CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
SPECIAL MEETING
FEBRUARY 23, 2016

A special meeting of the Board of Trustees was held on Tuesday, February 23, 2016 at the Marriott Auburn Hills Pontiac Hotel on CenterPoint Parkway, Pontiac, Michigan. The meeting was called to order at 8:47 a.m.

TRUSTEES PRESENT

Sheldon Albritton
Jane Arndt
Koné Bowman
Janice Gaffney
Robert Giddings, Chair
Walter Moore
Deirdre Waterman

TRUSTEES ABSENT

Shirley Barnett *(excused)*
Nevrus Nazarko *(absent)*
Patrice Waterman *(excused)*

OTHERS PRESENT

Kurt Lofters, Gray & Company
Cynthia Billings, Sullivan Ward
Deborah Munson, Interim Executive Director
Ram Gandivota, Ativio Capital
Pat Silvestri, Attucks Asset Mgmt.
Catherine Sweeney, Attucks Asset Mgmt.
Jim Kelts, Incore Capital Mgmt.
S. Brad Fush, Incore Capital Mgmt.
Don Cobin, Kennedy Capital
Christian McDonald, Kennedy Capital
Joseph Beauparlat, Loomis Sayles
Jeffrey Schwartz, Loomis Sayles
Peter Cahill, NorthPointe Capital
John Pearce, NorthPointe Capital
Janna Sampson, Oakbrook Investments
Brian Monroe, Sawgrass Asset Mgmt.
Marc Davis, Sawgrass Asset Mgmt.
Gerry Seizert, Seizert Capital Partners
Paul Seizert, Seizert Capital Partners
John VanGorder, Seizert Capital Partners
Gavin Hayman, Victory Capital
Andrea Leistra, Victory Capital
William Orke, WCM Investment Mgmt.
Jon Tringale, WCM Investment Mgmt.

The meeting was called to order at 8:47 a.m.

Gray & Company – Fourth Quarter 2015 Performance Review

Mr. Lofters provided an overview of the Fund's 2015 fourth quarter performance report.

The Fund's beginning market value for the quarter was $454.2 million and the ending market value as of December 31, 2015 was $459.9 million. This included a cash outflow of $9.5 million. The performance net of fees for the quarter was 3.17%. Performance was flat in November and December with October providing the outperformance for the Fund. One-year performance net of fees was flat at -0.84%.

Equities drove performance for the quarter. International equity managers outperformed. Returns were hard to come by for the year even in the alternative space. They are expecting the markets to continue this trend going forward.

He noted private equity returns have a one quarter reporting lag from the end of the performance quarter.

Ms. Billings questioned whether the manager trues up performance when the private equity last quarter returns are provided.

She confirmed the -0.84% one-year returns could become positive when the private equity 2015 fourth quarter returns are added.

Trustee Moore asked for the January 2016 performance.

Mr. Lofters stated performance for the S&P was down 5% in January and -4.8% as of February 22, 2016. The S&P has realized a 6% loss since the beginning of the year.

Trustee Moore indicated the Fund has taken a real beating going from $491 million to $432 million.

Mr. Lofters agreed the pension funds have taken a big hit.

Chairman Giddings indicated that $20 million has been taken out of the Fund to pay for benefits over that period.

Mr. Lofters explained in order to cover expenses and provide a buffer through June 2016 more cash than normal is being taken out in the semi-annual rebalancing.

He reviewed the Fund's performance versus its peers. Performance is in the top quartile. The Fund is weathering the storm better than most pension plans.

He stated that $12.3 million has been transitioned from Peritus to Brandywine Global. There is still $6.7 million left to transition.

Trustee Moore questioned the one-year and last quarter performance versus the Fund's peers.

Mr. Lofters stated the impact was due to the high yield investment. High yield has experienced a huge downturn in the market and an especially rough third quarter performance.

He reported they are working on the real estate search presentation and the Board should receive updated information for their review. They are looking for vehicles to add performance. This can be discussed at the March, 2016 meeting.

Meeting Break at 9:30 a.m.
Meeting Resumed at 9:48 a.m.

