U.S. Equity market, the market reached highs of 2007 early in the 2<sup>nd</sup> quarter, the financial sector is leading the S&P 500 Index (13.6% YTD) while the energy sector is lagging (-3.2% YTD). YTD large and mid cap stocks are outperforming small cap stocks and growth stocks are leading value stocks. In the Non-U.S. Equity markets, political uncertainty across Europe has re-introduced concerns about the stability of the European Union and China's Central Bank pledged to ensure sufficient availability of cash in the financial system using financial tools. In the Fixed Income market the Fed Funds Target Rate is 0.0% to 0.25% and the Federal Discount Rate is 0.75%. Fed funds rate increases are not expected at least until 2013 or 2014. As of May 11, 2012, YTD, the S&P 500 was up 8.4%, the Russell 2000 was up 7.1%, the Wilshire 5000 was up 8.6%, the ACWI was up 4.3%, the Barclays Aggregate Bond Index was up 1.7% and the Wilshire RESI Index was up 14.3%. Following a review of market returns, the Quarterly Funds Evaluation of the Investment Managers of the General and Police & Fire Retirement Systems was conducted.

**SUMMARY OF INDEX RETURNS**  
**PERIODS ENDED 03/31/12**

<u>Index</u>	<u>QTR.</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>10 YEARS</u>
S&P 500	12.58	8.53	23.41	2.01	4.11
RUSSELL 2000	12.44	-0.17	26.90	2.13	6.45
NAREIT GLOBAL RE INDEX	12.90	3.19	N/A	N/A	N/A

05/16/12

<b>MSCI ACWI X-US</b>	<b>11.23</b>	<b>-7.17</b>	<b>19.12</b>	<b>-1.56</b>	<b>7.28</b>
<b>BARCLAYS AGGREGATE</b>	<b>0.30</b>	<b>7.72</b>	<b>6.84</b>	<b>6.25</b>	<b>5.80</b>
<b>91 DAY T-BILLS</b>	<b>0.01</b>	<b>0.06</b>	<b>0.13</b>	<b>1.23</b>	<b>1.91</b>

### General Retirement System

<u>Asset Commitments as of 03/31/12:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	51.9%	NTGI	16.6%
Fixed Income	27.9%	PIMCO	6.3%
Cash Equivalents	0.4%	Wellington Management Company	12.5%
Real Estate	5.0%	Ziegler Lotsoff Capital Management	16.6%
Private Equity	0.4%	Baird Advisors	13.6%
International Equity	14.3%	Western Asset Management	14.3%
		Cash Account	0.4%
		Neuberger Berman	14.3%
		CBRE Clarion	5.0%
		Adams Street Partners	0.4%
		FLAG Capital	0.1%

### Quarterly Summary of the General Retirement System

	<u>Market Value</u> <u>03/31/12</u>	<u>Market Value</u> <u>12/31/11</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$361.5 million	\$332.8 million	\$28.7 million	9.78%	1 <sup>st</sup> percentile
Total U.S. Equity	\$187.7 million	\$170.1 million	\$17.6 million	13.81%	42 <sup>nd</sup> percentile
Total Non-U.S. Equity	\$51.8 million	\$46.4 million	\$5.4 million	11.56%	59 <sup>th</sup> percentile
Total Fixed Income	\$100.9 million	\$98.8 million	\$2.1 million	2.15%	29 <sup>th</sup> percentile
Total Real Estate	\$17.9 million	\$16.0 million	\$1.9 million	11.50%	N/A
Total Private Equity	\$1.5 million	\$980 thousand	\$520 thousand	7.60%	N/A
NTGI	\$60.0 million	\$55.8 million	\$4.2 million	13.97%	62 <sup>nd</sup> percentile
PIMCO	\$22.6 million	\$20.2 million	\$2.4 million	14.70%	7 <sup>th</sup> percentile
Wellington Mgmt. Co.	\$45.1 million	\$39.3 million	\$5.8 million	14.74%	13 <sup>th</sup> percentile
Ziegler Lotsoff Cap. Mgmt.	\$60.0 million	\$54.8 million	\$5.2 million	14.06%	15 <sup>th</sup> percentile
Neuberger Berman	\$51.8 million	\$46.4 million	\$5.4 million	11.56%	60 <sup>th</sup> percentile
Baird Advisors	\$49.2 million	\$48.7 million	\$500 thousand	1.10%	48 <sup>th</sup> percentile
Western Asset Mgmt.	\$51.7 million	\$50.1 million	\$1.6 million	3.17%	4 <sup>th</sup> percentile
CBRE Clarion	\$17.9 million	\$16.0 million	\$1.9 million	11.50%	12 <sup>th</sup> percentile
Adams Street Partners	\$1.5 million	\$980 thousand	\$520 thousand	7.60%	N/A
FLAG Capital	\$450 thousand	N/A	\$450 thousand	N/A	N/A

### Police and Fire Retirement System

<u>Asset Commitments as of 03/31/12:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	51.9%	NTGI	16.6%
International Equity	14.1%	PIMCO	6.2%
Fixed Income	27.8%	Wellington Management Company	12.5%
Cash Equivalents	0.7%	Ziegler Lotsoff Capital Management	16.6%
Real Estate	5.0%	Baird Advisors	13.4%
Private Equity	0.5%	Western Asset Management	14.5%
		Cash Account	0.7%
		Neuberger Berman	14.1%
		CBRE Clarion	5.0%
		Adams Street Partners	0.5%
		FLAG Capital	0.1%

