CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
SPECIAL MEETING
FEBRUARY 22, 2011

A special meeting of the Board of Trustees was held on Tuesday, February 22, 2011 at the Marriott Hotel at Centerpoint Parkway, Pontiac, Michigan. The meeting was called to order at 9:02 a.m.

TRUSTEES PRESENT
Shirley Barnett
Charlie Harrison, Chairman
Patrice Waterman
Kevin Williams *(arrived at 1:15 p.m.)*
Debra Woods *(left at 1:00 p.m.)*

TRUSTEES ABSENT
Koné Bowman (*excused*)
Mayor, Leon Jukowski *(absent)*
John Naglick *(excused)*
Devin Scott *(excused)*

OTHERS PRESENT
Chris Kuhn, Gray & Company
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant
Allen Meyers, AMBS Investment Counsel
Scott Wagasky, AMBS Investment Counsel
Erika Stovall, Herndon Capital Mgmt
Drake Craig, Herndon Capital Mgmt
Donald Cobin, Kennedy Capital Mgmt
Kelly Ko, Lombardia Capital Partners
Cindy Lim, Lombardia Capital Partners
Joe Gatz, Loomis Sayles
Andrea Leistra, Munder Capital
Tom Mudie, Munder Capital
Peter Cahill, NorthPointe Capital
Kenneth Hudson, NorthPointe Capital
Tom Page, OakBrook Investments
Giri Cherukuri, OakBrook Investments
Clarissa Parker, Piedmont Inv Advisors
Amit Sanyal, Piedmont Inv Advisors
Michael Santelli, PNC Capital
Kirk VanDagens, PNC Capital
Martin LaPrade, Sawgrass Asset Mgmt.
Chris Heatley, Seizert Capital Partners
Chuck Schmidt, Seizert Capital Partners
Rick Plummer, Systematic Finc'l Mgmt
Jim Wallerius, Systematic Finc'l Mgmt
Derek Batts, Union Heritage

Gray & Company - Fourth Quarter 2010 Performance Review
Mr. Kuhn provided a review of the capital markets. He told the Board that his Kurt Lofters wrote the piece on tail risk included in the capital markets section of the report. Tail risk has affected most investment plans.

He explained that tail risk measures the probability of an event that is three or more standard deviations from the mean. He described the distribution of returns including normal and skewed distribution. Under a normal distribution the market experiences good events as often as bad events. However, the returns of the equity market are not normally distributed and major disruptions have occurred twice in the past decade (in 2002 and 2008). It seems that bad events are happening more frequently in the stock market.

He explained that some investors may manage their tail risk using risk parity. This strategy allocates less to equities and more to fixed incomes, such as reducing the equity allocation from 65% equities to 50% and increasing the fixed income allocation from 35% fixed income to 50%. However, that allocation is not expected to achieve the performance target needed to meet the actuarial valuation. To achieve the needed performance the investors apply leverage to the portfolio. He gave an example of how investors leverage the investments in their portfolio by borrowing money using their assets as collateral to add to their investments. So instead of investing $1.00 for every $1.00 of assets, they are investing $1.50 in the same investment to achieve more returns. This works well in theory but may not work as intended under market stresses..

Chairman Harrison asked if Mr. Kuhn is talking about margins. Mr. Kuhn said that it is called borrowing on margin and results in higher dollar allocations to fixed income and equity to increase returns.

He gave an example of a core real estate investment manager that leases building to a government agency. The manager feels that this is a stable tenant and sells the investment as a low risk strategy but the buildings are leveraged at 80% to 90%. If the tenant leaves they would lose the building. An investment strategy should merit consideration based on the strategy and not solely on the enhancement provided by leverage.

Chairman Harrison asked if the risk is higher and whether there are good plays in municipal bonds.

Mr. Kuhn asked if the trustees had any questions regarding this investment approach.

He reviewed inflation and Fed Policy. Inflation is mild at 1.5% which is a little below the Fed target of 2% to 3%. The commodity index is rose sharply with increases coming from agricultural products, such as grain prices. China continues to push up demand which has created a challenge keeping pace with global demands. They will continue to see this issue.

The Fed has done very little to control inflation and has instituted policies to increase inflation. Historically, the Federal Reserve has used the Fed Fund rates as a key policy tool to manage inflation.

QE2 was done to keep interest rates low and spur the economy.. However, investors moved money out of fixed income to equities and were rewarded with double digit returns.

One-year equity returns delivered solid performance across all capitalization ranges and styles.

Chairman Harrison asked if going forward these returns will flip flop.

Mr. Kuhn said that coming out of a recession small cap stocks typically performs better than large cap stocks and later in the recovery large caps normally perform better than small caps. Performance was positive across all sectors. However, healthcare performance was poor at

2.94%. This is a defensive sector that tends to perform better when things are going wrong in the market.

The shift in the yield curve was a bad sign for fixed income.

Trustee Woods left at 9:16 a.m.