Economic Overview/Markets Roundtable
Chairman Giddings welcomed the managers and began the introductions around the table.

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

He opened the discussion asking the fixed income managers what impact they see for 2016 with regard to bonds, the Fed, China, currency valuations, profit margins, etc.

Jim Kelts from Incore Capital said for fixed income managers 2015 began the same as the past three to four years. It was a very choppy year. Treasuries were flat with a lot of volatility in credit. Industrials led performance. The Fed's uncertainty had an effect with their zero interest rate policy and their delayed rate increase based on market volatility in September. The last rate increase by the Fed was in December 2015. There could be another pause in the Fed rate increases.

He described a number of factors which impacted the market including volatility in the equity market; potential for global deflation; European institutional investments and interest rates.

They are forecasting interest rate increases with fifty percent likelihood this year. Their expectation is for two rate increases. Unemployment is under 5%, the Consumer Price Index is up with a core PCE of 1.5 to 1.6. Interest rate increases could have an effect on the dollar.

Mr. Lofters asked if the Fed will raise rates twice based on what is going on globally.

Mr. Kelts stated the Fed will more than likely raise rates to approximately 2.5%. He noted the economy goes through a recession every six years. One should be coming up soon especially with the Feds raising rates off zero percent.

Mr. Lofters asked if there is any place to find returns.

Mr. Kelts indicated that based on the Fed's likelihood to raise rates they will shift their duration based on the yield curve. There is only so much you can do as a fixed income manager.

Mr. Lofters asked the other managers for their opinions on 2015 and the effect on valuations and profit margins.

Janna Sampson from OakBrook indicated they are a large cap growth manager. Currency had an impact on multi-national stocks and hurt most in the space. They are still seeing some sector valuations attractive. If commodities do not pick up there is not a lot of downside in the space. You can take advantage of companies picking off smaller companies which benefit from the cash flow. They have looked outside the space into technology and healthcare.

Gerry Seizert from Seizert Capital discussed the symmetry of the market cycles and how in expansion years the market can lag. This can be due to the function of government debt globally and slower growth rates, the Great Recession and market compression back in 2009

Valuations have been under to modestly over-valued which has created lower return expectations. In the 1980's and 1990's we saw strong equity returns that were up three-fold from depressed levels. There have been concerns in the marketplace with regard to China. Investors are looking for correlations during the late cycle searching for revenue growth.

The top four to ten stocks were responsible for all returns with everything else at -4% to -5% for the period. There were a small number of performers overseas. Too much faith has been put on the Central Banks, the dollar and liquidity in the market.

Japan's currency is in a state of devaluation with their domestic economy slowing due to a shift in exports which has caused competitive devaluation. This is good for U.S. consumers but has caused lower revenue growth.

There are selective opportunities in the marketplace. Volatility is the watch word. There will be a lot of fits and starts. He agreed that there is a recession every six years with a pause and refresh coming out of the fifth years which causes choppiness in the market.

Trustee Gaffney returned at 10:04 a.m.

Mr. Lofters asked where returns were concentrated and where they came from.

Mr. Seizert indicated that looking at the forecasts the amateurs did a better job of forecasting the markets than the experts.

Ms. Sampson indicated diversity is the key.

Mr. Seizert indicated growth is scarce. This is more complicated with the view down the road indicating investors will have to take more risk. The market remains narrow based on fear.

Mr. Lofters asked how the managers see the markets and reciprocity.

The U.S. has underperformed. Valuations are not performing. Quality is becoming attractive. Oil prices per barrel are from $15.00 to $45.00. There could be a value shift to financials and commodities. There are some shifts happening.

Mr. Lofters asked if there is uncertainty and risk in the small cap space. He questioned what prospects the managers see going forward.

Donald Cobin from Kennedy Capital stated that their perception is that they are insulated from companies whose performance comes from abroad. Companies that sell abroad have to compete with other companies. He discussed consumer economies versus industrial economies. He noted consumers pull up industrials. Industrials were flat at best. Auto sales and home building is strong and they are seeing performance there. Companies are raising capital to keep their companies strong.

