

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
SPECIAL MEETING
AUGUST 25, 2015**

A special meeting of the Board of Trustees was held on Tuesday, August 25, 2015 at the Marriott Hotel at CenterPoint Parkway, Pontiac, Michigan. The meeting was called to order at 9:00 a.m.

TRUSTEES PRESENT

Jane Arndt
Koné Bowman
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman

Walter Moore (*arrived @ 10:38 am*)
Nevrus Nazarko (*arrived @ 10:05 am*)
Patrice Waterman

TRUSTEES ABSENT

Shirley Barnett (*excused*)
Deirdre Waterman (*excused*)
Kevin Williams (*excused*)

OTHERS PRESENT

Robert Hubbard, Gray & Company
Kurt Lofters, Gray & Company
Cynthia Billings, Sullivan Ward
Cecelia M. Carter, Executive Director
Linda Watson, Retiree
Claire Miller-Hare, First Eagle
James H. Nelson, Herndon Capital
Marc Reid, Herndon Capital
Nora Harris, Lombardia Capital
Fernando Inzunza, Lombardia Capital
Kelly Kho, Lombardia Capital

Peter Lopez, Lombardia Capital
Ryan Fedronich, Mesirow Financial
Isaac H. Green, Piedmont Capital
Amit Sanyal, Piedmont Capital
Douglas J. Roman, PNC Advisors
J. Kirk VanDagens, PNC Advisors
Talmadge Gunn, Robinson Capital
Greg Prost, Robinson Capital
James Robinson, Robinson Capital
Ronald Mushock, Systematic
Rick Plummer, Systematic

The meeting was called to order at 9:02 a.m.

Gray & Company – Fourth Quarter 2014 Performance Review

Mr. Hubbard introduced Kurt Lofters to the Board. He has been with Gray & Company for nine years. Prior to his time with Gray & Company he worked as an Investment Advisor with Merrill Lynch in Atlanta.

Mr. Lofter told the Board he primarily works with the firm's clients located in Atlanta, Florida and Georgia.

Mr. Hubbard presented the Fund's 2015 second quarter performance report.

The Fund's total market value as of June 30, 2015 was \$492.9 million. The Fund had a return of -0.31% versus the policy index at -0.43%. He indicated that the Fund is in the top quartile of public funds.

	Value \$ (000)	% of Fund	Periods Ending June 30, 2015						
			Current Quarter	1 year	3 years	5 years	7 years	10 years	15 years
Total Plan	492,934	100.0	-0.19	4.52	13.06	12.54	8.39	7.74	6.74
Net of Fees			-0.31	3.98	12.47	11.85	7.75		
Policy Index			-0.43	3.97	13.30	12.95	8.22	7.67	6.60

He reviewed the System performance as of July 31, 2015. The Fund's total market value was \$491.9 million with quarter-to-date performance of 0.33% versus the policy index at 1.08%.

As of this morning the Fund's total market value was \$457.7 million.

Meeting Break at 9:30 a.m.

Meeting Resumed at 9:48 a.m.

Economic Overview/Markets Roundtable

Chairman Harrison welcomed the managers and began the introductions around the table.

Mr. Hubbard explained the format of the roundtable sessions to the managers.

He opened the discussion asking whether the market slide was due to the overdue correction, behavioral science or China. The Dow was up 388 points when it opened this morning.

There was in-depth discussion and an exchange of view point and market perspective from Douglas Roman of PNC, Chairman Harrison, Chair of the GERS Board, Ron Mushock of Systematic, and Amit Sanyal from Piedmont.

Trustee Nazarko arrived at 10:07 a.m.

The group gave insight and perspective with regards to the recent activity of both the stock market and commodity market with respect to oil prices from the following managers, Isaac Green of Piedmont, James Nelson of Herndon Capital and Claire Miller-Hare of First Eagle.

Mr. Hubbard asked if the issue regarding China's currency is due to the trade dynamics or are they trying to jump start their economy. This question led to a volley of exchanges between Mr. Roman, Chairman Harrison, Ms. Miller-Hare, Pat Silvestri of Attucks Asset Management and Fernando Inzunza of Lombardia Capital.

Mr. Hubbard asked if managers should stay conservative. A lot of managers do not like increased prices or having to pay up. He questioned whether the market will be low or high. He asked if the managers see it offsetting the quality market.

This prompted responses and discussions from Mr. Mushock, Mr. Sanyal, Chairman Harrison, Mr. Roman, Mr. Silvestri and Jim Robinson of Robinson Capital Management.