**Quarterly Summary of the Police & Fire Retirement System**

	<u>Market Value</u> <u>03/31/12</u>	<u>Market Value</u> <u>12/30/11</u>	<u>Market</u> <u>Difference</u>	<u>Rate of</u> <u>Return</u>	<u>Universe</u> <u>Ranking</u>
Retirement System	\$330.8 million	\$303.2 million	\$27.6 million	9.78%	1 <sup>st</sup> percentile
Total U.S. Equity	\$171.8 million	\$154.5 million	\$17.3 million	13.81%	28 <sup>th</sup> percentile
Total Non-U.S. Equity	\$46.7 million	\$41.9 million	\$4.8 million	11.57%	59 <sup>th</sup> percentile
Total Fixed Income	\$92.1 million	\$90.1 million	\$2.0 million	2.19%	33 <sup>rd</sup> percentile
Total Real Estate	\$16.4 million	\$14.7 million	\$1.7 million	11.50%	N/A
Total Private Equity	\$1.5 million	\$980 thousand	\$520 thousand	7.60%	N/A
NTGI	\$54.8 million	\$50.6 million	\$4.2 million	12.58%	62 <sup>nd</sup> percentile
PIMCO	\$20.6 million	\$18.0 million	\$2.6 million	14.71%	7 <sup>th</sup> percentile
Wellington Mgmt. Co.	\$41.3 million	\$36.0 million	\$5.3 million	14.74%	13 <sup>th</sup> percentile
Ziegler Lotsoff Cap. Mgmt.	\$55.0 million	\$50.0 million	\$5.0 million	14.03%	15 <sup>th</sup> percentile
Neuberger Berman	\$46.7 million	\$41.9 million	\$4.8 million	11.57%	59 <sup>th</sup> percentile
Baird Advisors	\$44.3 million	\$43.8 million	\$500 thousand	1.16%	43 <sup>rd</sup> percentile
Western Asset Mgmt.	\$47.8 million	\$46.4 million	\$1.4 million	3.17%	4 <sup>th</sup> percentile
CBRE Clarion	\$16.4 million	\$14.7 million	\$1.7 million	11.50%	12 <sup>th</sup> percentile
Adams Street Partners	\$1.5 million	\$980 thousand	\$520 thousand	7.60%	N/A
FLAG Capital	\$450 thousand	N/A	\$450 thousand	N/A	N/A

The reports were received and filed by Chairman Scripps.

Mr. Bensur presented Trustees with an overview report of Wilshire Associates, Inc. He noted that Wilshire: 1) was founded in 1972; 2) is focused on the institutional marketplace; 3) is 100% owned by active key employees; and 4) has more than 300 employees in ten offices worldwide. Wilshire has 125 consulting clients and \$702 billion under advisement. He reviewed the management team in place for the City of Grand Rapids Retirement Systems and stated that Wilshire has dedicated resources which provide focus and commitment and their consultant contributions promote communication, ensure client-driven, practical and actionable research focus. Wilshire publishes many different reports on asset classes, industry trends and market/economic and topical interests. Mr. Bensur reviewed Wilshire's investment consulting process and noted that their philosophy is centered around: 1) a disciplined strategic asset allocation; 2) building a structured investment program from the top down; 3) managing risk, as it is as important as achieving return; and 4) any risk that is taken should be compensated and understood. They advocate cost-effective solutions and practical applications, results-oriented, innovative ideas and flexible solutions, proactive client service and long-term partnerships. Wilshire has 15,643 managers that participate in its database. Wilshire believes that the core mission of a defined benefit plan is to fund the benefits promised to participants and the role of asset allocation is to manage the risk to that core mission. Wilshire's Asset Liability Valuation model provides a methodology for selecting a policy portfolio that considers both goals. Implementation plays an important role in managing risk. Mr. Bensur reviewed Wilshire's manager selection and evaluation process: 1) manager due diligence; 2) manager selection; and 3) implementation. Wilshire evaluates the strength of the manager's organization, understands a manager's edge in gathering and processing information, evaluates the accuracy of a manager's forecasts, rates how a manager's portfolio reflects their forecasts, measures a manager's trading and back office efficiency and assesses a manager's ability to understand its exposures. He reviewed Wilshire's 2012 return and risk assumptions by providing Trustees with data that shows a ten-year, forward-looking capital market assumptions table. He noted that in most institutional portfolios, risk is concentrated in the equities class. The report was received and filed by Chairman Scripps.

There were no comments on items not on the agenda.

Ms. Korzen provided Trustees with a legislative update on P.A. 314 by noting that MAPERS has been working for approximately five years to try and get this act amended. It is finally starting to move through the Michigan legislative process. It has now been referred back to the full Senate and hopefully they will be voting

soon. She reviewed some of the proposed changes with Trustees and stated she will keep them updated as to the status of this issue.

The Executive Director noted that Ms. Gina Taylor, Office Assistant III for the Retirement Systems Office, has resigned her position with the City of Grand Rapids effective May 11, 2012. Ms. Margaret Reith will be coming back to work part-time until the position can be filled.

The meeting adjourned at 9:33 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 20, 2012, at 8:10 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems