

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
SPECIAL MEETING
FEBRUARY 25, 2014**

A special meeting of the Board of Trustees was held on Tuesday, February 25, 2014 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

TRUSTEES ABSENT

Shirley Barnett (*excused*)
Nevrus Nazarko (*excused*)
Patrice Waterman (*excused*)
Deirdre Waterman (*absent*)
Kevin Williams (*excused*)

OTHERS PRESENT

Chris Kuhn, Gray & Company/GrayCo
Deborah Munson, Executive Director

Ram Gandikota, Ativio Capital
Evan Jaysane-Darr, Invesco
Donald Cobin, Kennedy Capital
Randall Kirkland, Kennedy Capital
David Cooke, Loomis Sayles
Tony Dong, Munder Capital
James Kelts, Munder Capital

Andrea Leistra, Munder Capital
Ken Kosiorek, NorthPointe Capital
Peter Cahill, NorthPointe Capital
Janna Sampson, Oakbrook Investments
David Desmond, Peritus Asset Mgmt.
Ron Heller, Peritus Asset Mgmt.
Rhondell Sawyer, Peritus Asset Mgmt.
Brian Monroe, Sawgrass Asset Mgmt.
Marc Davis, Sawgrass Asset Mgmt.
Charles Schmidt, Seizert Capital Partners
John VanGorder, Seizert Capital Partners
William Orke, WCM Investment Mgmt.

The meeting was called to order at 9:00 a.m.

Chairman Harrison welcomed the Board to the manager review meeting.

Gray & Company – Fourth Quarter 2013 Performance Review

Mr. Kuhn told the Board that the performance numbers were not available for all the managers. It is important to note that the total Fund performance does not include any pre-quarter distributions or private equity performance. The footnote indicates that the total Fund performance excludes the private equity component of the Fund.

He reviewed the Executive Summary Table for the period ending September 30, 2013. The performance for the quarter went from 5.61% to 5.7% and the one-year performance went from 17.2% to 17.3% when all components of the Fund are included in the returns.

Chairman Harrison asked Mr. Kuhn to explain the J curve action.

Mr. Kuhn explained the distribution and private equity time-weighted returns and how the numbers can be misleading. He provided an example of a manager requesting a \$100,000.00 capital call and losing half of the investment or \$50,000.00 which should result in a 50% loss. The same manager could request a capital call of \$1 million dollars and make \$1 million and it would be recorded as a 0% return. That is why they use the money-weighted method which takes the total dollar amount invested into account.

Mr. Kuhn reviewed the capital markets and the global market performance for the fourth quarter of 2013. The S&P 500 was up 10.5% for the quarter and up 32.4% for the year; the Russell 2000 was up 8.7% for the quarter and 38.8% for year; the MSCI EAFE was up 5.7% for the quarter and 22.8% for the year. The emerging market performance for the quarter was up 1.8% for the year and down -2.6% for the year. Normally good performance from equities is good for all global performance. However, the negative pressure hurt the emerging market performance.

Trustee Moore asked what is negative pressure.

Mr. Kuhn explained that China's economy growth was 10% but within the last year they have focused on a compensation-based economy versus an export based economy. This has created a huge shift of imports like copper and iron which has caused a ripple effect in commodity based exporting countries which in turn hurt the emerging markets. Going forward China's growth will be around 7%. The Fed tapering has also hurt currency performance.

Trustee Moore asked if Mr. Kuhn brought questions for the Trustees that can be discussed prior to the round table session. He indicated that this was discussed at the last investment review meeting.

Mr. Kuhn stated that the Trustees can ask the managers questions based on the topic of discussion.

This was not a good quarter for fixed income. Performance expectations are 0% plus or minus 2%. He indicated that the Barclay Government spreads contracted during the period.

Chairman Harrison asked what is going to happen when there is a digression from the purchasing of fixed income assets from Freddie Mac and Fannie Mae.

Mr. Kuhn stated that the tapering was announced in December, 2013 with the fed steadily decreasing the buying of treasury bonds from \$85 billion to \$75 billion to \$65 billion. By the end of the year the Fed will be out of the market. What will happen is what happens when a big purchaser leaves the market. The Federal government is getting better at issuing fewer bonds. With less supply there is less demand which means the market should be stagnant. We should

see some upward pressure on mortgage rates but he feels there will be a ceiling on rates. There is not much movement on the long end of the curve.

The Total Plan performance for the quarter was 6.43% and 22.57% for the year. The Fund's equity performance for the quarter was 9.39% and 34.44% for the year. Equity returns were responsible for 90% of the Fund's out performance. Fixed income did not perform well during the same periods.

International equity performance for the quarter was 5.56% and 17.80% for the year. Seven-year performance was -0.29% which captured the credit crisis.

If you look at the Total Plan performance going out twenty years it beats the actuarial rate or return.

Fixed income performance was ahead of the negative benchmark at 0.77% versus -0.14% for the quarter and 1.94% versus -2.02% for the year.