Jeffrey Schwartz from Loomis Sayles stated companies with solid balance sheets are rising above the carnage. They look for companies using strong analysis and decision making. Higher volatility creates opportunity in the small cap space.

Mr. Lofters asked the managers if it is difficult for active management to beat passive management. He also asked if managers are beginning to see correlation and focus on fundamentals.

Ram Gandikota from Ativo Capital said from a performance perspective currently it is difficult for large cap active management to beat passive management. But returns from the passive side are beginning to shift back to active management.

William Orke from WCM stated active managers have to work harder to earn their fees. With the current macro environment there are good opportunities. He is amazed how companies are growing in this environment. Fundamental managers have opportunities to grow these ideas. It is a challenge but spectacular.

Jon Tringale from WCM indicated they experienced down performance during the third quarter. They experienced volatility but they can find opportunities. Valuations are the most attractive they have been since 2013.

Christian McDonald from Kennedy Capital explained their bottom up strategy and their macroeconomic picture versus individual company analysis.

Mr. Gandikota discussed how China's imports have slowed down and there has been a shift in their economy. Corruption has an impact on their housing market. They have also cut down on their financials. China is backing off of their one child policy.

The emerging markets and China are not as bad as Russia and Brazil. He noted China has increased their savings rates.

Mr. Lofters asked about the drop in China's stock market and its validity.

Mr. Tringale said they trade their securities on the Hong Kong stock market versus the Asian/Shanghai stock market which is known for its corruption and turmoil.

Mr. Lofters asked if they are hedging the dollar.

Mr. Tringale said they are not hedging the dollar because it tends to wash out overtime. They had currency in their portfolio in 2014.

Mr. Lofters asked about high quality companies and rising interest rate impact.

Ms. Sampson stated the most expensive space in the market is true high quality which has not seen as much sell off. Quality is relative. They look at valuations based on their history and firms with diverse and risk avoidance strategy. Their strategy is to invest in stocks that are not viewed as high quality. Volatility determines whether it is a risk on or risk off market.

Mr. Cobin stated they look at cash flow and return on investment to determine good investments. They use fourteen different analyses to determine sustainable performance.

Gavin Hayman from Victory Capital discussed how they analyze sectors and valuations. He also spoke to the method they use to determine which securities to get rid of versus performance trading on extended valuations. Managers are driven into a narrow universe of companies. If you look at the mid cap universe it is broken down into three sectors top, mid and bottom. There is a huge discrepancy in performance between the three.

Trustee Albritton asked the managers how they would invest in their retirement if they $1 million and a monthly pension of approximately $1,500.00 to $2,000.00.

Peter Cahill from NorthPointe Capital said that according to Warren Buffet you should invest 90% in U.S. equities and 10% in cash. It is difficult to know what will happen in 2016 but this is a long-term investment.

Mr. Seizert stated in order to mitigate risk and stretch the time horizon you should tilt toward quality and stocks versus bonds. Investing 90% toward equities and everything probability rated with three price targets which is normal. You could lose a little investing in high quality but the companies will still be here. Low quality companies could be gone. He would use a weighting with a high and medium tilt. It is important to think long-term.

Trustee Moore asked the managers the impact of the election and whether the presidential candidates could have an effect on the banks.

Mr. Schwartz stated investors are more comfortable with a President that plays between the forty yard lines. A President that would start a trade war could devalue the dollar or upset the Federal Reserve. Aggressive immigration policies could create more volatility.

Mr. Seizert said the watch word is uncertainty.

Mr. Lofters asked the managers to speak to liquidity.

Mr. Kelts said the volatility over the last six months has caused liquidity to be similar to what it was in 2008 off the run on securities. It is not as bad as it was at the extreme end of the shutdown but it is not as good as it was. They are looking for opportunities to provide liquidity in the market place. Eventually it will look better.

Mr. Lofters asked if opportunities vary by investment space.

Mr. Cahill said there have been a lot of negative statements. This is more negative than in 2009 because people are scared. All asset classes are affected.

Ms. Sampson indicated that price-to-earnings have come down in the biotech sectors which make for attractive buys and assessments. The market has been overly punished. Cash flow is the key.