Chairman Harrison asked about municipal bond buying opportunities. Mr. Kuhn said that there are tax advantages to investing in municipal bonds. Historically, they provide lower yields than taxable bonds due to their tax advantages. However, currently many municipal bonds are trading at a premium to Treasuries due to the fear associated with the financial position of many municipalities.

Chairman Harrison said that they may see some inquiries from fixed income managers.

Ms. Zimmermann said that she may have received correspondence from Munder regarding municipal bonds.

Mr. Kuhn said that there may be some interest. All municipal bonds are not created equal and credit analysis is required.

Chairman Harrison asked that Mr. Kuhn explain skewed bond ratings and how they could impact the investment.

Trustee Woods returned at 9:21 a.m.

Mr. Kuhn said that the performance in fixed income will continue to decline including non-government issues.

International markets behaved differently all over and emerging markets did not perform as well this quarter. Germany's performance was good this quarter but Ireland, Portugal, Italy and Greece continue to experience economic and banking issues. France and Belgium are also on the watch list.

Ms. Zimmermann asked about Russia's 16.5% performance for the period. Mr. Kuhn said that performance in Russia is driven largely by the oil prices; with oil rising this quarter the Russian market performed well.

Total Fund value as of December 31, 2010 was $424.3 million. Performance for the fourth quarter was 8.21% ahead of the policy index at 7.64%. Year-to-date performance was 15.52% which is inline with the policy index. Three-year returns at 2.55% versus 1.64% and five-year returns at 5.60% versus 4.96% were ahead of the policy index. These are pretty solid outperformance numbers.

There are over 160 public funds in the database and the Total Plan ranked in the 4th percentile for the quarter and in the 16th percentile year-to-date. The Total Plan ranks in the top third over the ten-year period. He explained that most of the plans in the database do not have the same investment limitations.

Sawgrass experienced a bad quarter at 7.46% versus the benchmark at 11.84% and are down approximately four percent since inception. Most large cap managers have underperformed since the second quarter of 2009. Their performance is troublesome but we anticipate the manager should rebound.

Trustee Waterman said that Sawgrass has had poor performance since she came onto the Board.

Mr. Kuhn said that the market is currently setup for active managers.

The combined large cap portfolio performance was 11.05% versus the benchmark at 10.76% with three-year returns of -1.68% versus -2.86%.

The combined large cap value portfolio performance was 10.56% versus the benchmark at 10.54%. One-year performance was 13.14% versus 15.51% which was 2% behind the benchmark.

Mid cap manager Munder was slightly behind the benchmark for the quarter and for their three-year performance.

Systematic has done a good job with performance of 13.46% versus the benchmark at 12.24% for the quarter.

Small cap value manager Loomis Sayles has done an outstanding job with performance for the period of 16.61% versus the index at 15.36%, year-to-date 25.75% versus 24.51%, three-year at 3.84% versus 2.18% and since inception 10.38% versus 8.42%.

Small cap manager Kennedy Capital has also done a great job. Their performance for the quarter was 16.56% versus the index at 16.25%, year-to-date at 30.4% versus 26.85%, three-year at 5.9% versus 2.22%, five-year at 6.9% versus 4.47% and since inception 13.86% versus 6.33%.

International equity manager Artio believes there will be a lot of pain and credit crisis in the markets. Their performance for the quarter was 6.27% versus the benchmark at 6.61%, year-to-date 9.06% versus 7.75%, three-year performance -8.75% versus -7.01% and five-year 3.25% versus 2.46%.

Core fixed income manager Munder was slightly ahead of the benchmark on the negative side at -0.94% versus -1.3% for the period. They have been a pretty consistent manager.

Intermediate fixed income manager Ambassador Capital was inline with Munder Capital's performance.

High yield manager Peritus was ahead of the benchmark for the period at 4.25% versus the benchmark at 3.07%. However, since inception their performance has lagged the benchmark at 7.59% versus 10.23%.

Private equity performance reporting is always a quarter behind.

Ms. Zimmermann asked about the performance shown in the cash account. Mr. Kuhn said that Northern Trust securities lending income and miscellaneous funds have been put into the cash account. This started happening when the securities lending problem occurred. He will check into the cash account. It is a catch all account and if the account goes negative they will see crazy numbers.

He distributed the current market values of the Fund as of February 18, 2011. The current market value of the Fund is $438.2 million. The portfolio is overweight in equities and fixed income and underweight in international equity, real estate and private equity. The domestic equity allocation is up over 60%. He will continue to evaluate the real estate and private equity mandates.

He notified the Board that he will not be at the meeting on February 23, 2011.

Chairman Harrison asked about the commodity investment space.

Mr. Kuhn said their client The Chicago Transit Authority has a mining investment in their private equity space. There is a constant increase in demand from big players like India and China.

<u>Economic Overview/Markets Roundtable</u>

Chairman Harrison welcomed the managers and began the introductions.

Mr. Kuhn explained the format to the managers. He asked the managers how they assess their portfolios and how they plan to protect them from uncontrollable global macro events like what is happening in Egypt and North Korea.