Kennedy Capital's performance stumbled during 2013. Their fourth quarter performance was 5.99% versus the benchmark at 8.72% and 31.75% versus 38.82% for the year. However, if you go back five years and further they have consistently outperformed the benchmark and have been one of the best performing managers for the Fund.

International equity manager First Eagle underperformed during 2013 reporting returns of 4.77% versus the benchmark at 7.31% for the quarter and 15.24% versus 22.80% for the year. They are a very defensive manager and will be your best performing manager in a down market.

International equity manager WCM was recently added to the Fund. They outperformed the benchmark 6.32% versus 5.71 for the quarter.

Fixed income manager Munder outperformed the benchmark 0.25% versus -0.14% for the quarter and -1.22% versus -2.02% for the year.

Core fixed income manager Ambassador's performance was slightly behind the benchmark for the quarter at -0.10% versus -0.02% and for the year at -0.63% versus -0.86%.

High yield manager Peritus realized performance of 3.20% versus 3.50% for the quarter and 13.16% versus 7.42% for the year.

Trustee Moore asked how the Fund compares with other funds locally and nationally.

Mr. Kuhn reviewed the Fund's performance versus the public fund universe which includes 220 similarly situated public funds. Gray & Company subscribes to the Wilshire Compass which gives them access to collective data from forty firms that monitor performance in the public fund universe.

He noted that for the fourth quarter of 2013 performance for the worst performing fund was 2.17% compared to the top performing fund at 6.78%. This Fund was ranked eleventh which was just out of the top ten.

Trustee Giddings asked what information separates the good performing funds from the bad performing funds.

Mr. Kuhn noted that they can compare performance with plans with similar asset allocations.

The Fund's performance for the year ranked fourth; for the three-year period it ranked eighth; for the five-year period it ranked sixth; for the seven-year period it ranked fifth and for the ten-year period it ranked thirteenth. The Fund's performance has consistently ranked in the top decile.

Mr. Kuhn also described the System's performance for those periods based on the beginning value of the Fund, the net cash flow, the investment increment and ending value. Beginning in 2008 the Fund's beginning value was \$338.579 million with \$85.601 million in expenses paid out, \$237.129 in investment gains resulting in an ending value of \$490.108 million. The Fund made \$237.129 million in returns and paid out \$85.601 million in expenses during that period.

Trustee Moore stated that it is important to tell the System's performance story. Perhaps it should be posted on the System's website.

Mr. Kuhn reviewed the J curve graphs and the private equity numbers for the GrayCo Alternative Partners I Fund.

The J curve graph did not portray the normal J curve you expect for a private equity investment. As of December 31, 2013 the System has contributed \$3.9 million with an ending value of \$4.2 million. The annualized internal rate of return is 8.58% with a cumulative internal rate of return of 15.56%.

Mr. Kuhn referred the Board to the manager summaries that were provided. He asked if there were any questions.

Meeting Break at 9:47 a.m

Meeting Resumed at 10:00 a.m.

Economic Overview/Markets Roundtable

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

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

He asked the managers their opinion on how the tapering talks by the Fed indicating that they will decrease the number of treasuries they buy by \$10 billion each month through the end of the year will affect the market. He asked if the expectation is that quantitative easing will not be here at the end of the year.

James Kelts from Munder Capital indicated that the rumors would suggest that the selloff will begin at the end of the year. They do not foresee a slowdown with higher interest rates. There should not be a lot of interest rate risk. There will be some pain in the mortgage sector.

Chairman Harrison asked what the managers expect in the mortgage portion of fixed income. Will there be pull back in Freddie Mac and Fannie Mae?

Mr. Kelts stated that at some point there will be less involvement from Fannie Mae and Freddie Mac. There has been a correction in the housing market. It is time to get away from government subsidies and for the government to get out of Fannie Mae and Freddie Mac but he does not see how that will happen.

Mr. Kuhn asked how the government tapering has affected the market on the equity side. January was not a good performance month. He asked if the equities market will see a rebound.

Ram Gandikota from Ativo Capital stated that his firm has had a big exposure to emerging markets since last May which caused them to underperform. They are seeing the same from Europe but it will not change going forward. The G20 will promote growth and are looking for a trillion in growth targets with coordinating U.S. tapering. The Japanese markets have benefitted from the stimulus efforts and performance has been up in the U.S. market. This feeds into their modeling.

Chairman Harrison asked what role the G20 and the IMF will play. Is there a sense that the BRIC nations will break off and create a mini IMF?

Mr. Gandikota stated that the IMF is supportive with the G20 which raised their goal. The BRIC nations are experiencing a lot of issue. India has a rising interest rate issue due to decreased import growth. The market is also reaction on the news out of China which hurts all global growth. Russia's growth is tied to energy prices and the Ukraine issues will have an effect.

Chairman Harrison asked if the emerging markets are on their way back up.