Mr. Cobin said it is a tough time to find banks when they are lending money at 2% it is hard to make money on those types of investments. There are some opportunities in biotech and healthcare but individual alpha is bleak. There are some high quality companies they can buy that will perform over the next three to five years.

Mr. Orke told the Board WCM has a bias against financials due to the lack of transparency, risk and questionable underwriting standards. India has some financial opportunities. They are biased against large banks.

Mr. Tringale reported they have a large weighting to financials at 27%. Banks fit within their fundamentals. There has been a large shift in Indian private banks.

Mr. Seizert told the Board they are a bottom up value oriented investor. They look for opportunities by sector but stay away from commodities. Great companies generate high levels of cash and put capital back into their company. They also isolate those companies where management is making great decisions. They are using this time to reorient themselves. Pharma has some good opportunities.

Ms. Sampson said they would change their investments if the Democrats controlled the Senate and Congress because healthcare prices would stay the same.

Mr. Lofters asked if political risk could create an environment of uncertainty.

Mr. Cahill indicated attractive valuations create opportunity. If the economy in China slows it could create risk globally.

The positives are the $4 trillion to $5 trillion flowing away from oil, consumer debt is low and money is being put back into the housing market.

Mr. Schwartz indicated positives are the broad based market and U.S. banks are healthy.

Mr. Davis stated the current market is risk high with quality more in favor. He discussed the risk on/risk off markets since 2009 and the various styles noting markets with more definite styles are more challenging for investors. At this time the sentiment is cautious and there is definitely concern.

Mr. Gavin said positives are the low U.S. unemployment and savings are healthy.

Ms. Sampson said the unlikelihood of a decreasing commodity prices floor is a positive. However, they are worried about a geopolitical shock to the System that would spike oil prices for equity investments.

Mr. Kelts indicated fixed income managers are pessimists and are never optimistic. U.S. labor markets and consumer strength are positives. Corporations are taking advantage of cheap debt and revived equity investors and stockholders. They are concerned about China's currency creating a currency war and volatility.

Mr. Tringale said as an international equity manager there is a risk with Great Britain's exit from the E.U. They are optimistic that valuations on the international side will remain attractive for the long-term.

Pat Silvestri from Attucks Asset Management spoke to the opportunities as the manager of managers. There are opportunities in large cap growth. Market timing is virtually impossible. They are concerned about geopolitical issues noting Greece and Ukraine. He also indicated negative interest rates and housing market lending standards.

Meeting break at 11:22 a.m.
Meeting resumed at 11:36 a.m.

Sawgrass Asset Management – Large Cap Growth
Brian Monroe, Principal, Director of Marketing & Client Service
Marc Davis, CFA, Portfolio Manager

Mr. Monroe thanked the Board for their investment relationship since 2007. He confirmed they are in compliance with the System's Investment Policy Statement, Trustee Disclosure Statement and Directed Brokerage Policy. They currently process 29% of their trades through the System's Michigan based brokers.

He reviewed the System's portfolio market values. As of December 31, 2014 market value was $38.1 million. The ending market date as of December 31, 2015 was approximately $39 million. They are an active long-term investor. The market was flat in 2015 and growth outperformed value. There has been a move toward passive investment. They believe there is a better chance for active to outperform passive.

He provided an overview of their performance since inception. Their one-year performance was up 2.2% versus the S&P at 1.4%; three-year annualized performance was 16.4% versus the Russell 1000 at 16.8%; five-year annualized at 14.4% versus 13.5% and since inception annualized performance at 7.2% versus 7.8%.

There were four companies that lead performance in large cap for the year: Facebook; Amazon; Netflix and Google.

He noted Sawgrass has provided higher returns with lower standard deviation than other large cap growth products over the last five years.

Mr. Davis described their performance thesis noting risk is often mispriced; consistent growth is underappreciated; lower volatility is rewarded over time and valuation anomalies persist. Their thesis has provided long-term performance versus the Russell 1000. They participate on the upside and provide downside protection.

He discussed the narrow returns in 2015 and that in the growth universe the four FANG stocks drove 60% of the performance.