Peter Cahill from NorthPointe Capital said that as a manager you cannot ignore these events. He was recently at a conference in New York where this was the topic. They are a bottom up manager but the increase of oil prices by OPEC could upset their thesis. Who would have predicted that Egypt would go through a regime change? The markets are shrugging off these macro concerns as unrest spreads to Libya, Syria and Saudi Arabia.

Derek Batts from Union Heritage said that looking at these situations and global events could shift the investment landscape. It is hard to believe that a student with a master's degree has to open a fruit stand to make money in Tunisia. Over 50% of the population is young people, unemployment is high and food inflation is extremely high. We are seeing a revolution in the Middle East. At the macro level we have seen the impact on oil prices. There are also concerns that access to the Suez Canal could be closed off. These are issues that can directly impact your portfolio decisions. Gas at $4.00 per gallon would see consumers spending $75.00 of their discretionary income to fill up their vehicles and SUV's. Managers will setup a thesis based on a volatile market and how this will drive small cap and other high volatile stocks. This could change the impact of the Middle East.

Kelly Ko from Lombardia Capital said that they are a bottom up manager. They would wait to see how valuations within a sector react. They have already skewed toward oil and expect more volatility and will see the change in the pricing of raw materials and in other sectors that will affect rising consumer prices.

Allen Meyers from AMBS Investment Counsel said that this affected the screening at the beginning of the month in their portfolio. They have increased their exposure to larger capitalization stocks in the portfolio due to the lower price to earnings forecast for these companies. They are still finding good reads as potential candidates.

Mr. Kuhn asked the managers about the banking issues in Europe and whether the stress test is a complete farce. He asked what could happen to imports if banking systems fail in Belgium, Greece, Spain, Ireland and France.

Rick Plummer from Systematic said that their portfolio is well positioned. They are mindful of the insurgence and the financial issues affecting Europe. They are well capitalized domestically.

Joe Gatz from Loomis Sayles said that the financial service companies including banks have improved their capital structure and his portfolio is pretty well insulated due to the regional bank focus. By the third week of April they expect to see European financial services take a big hit so they have positioned themselves away from European issues.

Michael Santelli from PNC said that money market funds are efficient and guaranteed at the value of the dollar. A significant amount of money market funds are off balance sheet investments and what is owned by more European owned banks. They are 8% capitalized and may be impacted by mortgage underwriting at 20% to30%. A lot of bank capital is invested in mezzanine in the real estate market and within two to three years the capital could be wiped out.

Chairman Harrison asked the managers when they look at financial investments in 2010 why are banks holding on to large amounts of cash. Are they making their money on fees? When you look at GDP growth at 1% to 2% and now at 3% what is holding them back from doing business with consumers,

Mr. Plummer said that banks are making loans. There is construction loan runoff. They are waiting for the economy to fully recover, for demand and good projects. It will be a slow process. They will issue new originations to offset loans coming due.

Mr. Cahill said that financial services performance is up 37%. They are starting to see banks lend.

Chairman Harrison asked if banks have leveraged cash or are they growing by fees.

Donald Corbin from Kennedy Capital said that banks have extended lines of credit to companies. However, there is a lot of resistance by companies with a lot of cash on hand to use these lines.

Kirk VanDagens from PNC said there is a lot of cash overseas.

Drake Craig from Herndon Capital said that things have changed over the past two to three years. It will take a much higher level of confidence for banks to take a more aggressive action. It is unrealistic at this point but they are starting to see more investment opportunities.

Mr. Ko said that the risk associated with the financial system relating to Europe is not a capital risk. As the credit cycle improves interest rates will rise. California is a big part of the GDP and home prices are still very high. A lot of mortgages are still on bank balance sheets so they are still hoarding capital until the economy improves.

Mr. Kuhn asked if we are experiencing real economic growth or whether we are putting the chicken before the egg.

Amit Sanyal from Piedmont said that the market will be in denial before acceptance. The first move will be when there is more production. He indicated that there are a number of IPO's coming. As industrials pickup it bodes well for sustainable economic conditions and should lead to economic growth in the short term.

Mr. Plummer said that loan issuing did grow at most banks.

Chairman Harrison asked if the loans were corporate versus retail.

Mr. Plummer said that positive corporate lending will assist in continued loan growth.

Chairman Harrison said that JP Morgan is up 37%. What are the companies doing with loans?

Giri Cherukuri from OakBrook Investments said that the cloud is lifting and the stock market is doing well.

Mr. Santelli said that you need credit growth to achieve economic growth. And you need to see a swing from saving money to investments.

Consumer confidence levels in 2011 are the highest since February, 2008. The increase in confidence levels shows that progress is being made and that consumers feel a little better about their jobs and companies are increasing spending.

Mr. Cahill said that Quantitative Easing 2 and the Tea Party are concerned about fiscal crises at the federal and state level. There are a new set of elected officials that are committed to fixing these fiscal issues.