Mr. Gandikota stated that they invest in U.S. companies that buy products from emerging markets. There is some value in Europe. They feel that the U.S. is fairly priced.

Chairman Harrison asked about the BRIC nation consortium to secede from the IMF. He asked if their voting membership percentage will decrease or do they have enough voting power. The U.S. blocked their voting percentage. China is taking steps to take their currency global with more access across the world.

Mr. Kuhn asked William Orke from WCM Investment Management if they expect to see incremental growth in the emerging markets.

Mr. Orke indicated that they are a bottom up manager. They normally have 35% of their portfolio allocated to emerging markets. However, at the end of the year their allocation was

21.9%. The developed markets hurt their performance. Performance in the emerging markets will come back with many of the people in those countries recently coming online.

Chairman Harrison asked if they are investing in Vietnam.

Mr. Orke stated that Vietnam is there but they are not invested at this point. There is a lot of money to be made. The BRIC philosophy depends on the commodities market which has subsided. You need to identify companies producing basic items to make life easier. The emerging market valuations are good. They should be raising their exposure to emerging markets. They are confident in their investment philosophy.

Mr. Kuhn asked if anyone shares Mr. Gandikota's opinion of not being bullish on the U.S. economy and that the tapering will continue into 2015.

David Cooke from Loomis Sayles stated that in the fourth quarter the GDP was in the mid 3%. This year has started out slow. Janet Yellen is taking it slower. He feels that the tapering will be slower and he would not be surprised if it was extended into 2015. It depends on what kind of growth we see in the economy and if discount rate stays low and the multiples remain high. Emerging markets should be strong over the next five years. Brazil has a great balance sheet but bad growth with a 2.63 GDP.

Chairman Harrison asked if this also depends on the performance of currency and if there is going to be a big currency war and manipulation.

Mr. Cooke stated that the issue will be currency not exports and investors need to be aware of the effect. They are less confident in companies that are selling into new economies. They mainly invest in domestic companies and would dial down emerging market exposure.

Ron Heller from Peritus Asset Management stated that for twenty years the aging population has been investing in fixed income and treasuries which have pulled down rates. There will be a decline in economic growth with the massive flow of this demographic into retirement.

Mr. Gandikota stated that it is true that the U.S. population is aging but the U.S. does have immigration and policies that favor immigration. The oil from shale rock process is coming online. The U.S. is becoming independent of imports and is the largest oil and natural gas producer in the world. The change in the U.S. consumption is being felt globally.

Mr. Heller disagreed with regard to the oil and energy production. The U.S. will not be energy independent. The U.S. is pumping 7 million gallons of oil per day versus the 18 million it imports per day. The headlines are not accurate.

Chairman Harrison asked the managers what they think about George Soros betting \$1.2 billion against the S&P in December, 2013.

Chuck Schmidt from stated that it is hard to bet against George Soros. There is an anticipated 20% market correction which is a way for him to capture performance. Based on the headwinds

in the economy it makes perfect sense for George Soros to bet against the S&P. Managers are disciplined and they look at the productivity gains coming out of companies which are remarkable. Companies are continually doing more with less. Managers are doing a good job operating companies. He indicated that the current growth is 2% to 3% and they are looking at growth in the economy in the 4% to 5% range.

Tony Dong from Munder Capital stated that most managers look at macro environment issues. Most stock pickers look at different economic issues. When companies buy back their shares each share earns more money. This allows companies to pay off expenses and take on less expensive debt. There are lots of other ways to create value in a slow growth environment.

Trustee Moore asked what effect raising the minimum wage will have on the economy.

Brian Monroe from Sawgrass Asset Management said that raising the minimum wage raises a lot of question with regard to employment issues. It will have an impact on larger cap companies like Walmart and McDonald's and will create more uncertainty from a company standpoint.

Chairman Harrison asked if it will create shareholder issues and more volatility. Or does it impact companies and the stocks managers select.

Mr. Cooke stated that McDonald's will lay off employees. The workforce has changed. These jobs were never meant to be forty hour per week jobs with benefits. These were part-time jobs for students going to college. Perhaps investment managers could be at fault. Service jobs were meant to be part-time jobs for young people with no benefits working in the service industry. Target employees are currently working twenty-eight hours per week. You cannot get a forty hour per week job out of high school any longer.

Raising the minimum wage does not solve the problem. A business owner is not going to take the risk in this tough market. You have to offer some type of benefit to the owner if he is going to take on that type of risk. These jobs were never intended as life-long jobs. You cannot expect these jobs to pay a wage that can support a family when they were meant for a young person living at home.

Janna Sampson from Oakbrook Investments stated that all industries will not be impacted. Many industry workers are already making more than the proposed minimum wage increase. As a growth manager you would not buy these companies. She does not feel it will get acted upon and Obama's minimum wage increase by Executive Order only impacted new federal contractors.

Trustee Moore asked the managers what they think about facebook.