Trustee Moore arrived at 10:38 a.m.

There was further discussion with regard to market fundamentals and what will drive the market going forward and whether the market will move toward a quality bias.

Meeting break at 11:15 a.m.

Meeting resumed at 11:30 a.m.

Systematic – Mid Cap Value

Rick Plummer, CFA, Senior Equity Analyst

Ron Mushock, CFA, Portfolio Manager, Partner

Mr. Plummer reported they have managed the System's mid cap strategy since 2006.

There have been on major changes to the firm. They lost a junior analyst who had no stock picking responsibilities.

They currently have \$12 billion in assets under management compared to 13.9 billion as of December 31, 2014 due to the loss of two large relationships.

They are in compliance with the System's IPS and reporting requirements. There are no employees with financial or personal relations with the Board or Staff.

Mr. Mushock reviewed their gross performance as of June 30, 2015. Year-to-date returns were 1.2% versus the benchmark at 0.4%; one-year trailing returns were -0.4% versus 3.7%; three-year trailing returns were 16.3% versus 19.1%; five-year trailing returns were 17.7% and since inception performance of 8.7% versus 8.0%.

First Eagle Investment Management – Global Value Equities

Claire Miller-Hare, Vice President

Ms. Miller-Hare explained the proposed ownership changes at the firm. The Arnhold Family originally owned 60% of the firm. Currently the Arnhold Family owns 25% of the firm, Blackstone and Corsair own 55% and the employees own 20% of the firm up from 15%. Their intent is to expand employee ownership to 30%. Blackstone and Corsair involvement in the firm is only at the Board level.

She reviewed their trailing returns net of fees as of June 30, 2015. The returns for the second quarter were -0.41% versus 0.31%; year-to-date returns were 1.92% versus 2.63%; one year returns were -0.94% versus 1.43%; three year returns were 9.14% versus 14.23% and since inception performance was 7.89% versus 11.98%.

Herndon Capital – Large Cap Growth

James H. Nelson, III, CFA, Associate Portfolio Manager

Mark V. Reid, Director of Marketing & Client Services

GERS

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Mr. Reid noted that they are in compliance with the System's IPS and brokerage requirements. They have no relationships with the staff or trustees of the Retirement System.

There was an addition to their research team during the third quarter. This position has no stock picking authority.

Mr. Nelson thanked the Board for their investment dating back to September, 2007. They take their fiduciary responsibility to the System serious.

He reviewed their investment history as of June 30, 2015. Their performance since inception is 5.65% net of fees versus the benchmark at 6.96%; quarter-to-date performance was -0.19% versus 0.28% and year-to-date performance was 3.41% versus 1.23%.

Lombardia Capital Partner - Large Cap Value

Fernando Inzunza, CFA, Partner, Portfolio Manager, LCV, SCV, ACV

Peter Lopez, CPA/CFA, Managing Director, Portfolio Manager, LCV

Kelly Kho, CFA, Partner, Portfolio Manager, SCV

Nora Harris, Managing Director, Client Service Manager

Mr. Lopez thanked the Board for the System's business. Their performance has been good utilizing their low risk philosophy and framework.

Mr. Inzunza told the Board that their firm has been in operation for twelve and a half years. He thanked the System for being their longest standing client. They brought in Peter Lopez when his partner Jorge Castro passed away. They have added a number of new hires to the firm. Nora Harris came from Northern Trust. Britt Joyce has moved to a smaller firm. They are compliant with the System's IPS, disclosure statements and brokerage requirements.

Mr. Lopez described their investment philosophy.

He reviewed their performance. Their quarter-to-date performance is 1.83% versus the Russell 1000 Value Index at 0.11%; one-year performance is 5.44% versus 4.13% and since inception 8.82% versus 7.05%.

GrayCo Alternative Partners Fund I – Private Equity

Robert Hubbard, Chief Executive Officer

Kurt Lofters, Sr. Investment Consultant

Mr. Hubbard described the GrayCo Alternative Partners Fund I investment. The portfolio is exposed to alternative assets including hedge funds and real estate. There are currently seven underlying investments in the portfolio.

The performance of the hedge fund investments in the portfolio mitigated the J curve effect. To date there has been \$2.8 million in distributions from five of the funds or 9.9% of the committed capital already deployed.

The fund's value as of March 31, 2015 was approximately \$27.7 million. The total value including current value plus cumulative distributions received to date equaled \$30.6 million versus total capital contributions of \$21.6 million.

He reviewed the composition of the fund with 53% invested in private equity; 36% in hedge funds and 11% in real estate.