Mr. Kuhn asked about the low multiplier effect for the amount of liquidity in the system or lack of velocity.

Mr. Cahill said that as consumers recover to pre-crisis levels, spending will improve.

Mr. Craig said that consumer spending comes when job growth occurs. Companies are buying other companies versus adding jobs which has curtailed job growth.

Mr. Kuhn said that unemployment is just over 9% with most low income earners still unemployed. High income earners are still employed and spending.

Chairman Harrison said that there are a number of things going on. There is no trickle down affect to the little guys. In order for the country to move forward you cannot leave a certain class of people behind. Then it becomes political.

Mr. Kuhn said there is a lot of bias in southeast Michigan. There is still a cloud regarding unemployment in the area.

Mr. Batts said that in Michigan unemployment is definitely felt not only in the private sector but now in the public sector. In Wisconsin, Ohio and Michigan pressure is being put on the labor force to fix the state's fiscal issues and even on the municipal level. The perspective is different in right to work states. Employment will drive the economy and any kind of recovery. Currently we are experiencing efficiency improvement versus labor market improvement. Pressure is being put on CEO's to improve efficiencies. He still sees a cause for concern with the economy. It takes growth at 4½% to drop unemployment by ½%. A lot of people have dropped off the rolls which has artificially decreased unemployment.

Ms. Zimmermann said that the new Governor in Wisconsin is only looking to negotiate with unions on base wage. This is not only about the government dealing with budget crises and structural government problems. There is a move to take collective bargaining back that will affect structural issues. There are concerns regarding government bankruptcy and its impact across the country.

Mr. Plummer said that this is not a one off. Bottom up managers have seen government spending constrained for two years. This is a concern and the conflict is real. Government spending should be a positive the next few years.

Mr. Kuhn asked if this is the beginning of a complete government employee benefit change. Will jobs change from benefit oriented versus wage oriented? Will corporate employers be competing with government jobs?

Mr. Meyers said that if you back up ten to fifteen years, the growing economy let employers to grant more benefits. We can make the pension payments but it is difficult to keep some promises. Just look at General Motors bankruptcy and their benefit responsibilities were off loaded to the VEBA. It has been a difficult several years. Compromises will have to be made.

Mr. Gatz said that in ten to fifteen years certain jobs will not exist. There is going to be a lot of changes that lean more toward wage benefits.

Mr. Cherukuri said that public employees took lower wages to receive better benefits. Government was not funding these benefits during the good economic times. Now they will either have to raise revenues to pay for benefits or cut benefits.

Mr. Plummer said that this impact will be realized as lower economic growth.

James Wallerius from Systematic said that corporate workers have seen positive impact and in the public sector workers are seeing negative impact.

Mr. Kuhn asked when the tightening in fixed income will begin and whether the Fed will hold inflation to 2% to 3%.

Tom Mudie from Munder Capital said that the Fed will hold rates low for another year. Higher inflation and commodities will not transfer to higher wage growth. Companies will continue to cut costs on balance sheets going forward.

Mr. Gatz said that the Fed will not make a move before 2012 and QE2 has ended. The Fed will shrink its balance sheet and sell off bonds. Core inflation is 1.4% from 0.8% and it will be awhile before it gets to 2% to 3% levels. The rise in oil and food prices raises inflation risk.

Mr. Sanyal said that they are seeing global markets and emerging markets tighten which is in their favor. The push off will be late and do a serious catch up in the fourth quarter.

Mr. Santelli said that there has been a separation of raising rates and tightening. The Fed easing is merely stopping inflation and QE2 is causing the tightening. He explained the Taylor Rule and how using the Fed Fund Rate and quantitative easing to artificially get there is a risk.

Mr. Corbin said that he feels this is a farce and that inflationary forces are rising. The United States is more dependent on imports. He feels that we are currently in an inflationary situation.

Mr. Santelli said that there is a huge tug of war between inflation versus deflation. We are currently looking at the middle of the road. There is a lot more that is going on that increases risk.

Mr. Kuhn asked if there is deflation risk.

Mr. Cherukuri said that hyper inflation is a valid concern. They have a little hedge in the portfolio to address that.

Mr. Kuhn asked if Ben Bernanke had studied post World War I Germany would he have focused on avoiding hyper inflation at the expese of economic growth?

Mr. Meyers said that you can make that argument either way. In the 1970's inflation was passed along in food and energy prices.

Chairman Harrison said that it is still frightening and there are a lot of questions whether we will see inflation or deflation and which will win the tug of war. There are a number of unanswered questions. It will be interesting to see what happens between now and next year.

Mr. Sanyal said that we will be talking about inflation at next year's meeting.

Trustee Barnett asked if the managers have cut wages, benefits or people.

Mr. Cahill said that in 2008 they built their firm for growth.

Clarissa Parker from Piedmont said that as their assets have grown they have increased their employees from thirty-three to thirty-six. They also acquired another firm which added growth.