Peter Cahill from NorthPointe Capital stated that the valuations of facebook are crazy. A valuation of \$19 billion does not make sense.

Mr. Dong told the Board that this is a good defensive move by facebook. It currently has 500 million users and is still growing. As an acquisition you are paying for an overpriced stock. It is a good defensive move by them versus Google.

Evan Jaysane-Darr from Invesco indicated that the bidding war between Apple and Google is a way to monetize 500 million users. The price will make sense going forward. Facebook has shown that it can mobilize and monetize. The hardline valuation may not make sense. Regardless, it is how it works out post Initial Public Offering.

Mr. Orke stated that the valuation is mind boggling. Silicon Valley is great at valuation nepotism. If that is worth \$19 billion than the 300 million users on China's facebook type application must be worth that. People are still buying better iPhones and iPads, etc. So maybe that is what the facebook people are looking at.

Trustee Moore also asked the managers what they think will happen with regard to net neutrality if Comcast and Time Warner are allowed to merge.

Mr. Cahill stated that there is a war going on with regard to distribution. It will depend on who wins the war. When Comcast took over Universal and NBC they kept net neutrality. Netflix is now looking to make a deal with Comcast. A number of internet broadband companies have made deals with Comcast. Performance could go down. Verizon is in discussion with Netflix to make a deal. This could be a long-term positive.

Trustee Moore asked what capabilities this has to make money. He asked whether the SEC will settle on net neutrality.

Mr. Kelts stated that they own Comcast and when they merged with NBC Universal the stock went up and was upgraded from BBB to A-rated.

Mr. Dong stated that it does not matter how people watch programs whether over the internet or on cable. They will find things that people want to watch. It would help if net neutrality issues could be avoided.

Mr. Kuhn said that he has heard that the publishing industry has plans for contents are going away and you will fill out a card to select what you want to watch and pay that way down the road.

Chairman Harrison asked what would make them do that.

Mr. Kuhn said that there is an interest for the Big Ten Channel in the east coast market now that Rutgers and Maryland are in the Big Ten Conference. The cable company has to pay for it and they have to charge the cost back to all their subscribers even if the person does not want it.

Mr. Dong stated that consumers win out. He does not believe it can be controlled. Consumers will get what they want, when and how.

Mr. Cahill indicated that a new channel is being launched called World Wide Wrestling. There are twelve pay per view events each year that cost viewers \$600.00 per year. The new channel will carry all the pay per view events and only cost subscribers \$120.00 per year.

Donald Cobin from Kennedy Capital stated that he covered cable stocks and that ESPN will not let this happen. Customers will not win. Media companies are strong.

Trustee Moore asked if the industry will continue to grow.

Ms. Sampson stated that what matters is bridging customers with channels. Look at Disney; they know how to launch a brand. Regardless of which channels consumers pick and choose, it will be based on how value will be delivered.

Mr. Dong indicated that if you look at the macro landscape management makes a difference. Disney has done a fantastic job buying Pixar, Marvel and Lucasfilms which were fantastic acquisitions. They can create movies, video games and amusement park rides.

Mr. Cooke stated that depending on the manager and the asset class. They do not buy companies that are priced for perfection. It has to be priced at the right valuation. They might own a company that provides the commercials at the movie theatre. It depends on how you play the industry.

Mr. Orke indicated that this has been a great discussion and there are so many ways to play the industry.

Mr. Jaysane-Darr stated that as a private equity manager they are concerned about startups in the industry. There could also be legal issues. People in the venture capital industry think that this could change the industry. He indicated that Aereo is a \$200 million to \$300 million company that allows users to watch live broadcast television.

Mr. Schmidt agreed with Mr. Dong. Consumers will win. The industry regulations could have an effect. It is important to keep the government out of the way.

Mr. Kuhn asked the fixed income managers what they think their performance will be going forward based on expectations of rising interest rates.

Mr. Kelts stated that the lower prices go down interest rates will go up. Their expectations are 0% to 2% positive or at the same time they could be 0% or negative returns. Ten year bonds could return 4% to 5% outside of inflation.

Mr. Kuhn noted that there has been a lot of compression and asked Mr. Heller if they are concerned about a blowout in spreads.

Mr. Heller stated that the corporate bond market has \$1 trillion in assets with high yield being one-third of it. Duration in the corporate bond market is different than in the fixed income bond

market. The corporate bond market can add returns when there are no returns on the other side. They are still seeing 8% in distribution yields and there is still a lot of performance left.

Meeting Break at 11:17 a.m.

Sawgrass Asset Management – Large Cap Growth

Brian Monroe, Principal

Marc Davis, Portfolio Manager

Mr. Monroe introduced Marc Davis who is an equity portfolio manager along with Marty LaPrade. He told the Board that the S&P 500 performance in 2013 was the best year since 1997. It was a strong year for the System with 35% in earnings. They were 300 basis points ahead of the benchmark. They also performed well against their peers and the Sharpe Ratio. Their three-year performance is also a strong period.