He pointed out their buy and hold activity analysis which added significant value in 2015.

He assessed their top ten and bottom ten holdings and their contribution to their performance. He also noted the top ten holdings and portfolio characteristics.

They are sector neutral due to concerns on where the markets are. This also provides protection from downside risk.

Trustee Moore asked how Sawgrass has done so well in the System's directed brokerage policy.

Mr. Monroe noted 40% to 50% of their clients have a directed brokerage policy.

Trustee Bowman asked the manager's opinion on BDC and real estate investments.

Mr. Davis told the Board he is not familiar with these investment strategies.

Mr. Monroe indicated they do not invest in strategies with liquidity issues.

Mr. Lofters stated that BDC's are similar to bank loans which would equate more with fixed income. BDC's are also on the retail side.

Kennedy Capital Management – Small Cap Growth/Small Cap Core
Donald Cobin, CFA, V.P., Director & Portfolio Manager
Christian McDonald, CFA, Asst. Portfolio Manager & Research Analyst

Mr. Cobin thanked the Board for their investment relationship over the past twenty-three years. Kennedy has provided 400 basis points of outperformance since inception.

They have no conflicts and have complied with the System's directed brokerage policy.

There have been some firm changes over the last three to five years. There are currently twenty-three investment professionals. Performance over the last three to five years has been good but not great. There has been 10% investment staff turnover during that period.

He reviewed the total performance returns for the past ten years. Their three-year performance of 31.7% did not beat the benchmark with 2013 being a difficult year for quality style.

Their sector attribution in performance year 2015 added 114 basis points of relative performance. Most of the opportunities were in healthcare with some pharmaceutical companies but there were regulation issues with both.

He described their portfolio characteristics versus the Russell 2000. He told the Board they look for companies with good price-to-earnings and cash flow returns on investment (CFROI.)

He evaluated their portfolio and discussed the market spreads and cash flow returns on investments comparing performance to the benchmark and discount rates. They have provided consistent superior return on investment which has created superior value. Their lower market expectations versus the benchmark suggests superior valuation appreciation potential and greater margin for error.

Their one-year returns were solid at 3.5% versus the benchmark at -1.4%. This was due to positive stock selection and 2015 was a good year for fundamental growth products.

Loomis Sayles – Small Cap Value
Jeffrey Schwartz, CFA, V.P., Portfolio Manager
Joseph Beauparlat, CFA, V.P., Client Portfolio Manager

Mr. Beauparlat indicated they manage a small cap value portfolio for the System.

They are in compliance with the Investment Policy Statement and with the System's Directed Brokerage Policy with over 25% in directed trades. There are no Trustee conflicts.

He told the Board their Chief Executive Officer (CEO) of Loomis, Sayles & Company, Robert J. Blanding stepped down one year ago. Kevin Charleston stepped into the role of CEO. There has been very little change from a business perspective.

The System made their commitment to Loomis Sayles in 1994.

He reviewed their investment performance since inception. Their one-year performance was -2.28% versus the index at -7.47% with excess returns of 5.19%. Since inception performance was 12.16% versus 9.61% with excess returns of 2.55%. He noted their consistent downside protection.

Mr. Schwartz said he returned to Michigan five years ago to co-manage the portfolio with Joe Gatz. They have a good seven-person team with lots of experience.

Their outperformance is based on favorable stock selection. They look at three areas misunderstood; unfollowed and special situation companies.

Misunderstood companies are top companies that have hit a rough patch. Unfollowed are companies that are undiscovered gems. Special situation companies are corporate spinoffs with new management teams.

He described their performance attribution through December 31, 2015 including their top five performance contributors and bottom five performance detractors.

He reviewed their portfolio characteristics explaining the lower beta and turnover.

Trustee Bowman asked about their sell off of the BioMed Realty Trust position acquired through the Blackstone Group.

Mr. Schwartz stated that BioMed Realty is a leading realtor and leaser of space in the biomedical community.