Cindy Lim from Lombardia Capital said that as their assets under managements have increased currently at $1.6 billion they went from eighteen employees to twenty-four employees. They also added employees when they gained their relationship with the U.S. Treasury Department.

Tom Page from OakBrook Investments said that they went from ten employees to twelve as their assets under management have grown. Executive employees have not received pay raises but have seen an increase in their health benefit package.

Scott Wagasky from AMBS Investment Counsel said that they added employees in 2008.

Mr. Kuhn said that the manager updates will begin after a short meeting break. Lunch will be served at 12:15 p.m.

Meeting break at 11:10 a.m.
Meeting resumed at 11:32 a.m.

Mr. Kuhn said that they are taking a new approach this year and would like the managers to skip their investment process and only address their attribution and any firm changes.

Sawgrass Asset Management – Large Cap Growth
Martin LaPrade, Partner

Mr. LaPrade said that their firm is stable and steady. They have $3 billion in assets under management. They have not experienced any staff changes. They did add one employee to their fixed income team. They have sixty-six municipal pension clients and understand their concerns.

He described their investment thumbprint including superior earnings growth, consistency, improving earnings forecasts, modest p/e ratios and high quality earnings. They have not been well rewarded for their consistency.

The past two years have seen both the financial system and the market on the verge of collapse. There has been a historic rally with the S&P 500 rising almost 100% from March, 2008. The stock market exploded dramatically. The most speculative and volatile issues have done the best in this period.

He described this as the largest beta rally in twenty-five years with more volatile and low quality stocks out performing. He stated that it is not common to see the fifty highest beta stocks outperform the S&P 500.

You have to go back to the mid 1980's to see this type of beta rally. They underperformed in the beta rally. In the past, value and quality stocks out perform in the periods following a beta rally. We have been in a speculative market. No way to guess where we are in the beta cycle. There will not be a 60% market this year. It will continue to be a risk on risk off market. It has been a risk on market for the past two years.

Chairman Harrison asked when the beta rally will turn.

Mr. LaPrade said that large cap value is what worked after the beta rally with five years of out performance. There is no way to know when the market will shift gears. They have seen a little out performance in 2011 with speculative stocks not as strong. The volatile marketplace will shift gears dramatically. Their performance has been up but just not as much as the overall market.

Chairman Harrison confirmed that Sawgrass will not chase the market and will stay true to their investment style.

Mr. LaPrade said that their consistency has paid off.

Chairman Harrison asked why he thinks the beta performance numbers have been so high.

Mr. LaPrade said that in the second quarter of 2010 there was a sell off to normalize the market. In August the Fed applied QE2 which pumped more money into the economy. Due to the amount of money that flowed into the marketplace people grabbed risk. The big flows have added to the beta rally the past two years. Companies have cut costs and employers will see more constant growth.

Systematic – Mid Cap Value
Jim Wallerius, Senior Vice President
Rick Plummer, Senior Equity Analyst

Mr. Wallerius said that they have good news to report. Their investment was funded in March, 2006. Their assets under management as of December 31, 2010 were $9.6 billion and recently increased to $10.4 billion based on what was recovered from the market decline.

He explained that Joe Doschi sold back his shares to AMG. They have six firm partners and fifteen experienced analysts. Including the General Employees Retirement System they have $2.5 billion in institutional client investments.

They are in complete compliance with the System's Investment Policy Statement. They have performed as promised. It was difficult for managers to out perform the index in 2010 but they finished with a strong fourth quarter in the top 18% of managers. This was difficult in the highly correlated state. Mid cap value has remained the best performing equity asset class.

Mr. Plummer said that they are very pleased to report that they beat the benchmarks. It has been a difficult year for active managers to beat the benchmark in the mid cap space. Herd mentality has reigned.

There was an inversion of correlation trend among stocks in 2010. As a bottom up manager they are positive about the market and the early signs of an economic recovery. A lot of people in the stock market herded into the highest beta plays.

Valuation spreads between growth and value stocks over the last year and a half have declined.

They obtain their performance from good stock picks versus economic sector performance.

Chairman Harrison asked what drives performance more in stock selection alpha or beta stocks.

Mr. Plummer said that undervalued companies drive performance but when beta goes down it becomes more difficult.

They look for cheap companies but not seeing tremendous valuation differences between industry and companies.

Chairman Harrison asked if stock valuation oriented indicators could be in a growth portfolio.

Mr. Plummer said that their valuation process/model is a multi factor model.

Mr. Wallarius said that the difference between value versus growth is that deep value looks for broken companies that are trading at a discount or relative valuations trading at discount. It is better to find companies with better business models trading at a discount in order to take less risk. It is best to look for growth at a reasonable price. Aggressive growth and faster growth companies are better.

Mr. Plummer said that they derive alpha from two sources - price/earnings multiples and earnings based on improved business performance.

The current price to forward earnings in their portfolio is 13.7x which is an important part of their portfolio construction.