Mr. Davis stated that he has managed the portfolio with Mr. LaPrade for thirteen years. What happened in the market was based on stock selection. They normally have trouble keeping up with the benchmark but they beat the benchmark because this was such a good year for stock pickers. The market was more balanced and there was not as much risk. Lower volatility companies performed well along with solid stock selection.

Celgene Corporation and Kroger were added early in 2011 and have been good contributors to the portfolio. Celgene recently added a new drug. Kroger has had good sales growth for the last thirty-six quarters.

They recently traded in their position in Apple. They moved from an overweight to a market weight and rebuilt the position. Their stock did well with 150 basis points of outperformance. There was no individual stock in their portfolio that brought down the portfolio. This has been a good five year market. There could be volatility in the market going forward. They have moved gains into names that did not participate.

Chairman Harrison asked how much their Apple buy in was.

Mr. Davis stated that they bought in at 425 basis points to 430 basis points and sold off at 475 basis points to 480 basis points.

Chairman Harrison noted that the Apple position is currently at 526 basis points.

Mr. Davis stated that they were able to pick up their position in Apple during a down period.

Trustee Moore asked how Sawgrass deals with their bottom performers.

Mr. Davis stated that even though some of their positions underperformed they moved assets into those positions because they still like the names.

Mr. Kuhn asked whether they are adding assets to their IBM.

Mr. Davis stated that IBM underperformed.

Mr. Kuhn also asked about their position in Southwest.

Mr. Davis stated that Southwest is a new name in their portfolio and they like that position.

Mr. Monroe told the Board that they feel the market outlook is good for high quality in 2014.

Kennedy Capital Management – Small Cap Core

Randall Kirkland, President

Donald Cobin, CFA, V.P., Director & Portfolio Manager

Mr. Kirkland thanked the Board for their business and indicated that their relationship with the System began in November, 1993.

Mr. Corbin acknowledged they are in compliance with the System's Investment Policy Statement.

Their organization has grown over the last five to ten years. They currently have \$5 billion in assets under management. They have grown their research staff and are continually adding analysts. They continue to improve the quality of their firm.

He noted that 2013 was not their best performance year. Their performance was up 31.7% net of fees versus the benchmark at 38.8%. They are looking to get back on track this year.

Biotech was the best performing stock up 250% in the market. However, there were no names that met their criteria. It is hard for them to find names. They owned 3% because they cannot buy names that meet their criteria.

As stocks moved up they are able to find solid runners. They need to find the names that will make sense in the long-term. They do not keep names that are paying large multiples. U.S. industrial stocks have been strong. This shift was due to the uncertainty in Brazil, Turkey and India.

Chairman Harrison stated that as a value manager adding names to their portfolio take time and they need to let the market come to them and not for them to chase the market.

Mr. Corbin agreed with Chairman Harrison. There are a lot of stocks out there where the price does not match the company's future cash flow.

Munder Capital – Mid Cap Growth

Tony Dong, Vice Chairman, Chief Investment Officer

Andrea Leistra, Senior Investment Manager

Ms. Leistra indicated that there have been no material changes to their firm. Geoff Wilson retired from the firm effective December 31, 2013 and was replaced by who was promoted into the position.

They are currently managing \$50 million in mid cap growth assets for the System. Their firm has \$18 billion in assets under management.

Mr. Dong told the Board that performance was at a high level for mid cap stocks focused on earnings growth. It was a strong year for the stock market and they are happy it was a positive year for them beating the benchmark with performance of 35.02% versus 34.76%.

He reviewed their sector attribution. There were two challenging sectors for them healthcare and consumer discretionary and two strong performing sectors in financials and utilities. Biotech stocks were the best performer but costs were high and there was volatility risk. They were underweight to the internet and Tesla stocks which were selling 200 times their earnings. General Motors sells more cars in a week and a half than Tesla sells in one year.

The sectors that helped them were financials at 1.49% due to their underweight to REITS. REITS offered high yields to investors but many shied away due to growth issues. Another positive contributor was utilities. They anticipated an increase based on proxy issues so they reduced their position.

He described their equity characteristics as of December 31, 2013. During the last three years their earnings growth at 17.5% outperformed the benchmark at 12.3% and during the last year 21.6% versus 10.2%. The companies in the System's portfolio grew faster than those the consensus on Wall Street. Their valuation and stability was in line with the benchmark the last twelve months and going forward. They look for reasonably priced companies with earnings growth positions in their portfolio. They are still underweight to utilities.

Mr. Kuhn asked about their 24.7% equity earnings growth consensus for the next twelve months.

Mr. Dong indicated that they reconciled their profits per share. Based on the operating leverage there will be a sheer buy back which will be the same as their non-operating and earnings growth. He indicated that it is just a number.

Loomis Sayles – Small Cap Value

David Cooke, CFA, V.P., Product Manager

Mr. Cooke told the Board that Kennedy Capital has delivered phenomenal performance since inception.