WCM Investment Management – International Equity Growth
William Orke, Managing Director, Portfolio Specialist
Jon Tringale, Portfolio Specialist

Mr. Orke indicated they have no material conflicts with the System. As an international equity manager it is difficult for them to get best execution for security trades so they are unable to comply with the System's Directed Brokerage Policy.

They current have $12 billion in assets under management. They are 100% employee owned. He noted that the employees' 401k plan is invested in the company.

They provided 700 basis points of alpha for the System since inception and 1200 basis points of out-performance for the one-year period. Since their inception in September, 2014 with initial funding of $36.5 million the System has withdrew $6.3 million for rebalancing out of their portfolio so they are back to an ending value of $36.8 million.

Mr. Tringale told the Board the last two cycles have been challenging. They are up 7% versus the index at 5% with 2% of the performance tailwind based on their sector selections. He added their broad based stock selection also drives their performance. They have a very select portfolio with thirty-two holdings owned. They invest for the long term.

Historically their turnover is around 22% but in 2015 it was 29%. They look for companies with consistent and predictable earnings. They also look for companies that performed well relative to their peers.

They invested in Icon Plc which is a company that runs clinical trials for pharmaceutical companies instead of betting on one drug's success. Pfizer is one of their clients. It is more efficient for the drug companies to outsource clinical trials.

Their outlook is to continue to work on their watch list for companies that are exciting and very well managed paired with risk controls and low turnover. They are an opportunistic investor.

Ms. Munson asked about their underweight to financials versus the benchmark.

Mr. Tringale indicated they are traditionally overweight to cyclicals.

Mr. Orke again stated it is difficult for their asset class working with non-U.S. and emerging market to get best trade executions working within our directed brokerage policy.

Munder Capital – Mid Cap Growth
Gavin Hayman, CFA Equity Analyst
Andrea Leistra, Director, Institutional Markets

Ms. Leistra reported Victory Capital has nine franchises they have rebranded under the Victory Capital umbrella. Munder Mid Cap has been in the System's portfolio for the past ten years and Incore fixed income has for the past twenty years.

She provided their Statement of Compliance with the System's Investment Policy Statement and Directed Brokerage Policy.

In April, 2015 they purchased Compass Efficient Model Portfolios, LLC which utilizes a smart beta investment approach.

In December, 2015 they purchased RS Investments a U.S. and global/international equities managers as their tenth investment franchise.

Mr. Hayman indicated they also invest as individuals in the company's products.

The last three months of 2015 were quite difficult. Their total one-year return was -3.37% versus the benchmark at -2.44%. Their annualized five year returns were 11.17% versus the index at 11.44%.

He discussed their equity characteristics as of December 31, 2015. Their earnings growth for the past three years was 14.7% versus the benchmark at 10.5%. Their valuation and stability price to earnings ratio was 18.1% versus 18.0%.

He reviewed their portfolio characteristics detailing their market capitalization breakdown. Their allocation to companies with assets under $2.0 billion was 1.1% versus 1.2%; with assets between $2.0 billion and $5.0 billion 20.0% versus 15.1%; with assets between $5.0 billion and $10.0 billion 27.7% versus 30.3% and with assets over $10.0 billion 51.2% versus 53.4%. Their weighted average market capitalization is $12.3 billion versus $12.1 billion.

The outperformance came from the top versus the lower end. They are over weighted to the larger end and are a true mid cap manager. Their overweight made up most of the deficit.

He provided an overview of their sector analysis. Healthcare and financials hurt their performance. In the value markets stocks were punished. Their healthcare stock picks hurt performance. Information Technology was their strongest performer.

He evaluated their top five contributors and bottom five detractors. Hormel Foods was their best contributor but was their most expensive position.

There are eighty-five stocks in their portfolio. They do not make stock bets. Returns are driven by stock selection.

Incore Capital Management – Core Fixed Income
James R. Felts, CFA, Senior Portfolio Manager
S. Brad Fush, CFA, Director Fixed Income Credit Research
Andrea Leistra, Director Institutional Markets

Mr. Kelts indicated that they do not take direction from Victory Capital with regard to how they manage the portfolio. Most of the portfolio team has been with the company for over ten years and work for CIO, Ed Goard.