Kennedy Capital – Small Cap Core
Donald Corbin, Vice President & Portfolio Manager

Mr. Corbin said that their compliance certification information is located on page thirty-seven of the presentation materials.

There have been practically no firm changes. An analyst Chris McDonald was promoted to assistant portfolio manager on the small cap portfolio.

This is the fourth decade for Kennedy with no strategy changes. They currently manage $4 billion in assets under management in three strategies all cap, mid cap and small cap.

He reviewed their 2010 performance. Their fourth quarter performance was 16.6% versus the Russell 2000 at 16.3%. They found high return companies and put assets to work. One year performance was 30.4% versus the index at 26.9%. Since inception in November, 1993 through December 31, 2010 their performance is 13.8% versus 8.4%.

Chairman Harrison asked about Kennedy's percentile ranking. Mr. Corbin said that they usually ranked in the top tenth percentile.

They are a bottom up manager that relies on stock selection versus sector allocation which is what led to their performance. It was tough to keep up in the fourth quarter. Their top ten performing holdings did not include energy companies. Oil and gas exploration companies took a hit last year. Commercial Vehicle Group, Inc. is a company that deals in the heavy duty truck market and was their top holding.

Chairman Harrison stated that Kennedy's performance has been in the 1^{st} percentile since inception.

The standard deviation in their portfolio is the same as the benchmark but they out perform the benchmark in up and down markets. Their up-market returns are 60.08% versus the benchmark at 53.55%. Their down-market return is -40.97% versus -42.17%.

Their forecasted p/e multiple is 12.5 times versus the Russell 2000's multiple at 16.5 times. They focus on fundamentally strong undiscovered companies whose relative prices suggest that the stock is undervalued.

Chairman Harrison said that there is a significant difference in their p/e versus the benchmark.

Mr. Corbin said that they use different variables and lower multiples and are not seeking valuation stocks. The benchmark looks for relatively low valuations with high return stocks.

They apply more basic technical analysis in their portfolio. Their Cash Flow Return on Investment (CFROI) is consistently higher than the benchmark. Their CFROI Disc Rate Spread is slightly higher than the benchmark. They have experience with the debt side.

He reviewed their sector weightings. They were underweight to financials at 14.7% versus the index at 20.5%. This is the first time they were overweight to consumer discretionary at 16.8% versus 13.7%.

Chairman Harrison asked if it will be more difficult to find hidden gems in 2011.

Mr. Corbin said that they can still find names that the investment community is not focused on. They currently have twenty to thirty names that could be moved into the portfolio.

Herndon Capital Management
Drake J. Craig, CFA – Principal/Portfolio Manager
Erika Stovall, Vice President/New Business Development

Ms. Stovall said that in February, 2010 they changed their name from Atlanta Life to Herndon Capital Management. They wanted to differentiate themselves from the Atlanta Life Insurance Company. Their new firm name came from Alonzo Herndon who was the founder of the company in 1905.

As of December 31, 2010 they managed approximately $2.48 billion in assets under management. They recently added $320 million in assets from new clients.

Their large cap growth strategy is primarily comprised of public fund clients.

Their firm has nineteen employees and recently hired a new trader and operations analyst.

Mr. Drake stated that their strategy outperformed the benchmark by just under 300 basis points at 14.78% versus 11.83% for the quarter. Year-to-date performance was 20.61% versus 16.71%. They apply a bottom up focus; they do not ignore macros, but they are not a driving force for stock selection.

They have obtained positive performance by investing more in discretionary areas of the economy. This is not an aggressive allocation.

He reviewed their relative sector allocations versus the benchmark. Their defensive areas lagged the benchmark. They were underweight to healthcare and overweight to consumer discretionary. Their performance put them in the top decile for the year. Large cap growth was the area to invest in during the 1990's. Value has dominated for the past ten years. Traditionally, low quality performs better coming out of a recession and transitions into growth.

Their strategy does not invest in low quality, low profitability companies. Traditionally, companies that struggle create opportunities. Investors shy away from companies with high debt or struggling revenues. They still look at companies with good management, unique products, conservative accounting methods, good financial statements and aggressive write offs. In 2009 and 2010 they found a lot of good companies.

Chairman Harrison asked about their weighting to consumer discretionary on the retail side and whether they stayed to make up for financials, industrials and healthcare.

Mr. Craig said that their additional weighting was in non-traditional discretionary like Amazon and Priceline. They were underweight to healthcare because of the changes in the regulatory environment.

Meeting Break at 12:20 p.m.
Meeting Resumed at 1:22 p.m.

Piedmont Investment Advisors – Large Cap Core
Amit Sanyal, CFA – Vice President/Managing Analyst
Clarissa Parker, Vice President – Director of Client Service

Ms. Parker provided an update of their firm. The firm and employees are stable. They were one of the first three managers hired for the TARP.

They currently have $3.45 billion in assets under management. They increased their distribution channels. They were very pleased when they received their first client on the Morgan Stanley Smith Barney Platform in November, 2010.