They have been fortunate to have good asset growth. On the fixed income side their alternatives like longer duration bonds have seen fantastic growth.

They think that the small cap markets are inefficient which is why they are committed to spend \$79 million on research in 2014. Their investment team includes four analysts, two portfolio managers and a product manager. They categorize stocks based on efficient markets.

You cannot sit back as a small cap manager and wait for the market to spin off names. Their strategy is to own undervalued stocks of fundamentally sound companies in one of three categories: misunderstood or cheap quality; underfollowed or cheap capitalized; and special situations or corporate spinoffs. Special situations are the largest portion of their portfolio.

Healthcare was their worst performing sector. Biotech out performed but it is hard to look at the valuation. When it works it works great.

In 2013 their total; returns were 36.04% with a 3.9% allocation to cash. Their five-year performance produced 300 basis points in excess returns and 2.42% versus the benchmark since inception.

In 2007 special situation companies helped their performance. Industrials, materials and energy helped performance a lot in 2013. They did not think there was a need to overweight industrials but last year industrials worked.

Jarden Industries was up 27% and has grown by acquisition including Mr. Coffee, Coleman, K2, Oster and other large brands. They believe in letting winners run.

He reviewed their performance attribution. Their average weight to financials is 27.74% versus the benchmark at 37.29%.

Their Loan Officer Lisa is from National Bank of Detroit. She has a great banking background and has a graduate degree in finance. She can certainly follow that investment mandate.

WCM Investment Management – International Equity Growth
William Orke, Managing Director

Mr. Orke indicated that he is the new kid on the block. He thanked the Board for hiring his firm in September, 2013. At that time they were managing \$2 billion in assets under management and have recently added \$2 billion in assets to their portfolio. They are currently the fastest growing international equity manager.

During the fourth quarter of 2013 their performance was 6.2% which outperformed the benchmark at 5.7% and since inception they have returned 7.6% in performance which is right on dispersion. They trailed the benchmark due to their exposure to emerging markets.

Their stock picking is good and they own thirty-five positions in their portfolio.

They recently added an analyst and trading support.

They will never sell their firm. They have had offers.

They have only been managing money for the System for approximately six months and have a lot of work left to do.

Meeting Break at 12:26 p.m.

Meeting Resumed at 1:38 p.m.

Oakbrook Investments – Large Cap Core (Emerging Manager)

Janna Sampson, Co-Chief Investment Officer

Ms. Sampson told the Board that they are still located in a suburb of Chicago. They currently manage \$3.64 billion in assets under management. It has been a good market and they have made few additions to their portfolio.

There have been no organizational changes to their firm and they are in compliance with the System's Investment Policy Statement and Direct Brokerage Policy.

During 2013 their enhanced growth strategy returned 35.11% gross of fees and outperformed the Russell 1000 Growth Index by 163 basis points. Their three-year returns of 17.41% outperformed the benchmark at 16.45%.

Their beta was dead on and their favorable sector weightings increased excess returns by 8 basis points which means their model is working. The momentum was good and this is the first time they have seen all the pieces of their model working including their range of opinion.

They recently implemented a new short interest data source. The exchange only provided a short interest data twice per month. This new short interest data source gives them extensive back tests and five months of paper trading of new daily data source for stock lending data prior to implementation. Daily availability of short interest data opens the door to further refinement of trading cycles and possible reformulations of our range of opinion measure.

They are looking at a moderate outlook with GDP growth just above 2%. They also believe that the weather affected first quarter growth. They are looking for a solid gain in the market with a nice bounce back with a year-to-date forecast of 10%.

The tapering of Quantitative Easing will be a drag on the economic growth but can partially be offset by greater certainty with regard to the U.S. budget and borrowing authority. Some weakness will be attributed to the slowing economy in China and Europe and the tension issues in the Ukraine and Mid East.

Chairman Harrison asked if they have received any positive exposure as a woman-owned business due to their position as an investment manager for the System.

Ms. Sampson indicated that their assets under management have hampered their ability to meet the asset size mandates for some system's emerging manager investments. They are too small

for some funds and too large for others. They do have some clients with more appropriately sized mandates. People do find them based on what they do.

Ativio Capital – Large Cap Core (Emerging Manager)

Ram Gandikota, Portfolio Manager

Mr. Gandikota indicated that they have been managing assets for the System for approximately two years. They are continuing to generate assets. They are in compliance with the System's Investment Policy Statement and Direct Brokerage Policy.

They currently manage \$735 million in assets under management with a large portion of those assets being institutional funds.

Their focus on large cap is keeping the tracking error in line. Since inception they have outperformed the benchmark by 50 basis points. During the first and second quarters of 2013 they underperformed, however it did not affect their overall performance for the year. There is a time in place to generate alpha.

He told the Board that their valuation factor underperformed during the year but their price momentum factor was a positive. This factor is designed to work in tandem or in long-term correlation in a market decline.