Mr. Hubbard reviewed that GrayCo Alternative Fund I recently invested \$2.6 million in Southeastern Global Partners which invests directly in startups and emerging opportunities. They issued a \$200,000.00 mezzanine loan to ClearRock an investment management firm and a \$25,000.00 loan to Legacy Partners LLC a marketing service. They also made an equity purchase in Algodon Winery, an Argentinean winery company.

The schedule of investments of the Alternative Partners Fund I was reviewed.

Meeting Break at 12:15 p.m.

Meeting Resumed at 1:30 p.m.

Piedmont Investment Advisors Large Cap Core

Isaac G, Green, CFA, President, CEO, Chief Investment Officer, Portfolio Manager

Amit Sanyal, CFA, Sr. Vice President, Portfolio Manager

Mr. Green reported as of June 30, 2015 the firm had \$5.6 billion in assets under management which is a large increase. This is due to their recent partnership with the State of North Carolina.

There has been some staff turnaround in house in the index trading area. They recently hired a new investment professional.

He reviewed the performance returns. Trailing one-year returns were 10.69% versus the benchmark at 7.42%; trailing two-year returns were 17.88% versus 15.70%.

Mr. Sanyal reviewed their top five and bottom five performers for the fund. Healthcare was a top performer.

Mesirow Financial – Private Equity

Ryan Fedronich, Senior Vice President

Mr. Fedronich indicated there have been no organizational updates. They currently manage \$4.5 billion in assets under management. Their investment team is stable. They are an employee owned firm.

Fund IV and Fund VI are moderately sized private equity funds with full market coverage. Fund IV is 100% committed to the underlying managers and they expect Fund VI to be fully committed within the next year.

He reviewed the Fund IV's status to date and underlying managers. Fund IV is fully funded with 88% of the capital drawn. The System committed \$5.0 million to the fund with \$4.4 in

contributions and \$2.5 million in distributions. As of March 31, 2015 the net IRR for the System's portfolio is 10.1%. He explained the vintage year diversification and how managers deploy capital.

He provided an update of Fund VI. To date they have received capital commitments of 54.8%. The System has made a commitment of \$3.0 million with \$0.4 million in contributions to date. There are not a lot of secondary market investments in this fund.

Chairman Harrison asked why Diane Swonk their Chief Economist is not listed as part of the Private Equity team on the materials.

Mr. Fedronich indicated that Mesirov's Chief Economist is not part of the private equity team.

PNC Institutional Asset Management – Large Cap Value

Douglas J. Roman, CFA, CMT, Managing Director Large Cap Advantage Equity

Kirk VanDagens, CIMA, Senior Client Advisor, Vice President

Mr. VanDagens indicated Mr. Roman leads a sixteen person team in Philadelphia. They currently have \$1 billion in assets under management in this strategy.

Mr. Roman and his team took over this strategy two years ago. Their two-year performance is 16.07% versus the benchmark at 13.55%.

He also reviewed their performance and sector over and under weighting. As of June 30, 2015 their year-to-date performance was 2.24% versus the benchmark at -0.61% and their one-year performance was 6.33% versus 4.13%.

Chairman Harrison commended on the good job they have done for the System.

Mr. Roman indicated their consistent outperformance is due to the adherence to their process. Overall he manages \$6 billion with \$1 billion in the large cap value strategy.

Trustee Moore asked about their directed brokerage compliance.

Mr. VanDagens stated they use the best execution process.

Mr. Silvestri indicated they will be discussing this requirement with all the managers in the Manager of Managers program.

Robinson Capital Management – Intermediate Fixed Income

Jim Robinson, Founder, CEO and CIO

Greg Prost, CFA, Chief Investment Officer

Talmadge Gunn, Senior Portfolio Manager

Mr. Gunn told the Board he has been managing fixed income for thirty years. He has been managing fixed income investments at Robinson Capital for approximately one year.

They have performed well overtime. Their one-year performance was in line with the benchmark at 2.15% versus 1.68%. Since inception performance is 3.44% versus 2.68%. Overall performance is 18.21% versus 14.05%.

He reviewed their overall performance net of fees at 17.02% versus the benchmark at 14.05%.

They are compliant with the annual disclosure statements and the brokerage policy.

Mr. Lofters thanked the managers for their participation.

The managers left at 2:32 p.m.

Gray & Company Wrap-up

Mr. Lofters asked whether the Board had any questions or suggestions.

There was discussion regarding some minor changes including the use of less paper and for the documentation to be provided electronically.

The meeting adjourned at 3:05 p.m.