They acquired Shenandoah Asset Management adding mid cap core and large cap value to their product offerings. With this acquisition they added two portfolio managers and one analyst. They now have a total of thirty-six employees which required a move to a new location in downtown Durham, North Carolina.

These changes did not affect their investment philosophy and their process has not changed.

In 2010 it was a volatile market but they provided performance 86 basis points above the benchmark.

Mr. Sanyal reviewed their attribution. He thanked the Board for the market overview forum which is much more interesting than the boring valuation side. The review of 2010 was very interesting and the European sovereign debt issue is very important.

Due to QE2 the market took off in August, 2010 which provided strong third and fourth quarters. They built their screen to look for companies that are positioned to a cyclical positive bias. The fundamental question is whether there is stock potential to capture by the consensus. Brand franchises are improving their competitive advantage in this cyclical environment.

Information technology companies were the largest positive contributors with strong demand for flash memory for cell phones, cloud computing, mobility and other devices.

Energy was richly rewarded based on the constrained supply which is more evident. They were overweight to Halliburton and oil well companies.

Consumer discretionary was another good performing sector. They were overweight to Ford Motor Company that led the way with market participants being rewarded based on their 11% forecasted increase in production for 2011.

Financials was the worst performing sector with Bank of America not performing per expectations.

Healthcare was a cost contention area driven by increased sales in generic drugs and medical devices due to the older demographic. Pharmaceutical companies with more mature medications weighed on performance with weaker sales.

They will be well positioned for the economic recovery and expansion including mergers and acquisitions.

Chairman Harrison asked if they are investing in traditional energy like oil and gas. Mr. Sanyal said that they are in positioned for the cyclical recovery in oil and horizontal drilling stocks. There is currently an oversupply in natural gas. Natural gas utilization will come from government subsidies driven gains in line with high supplies. Alternative energies in wind and solar will have a more downward potential.

Chairman Harrison asked about their weightings to industrials, specifically automotive companies that are hiring new employees and paying back the government.

Mr. Sanyal said that the rapid restructuring worked for Ford and General Motors. They are bullish regarding a break even point. On the industrial side they will be diversified to core markets that address the emerging markets.

Lombardia Capital Partners – Large Cap Value
Kelly Ko, CFA – Managing Director/Portfolio Manager
Cindy Lim, Director – Client Service & Marketing

Ms. Lim stated that her firm manages a large cap value strategy for the System. As of December 31, 2010 they have $2.7 billion in assets under management with $1.6 billion in large cap value.

She reviewed the firm's organizational chart. In 2010 they added six employees, three in marketing, one in their TARP group and two analysts. They also expanded their office space. There are nine members in their large cap value team that manage the product with all performing their own research.

Their large cap value portfolio is concentrated with thirty-five positions. They are sector neutral and diversified across all sectors. They are fully invested and currently hold a half percent in cash. Their universe includes companies with a market capitalization greater than $5 billion. They are bias towards mega cap companies with strong balance sheets and good risk return characteristics.

They are a traditional relative value manager with average returns at 10%. Their year-to-date performance at 10.06% trailed the benchmark at 15.51%. They have trailed the benchmark for the past couple of years. They have included a white paper indicating why they have underperformed versus the benchmark for the past few years.

Mr. Ko provided background as to why their product has underperformed. When there is a high correlation between stocks and all are moving in the same direction their strategy does not do well. Their Universe consists of companies capitalized at $5 billion or more but it was a strong performance period that favored low cap value. Their strategy is sector neutral but financials hurt them. They did not correctly anticipate the allure of high leveraged companies with lower returns on earnings. Stocks like Bank of America reported negative earnings but they are comfortable with that position now. Basic materials utilization trends lagged which hurt their position in NuCor but they feel this is a good strategy going forward.

He referred to their white paper showing the varying differences with correlation reverting back to the mean. Large cap value stocks are very attractive on valuation. They increased firm resources which added quality and depth to their research and to their risk management capabilities. This will help them maintain their long-term track record and their ability to outperform the benchmark over a full market cycle.

Their stock selection within financials, industrials and materials detracted from their performance, specifically their position in 3M and NuCor. Their selections in energy and telecom were positive factors for the portfolio and added to their expectations of continued earnings growth.

They look for strong cyclical companies that trade at a discount. With a 14x multiple, the stocks look good for continued earnings growth. Higher interest rates will hurt consumer trends and housing.

Healthcare is attractive and trading at low valuations to historical averages; but it does not give downside protection. He referred to Abbott at a 4% yield that has not traded this cheaply since the early 1990's. Microsoft and Corning's glassworks are slower growth companies.

Utilities have been troublesome and are at risk along with REITs with interest rates rising. It is difficult finding new ideas in financials but there are some insurance company opportunities. It will become harder to find value in energy, materials and industrials.

Chairman Harrison asked if their under performance was due to their investment style and whether they are stronger in a down market versus an up market.