Their stock selection was the primary reason for their underperformance in 2013 with the energy sector being the main detractor. Their industrial and consumer discretionary sector stocks were outperformers in the portfolio. Their underweight in financials was a negative when stocks in the banking sector rallied in the first half of 2013.

Apple was a big under performer in the first and second quarters of 2013. They also exited their position in Microsoft too soon because they thought it was overvalued. It was a big portion of the benchmark and they did not have exposure.

They are finding a lot of value in the healthcare sector. In terms of other sectors they feel that the banking sector is overvalued in the U.S. and they are planning trim their exposure.

They believe that GDP growth will be in the 2.7% to 3% range.

Trustee Bowman asked why they exited their Apple position.

Mr. Gandikota indicated that they felt that Apple was overvalued especially compared to the personal computer market so they so their position. They acquired Nokia which helped them turn their performance around in that market. It was a winner during the second and third quarters of 2013. Apple underperformed the benchmark for the long-term.

Peritus Asset Management – High Yield

Ron Heller, Chief Executive Officer

David Desmond, Chief Operations Officer

Rhondell Sawyer, V.P. Regional Sales

Mr. Desmond indicated that there have been no major changes to the firm. Their Regional Vice President for Sales accompanied them to the meeting today. They are in compliance with the System's Investment Policy Statement.

Their one-year performance net of fees outperformed the benchmark by 400 basis points.

Mr. Heller stated that their portfolio has an 8% distribution yield with tangible cash flow into accounts with maturities ranging from eight to twelve years. They rarely buy new. They are secondary market guys they look for bonds that have lower duration and maturity issues.

The corporate debt market is a \$3 trillion market with high yield bonds and loans totaling approximately \$1.3 trillion or one-third of the market. They have a lot of securities to choose from. There is no high yield index and you cannot buy an index fund in high yield. There is always a lag in this market because it is a gigantic market. Refinancing is a large part of it. There is more debt issued in mergers and acquisitions based on 2007's take overs than in mutual funds.

He noted that interest rates could creep up, but they feel that liability driven investing will create a further demand for fixed income with the aging demographic. The demand for Treasuries and other fixed income securities will accelerate as these demographics take hold which will likely constrain rates going forward.

Ten-year bond rates are low with the U.S. at 2.73%.

Mr. Desmond stated that the rates will not go up because the government does not want the rates to go up.

Mr. Kuhn asked if the rates will rise in the U.S. with the rates yielding approximately 3% and France yielding 2%.

Mr. Desmond stated that Spain, France and Ireland all have debt around 7%. When the U.S. debt went to 3% investors came in and bought it up. Leverage is still up because they still have not fixed the problem.

Mr. Heller indicated that five times since 1980 there has been a rising rate environment.

Mr. Desmond stated that you want high yield in your portfolio during a rising rate environment because they are positioned to withstand a rate increase.

Mr. Heller stated that there are some dangers out there especially if you put your assets into bank loans and ETF's. What kind of bond you own is important. You have to be careful and do your homework.

There are negatives built in including capital losses but you can take the losses off the table. They are buying at a discount with par at 99 while other products are at 105.

He told the Board that their EFT product just received a 5 rating from Morningstar.

Invesco – Private Equity

Evan Jaysane-Darr, Principal

Mr. Jaysane-Darr stated that they are a private equity fund of funds manager. They invest in other private equity funds or secondary investments in private equity. To date 84% of the aggregate fund commitments have been drawn by underlying partnerships.

As of the third quarter of 2013 the diversified gross internal rate of return was 14% with a net internal rate of return of 10.8%.

Their performance continues to be strong for the period particularly in venture with a gross IRR of 23.6%; U.S. buyout gross IRR of 9.5% and an international gross IRR of 8.9% which has not done as well.

He reviewed the year over year annualized returns. He indicated that comparing annualized returns with the S&P 500 is like comparing apples to oranges.

He indicated that the gross aggregate fund performance will go up and taper off in year seven or eight of the investment. He provided an example of the year over year cost versus the total asset value by portfolio including venture, U.S. buyout and international going from 1.70 times to 1.83 times for venture capital; 1.21 times to 1.28 times for U.S. buyout and 1.25 times to 1.23 times for international.

He described the active summary of the portfolio with regard to drawdowns and distributions. He also indicated that when the capital gains tax is dropped total distributions should go up.

Distributions are good across the portfolio. Most distributions are due to Initial Public Offerings.

He provided an overview of the fund's holdings since inception including vintage year, IRR cumulative cost and distributions.

They have seen a significant upside with Sterling Partners and RoundTable Healthcare Partners. RoundTable is a 2010 vintage year fund. Union Square is another good performing fund on its way at a 3 times return. Overall the fund has an IRR of 11% and there is room to improve.

He provided an overview of Fund VI for the Board. There are a lot of opportunities for this Fund. There are more opportunities in the lower and mid-market funds.

He explained that new and next generation innovation can yield strong returns. You can turn \$1.00 into \$77.00.