They use the Barclays Aggregate Index. They utilize a top-down and bottom-up strategy. Their sector allocation is top down and looks for where the market is in the cycle and allocate appropriately. They began shift selling CMBS moving into Treasuries and AMBS. Metals and mining caused a lot of pain in the energy space. Their top-down duration cycle is neutral to long duration when interest rates are low. They will stay neutral until rates change. Their bottom-up approach looked at the rating agencies and for stocks in the BBB space. They pick those who they determine are better quality.

Mr. Fush said they have a different exposure and approach. Their model is based on a company's financial statement, which is similar to an equity analysis and compare it to stress in the credit space. They gain insight into those companies relative to their peers. The overweighting of the top quartile of that group provides performance.

He discussed their quality weightings and how Moody's re-evaluated the energy space with most companies holding firm and other being downgraded one notch.

The average weighting of their portfolio is AA- compared to the index at AA. Their weighting to AAA is 59.5% versus the benchmark at 71.7% and BBB is 24.5% versus 13.3%. By reducing risk their lower exposure to the riskier space.

Their annualized one-year returns as of December 31, 2015 were 0.33% versus 0.55% and their total quarter returns were -0.73% versus -0.57%. They were overweight to industrials.

Mr. Kelts told the Board that BDC's are in the non-investment grade space which is the same as REITS.

Meeting Break at 12:37 p.m.
Meeting Resumed at 1:32 p.m.

Oakbrook Investments – Large Cap Core (Emerging Manager)
Janna Sampson, CFA, Co-Chief Investment Officer & Managing Member

Ms. Sampson told the Board they managed $1.6 billion in assets at the end of the year. They use the same model for their large cap and mid cap investments. There have been no changes to their model or process.

Due to the efficient nature of large cap it is hard to beat the market. However, behavior is not always efficient. Investors do not always process information the same way.

They use a qualitative model. Investors fail to agree on their opinion of a stock so the range fluctuates. When the range shortens the stock performs well. As the short and long range widen momentum changes. They look at the information at the end of a quarter and underweight for those with negative momentum.

They evaluate stocks to their style peers and manage to the growth index. Indices are set up with both growth and value and large and small. They use valuations as a style control at the stock level and never overweight over 75 basis points to the index weight.

The top two stocks account for 10% of the large cap index. They were up 152 basis points in 2015 versus the index which resulted in a good year. Their one-year performance was 7.19% versus the index at 5.67%. Their performance was up versus the index for the three-year period 18.19% versus 16.83%; five-year period 14.61% versus 13.53% and since inception 17.21% versus 16.00%.

In a stock pickers' market they feel their model should continue to do well. They outperform from stock selection two-thirds of the time and one-third of the time from sector selection. They were underweight to energy.

They are waiting to determine if they should replace their data compliance person.

They have no material relations with Trustees or elected officials.

Ativio Capital – Large Cap Core (Emerging Manager)
Ram Gandikota, Principal, Senior Portfolio Manager

Mr. Gandikota told the Board they have been managing assets for the System for approximately three years. They have outperformed since inception.

They are in compliance with the System's Investment Policy Statement and Direct Brokerage Policy. They have no material relations with the Trustees or elected officials.

They currently have $1.35 billion in assets under management. The additional assets came from an endowment client.

They have added staff including an operations manager. As they grow they will continue to add more employees to the system side.

They utilize a top-down, bottom-up strategy. As a systematic investor they use the model which works best. They believe active management beats passive management. The Pontiac portfolio has thirty-five holdings which is a normal concentration. High quality firms invest in positions based on price momentum.

Their performance for the quarter ending December 31, 2015 was 6.88% versus the index at 6.79% gross of fees.

They have no U.S. banks in the portfolio but they did pick up some REITs. Performance came from industrials. It was a good year for managers with momentum. Valuations and quality has come back.

They pared back their exposure to technology and shifted toward value in their model. They now have some banking stocks on their list. They will invest in oil in the foreseeable future.

From a macro prospective they feel the Fed will not raise rates. The strong dollar is hurting companies with cash overseas. The U.S. economy is seeing consumers spend money and finding value in those sectors. Their exposure to healthcare underperformed the last few quarters.