Mr. Kuhn indicated that the Board made an allocation to the next fund. He asked if there has been an initial close to date.

Mr. Jaysane-Darr stated that there was an initial close and there have been two closes to date.

Chairman Harrison asked why there have not been any drawdowns from the System for this fund.

Munder Capital – Core Fixed Income

James R. Kelts, Senior Portfolio Manager

Andrea Leistra, Senior Investment Manager

Mr. Kelts stated that they are a longer duration fixed income manager. Their performance on a relative basis has been good for the past couple of year up 10 basis points versus the benchmark at -0.14%. It is good that they have not been as down as the benchmark. Style over cycle has out performed by 60 basis points.

They manage a conservative portfolio and are within 120 basis points of the benchmark's target. They look at risk relative to their peers. They are conservative but have the ability to go outside for good numbers relative to their peers but not a top quartile or decile. They can look outside for performance and take on different levels of risk.

He reviewed their risk adjusted returns. Their returns are there over the four year period with less volatility than the benchmark. They are not getting compensated to take on risk. You have to be smart. Their performance numbers are strong in up and down markets. He compared the Barclays U.S. Aggregate versus the short and intermediate durations.

He also noted that they can offer other fixed income alternatives including futures, implanting futures or manage duration within the portfolio. There are three different ways to manage futures. He told the Board that there IPS allows for these types of investments.

Other ways to manage futures is to broaden the range or lower duration on long-term bonds which is a tool to manage interest rates.

Chairman Harrison asked whether that is something that most conservative fixed income managers would offer in a rising rate market.

Mr. Kelts stated that they tailor the portfolio to their client. They are familiar with Northern Trust and can set up futures.

He indicated that all three parts worked well for the portfolio including sector allocation, security selection and yield curve/active duration.

Seizert Capital Partners – Large Cap Value (Michigan Centric)

Chuck Schmidt, Chief Financial Officer

John VanGorder, Client Service & Marketing Manager

GERS

Investment Review Meeting Minutes

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Mr. VanGorder thanked the Board for their investment with Seizert Capital Partners.

The System's initial investment of \$6.2 million in May, 2009 has grown to \$7.68 million in less than five years.

They slightly trailed the benchmark during the fourth quarter of 2013 at 9.64% versus 10.01%. They one-year performance of 35.35% outperformed the benchmark. Since inception they have returned 19.16% versus 17.84%.

Mr. Schmidt reviewed their significant holdings and sector allocation. They did not have an allocation to the utilities sector and their biggest deviation from the benchmark was in healthcare and information technology.

Their portfolio characteristics displayed a five-year historical growth rate of 3.83% versus the benchmark at 2.75%. Their price/earnings trails which represented their discount pricing was 15.06 times versus the benchmark at 18.19 times.

They have combined a representative group of inexpensive stocks in their portfolio that they expect to perform.

He provided an overview of the best and worst performers for the period ending December 31, 2013.

He also described their portfolio trailing one-year attribution. Their exit out of utilities added 1% of performance.

There have been no material changes to their firm.

Chairman Harrison asked if other states do anything similar to the System's Michigan-centric portfolio.

Mr. Schmidt noted that this System is unique to these types of investments.

He indicated that Ken Hudson went to the State of Michigan to see if they would want to invest in local managers. But they did not have any interest. He indicated that investing in local managers helps to keep the talent pool in Michigan.

Mr. Kuhn stated that the State of Georgia did not have any interest in setting up an emerging manager platform.

Chairman Harrison indicated that this System is cutting edge and has been blessed with good returns.

Trustee Moore stated that you call that vision.

NorthPointe Capital – Large Cap Value (Michigan Centric)

Peter Cahill, Chief Investment Officer

Ken Kosiorek, Client Service/Marketing Specialist

Mr. Kosiorek told the Board that there have been no material changes to their firm. They are in compliance with the System's Direct Brokerage Policy and Investment Policy Statement.

He announced that they recently launched a mutual fund product. They have also attained three new accounts totaling \$190 million.

Mr. Cahill thanked the Board for their business.

He referred to their performance scorecard. During the fourth quarter of 2013 their gross performance was 10.71% versus the benchmark at 10.01% and their one-year performance was 32.69% versus 32.53%. Their five-year anniversary managing money for the System is in May. Since inception their performance is 19.75% versus 17.89%. They have added value through their stock selection.

Their performance did struggle in the IT sector. They need to look at changing the way they invest in that space.

Mr. Kuhn confirmed that they added a mutual fund product.

Trustee Moore asked how many employees NorthPointe has.

Mr. Cahill stated that they have sixteen employees at their firm.

The managers left at 3:07 p.m.

Gray & Company Wrap-up

Mr. Kuhn asked whether the Board had any questions.

He also stated that he hopes the Board attained good useful information from the meeting.

He also asked if the Board liked the format of the meeting.

The meeting adjourned at 3:15 p.m.