Seizert Capital Partners – Large Cap Value (Michigan Centric)
Gerald Seizert, CFA, CIC Managing Partner, Portfolio Manager
Paul Seizert, Product Specialist
John VanGorder, Marketing & Client Services Manager

Mr. Gerry Seizert indicated the firm continues to grow with $3.4 billion in assets under management. They recently added $375 million for a total of $3.7 billion in AUM. They recently added two analysts to their staff.

As a value manager there are lots of inefficiencies and behavioral bias over undervalued stocks. They look to identify those undervalued companies. Management behavior matters. It reinforces value for shareholders by putting cash flow back into high performing projects. Weak valuations and behavior promote weak bottom up analysis.

Mr. Paul Seizert provided a review of their portfolio. The System's beginning portfolio value at inception in May, 2009 was $6.25 million. There have been withdrawals of $2.61 million and realized gains of $4.79. The ending portfolio value as of December 31, 2015 was $12.63 million.

Their quarter-to-date performance as of December 31, 2015 was 7.40% versus the index at 5.64%; year-to-date performance of -3.53% versus -3.83% and annualized three-year returns of 13.77% versus 13.08%. The value orientation has been out of favor but their returns are beating the benchmark net of fees.

He reviewed their portfolio's best and worst performers and their relative attribution by quarter-to-date performance and trailing one-year performance.

He described the firm's equity and portfolio characteristics and the portfolio sector weightings.

He confirmed their compliance with the System's Investment Policy Statement and Directed Brokerage Policy. He also confirmed that they have no personal or business relationships with any Trustees or Staff.

He stated their macro view is that there is a lot of political uncertainty so they are looking to buy quality at a discount.

NorthPointe Capital – Large Cap Value (Michigan Centric)
Peter Cahill, CFA, CIO, Founding Partner
John Pearce,

Mr. Cahill thanked the Board for their business and noted they have been a manager for the System since 2009. They are in compliance with the System's Investment Policy Statement and Directed Brokerage Policy. They have no materials relationships with Trustees or Staff indicating their letter is on its way. They recently moved to Bloomfield Hills.

It is difficult for active management to beat passive management in the space. Active managers add value through stock picking.

He reviewed their quarter-to-date net of fees performance as of December 31, 2015 at 5.93% versus the index at 5.63% and one-year performance of -1.21% versus -3.83%.

He noted it was a difficult year for energy stocks.

Attucks Asset Management – Manager of Manager Portfolios (Michigan Centric & Emerging)
Patrick Silvestri, Chief Investment Officer
Catherine Sweeney, Management Director

Mr. Silvestri stated their firm has $3 billion in assets under advisement. They lost their first client last November, 2015.

They have no material relationships with the Board or elected officials.

He noted PNC has used some Michigan-based brokers. He also discussed the directed brokerage usage issues.

It was a good year for active management as long as financials and energy stocks were avoided. There was a linear relationship between size and returns. Growth outperformed value based on size and style factors.

Ms. Sweeney reviewed the manager of manager's portfolios and discussed the various strategies. She told the Board that it was a difficult year for active managers especially the second half of 2015. The FANG's (Facebook, Amazon, Netflix and Google) provided the majority of outperformance in the large cap space.

She provided the year-to-date performance as of December 31, 2015 for the large cap core emerging managers: Piedmont was 5.58% versus the index at 1.38%; Ativo Capital at 6.26% versus 1.38% and Oakbrook at 7.20% versus 5.68%.

The year-to-date performance as of December 31, 2015 for the large cap value Michigan managers was: PNC at -1.07% versus the index at -2.15%; City National Rochdale at -1.30% versus -2.15%; NorthPointe at -1.55% versus -2.15% and Seizert at -2.03% versus -2.15%.

She reviewed the portfolio characteristics for the two portfolios.

They are familiar with most of the Michigan managers in the portfolio. She also reported that they have met in-person with most of the managers in both portfolios.

The managers left at 2:35 p.m.

Gray & Company Wrap-up

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

The meeting adjourned at 2:38 p.m.