Mr. Ko said that they do not do well in extremely strong markets. They perform better and add downside protection in more normal stock selection markets.

Chairman Harrison said that a number of the managers feel that healthcare is an iffy sector. However they are looking at that sector and asked if they are looking at pharma.

Mr. Ko said that they are looking at companies like Abbott Labs for pharmaceuticals and instruments and United Healthcare that manufactures stents.

OakBrook Investments – Large Cap Growth
Tom Page, Director of Marketing
Giri Cherukuri, CFA – Portfolio Manager/Head Trader

Mr. Page provided a review of their firm. Their firm is different from most managers. They focus on investor behavior. They have consistently outperformed the Russell 1000 Growth Index. They currently have $2.5 billion in assets under management.

They have extensive experience as a team recently adding Paula Mikrut who is a quantitative investment analyst.

Most of their assets are in large cap core with $125 million invested in large cap growth enhanced indexing. The majority of their assets are from public fund clients. They added $500 million in assets in 2010 and have a verbal commitment from a client for $440 million expected in 2011.

They are in full compliance with the System's Investment Policy Statement.

Mr. Cherukuri said that when your strategy is enhanced indexing you better track the index tightly at 1% to 1.5%. There was not a lot of deviation between them and the index during the fourth quarter of 2010, ranging somewhere between 31 basis points and 110 basis points.

Their investment strategy was geared more toward sector selection with 163 basis points of outperformance since inception. Their performance in 2010 was 17.74% versus 16.71%.

Their industry sector weights stay tight to the index.

They hold a lot of stocks in their portfolio. As of December 31, 2010 they have 341 stocks in their portfolio and were over or under based on the index.

He reviewed their brokerage list and by not paying for research they are able to keep their brokerage fees lows adding to their results.

Chairman Harrison asked if they are mirroring the index or how they stay within one basis point to two basis points above the index how they add value.

Mr. Cherukuri said that they look at the stock market differently than most investors and they pick stocks differently. Their investment team has behavioral science and economic backgrounds. They are not the same as other managers. They monitor the behavior of investors.

He explained that they run their model once per quarter, grouping stocks by style, then ranking by range of opinion, employ their momentum factor and overlay the target benchmark plus or minus 75 basis points. This helps them determine if they have obtained all the value from a stock by applying their risk controls.

Chairman Harrison asked if they are focused on Apple.

Mr. Cherukuri said that their current weighting to Apple is higher than the index.

Their model helps them determine what investors are thinking about trading volumes and shortages.

Union Heritage – Large Cap Core
Derek T. Batts, Founder – Portfolio Manager

Mr. Batts thanked the Board for the Michigan managers contained in their portfolio and for the opportunity. This allows their firm to teach economics and fiscal literacy and fund scholarships in the Detroit area.

They have not experienced any team or strategy changes.

In 2010 small cap outperformed mid cap and mid cap outperformed large cap. Their best performing sectors were industrials and consumer discretionary. Their worst performing sectors were healthcare, financials and utilities. They have a relatively concentrated portfolio with approximately forty names. They take a low value, low turnover approach.

They supplied 99 basis points of outperformance during the fourth quarter of 2010. Total returns for 2010 were 17.87% versus the benchmark at 15.06%. Three-year returns were 2.25% versus -2.86%. Since inception returns are 2.20% versus -2.98%. They have provided significant downside protection.

They look to identify the best opportunities for the portfolio and to supply significant portfolio protection. They will not typically outperform during these periods.

He reviewed their best performers. They did have Apple in their portfolio which was purchased in 2009. They changed their playing field with the number one retail spot in music. They have helped cut a network affect for their product. The third health-related departure for Steve Jobs did not affect Apple's market. The market has evaluated the depth of the talent bank at Apple.

Their portfolio contains high quality names positioned in healthcare. Going forward they believe there will be an increase in the pool of people utilizing healthcare and this will increase volumes. Johnson & Johnson in the pharmaceutical industry is an example of a stock that may benefit from the demographic trends.

They feel that as a result of the restructuring in the automotive industry, the auto companies will be profitable when they produce eleven million units. Expectations are for fourteen million units to be produced in 2012. In 2011 and going into 2012, they will have a greater outlook.

He explained the restructuring of the business model in financials in 1974, which changed the money grid and how it impacted the asset mix and profitability going forward.

Chairman Harrison asked about healthcare beating the bell curve and if there is some room for performance.

Trustee Williams asked about the S&P and the timeline to get back on track.

Mr. Batts said that they generated 281 basis points of outperformance for the year. The correlations between stocks are decreasing, the market will revert back to quality and we will see returns increase and he expects to outperform the market. If there is a double dip recession, their portfolio is positioned to take advantage based on their defensive approach.

Trustee Barnett asked if they plan to reduce or increase their healthcare allocation. Mr. Betts said they plan to keep the same allocation.

PNC Capital – Large Cap Value
Michael E. Santelli, CFA/CPA – Managing Director
Kirk VanDagens, CIMA – Vice President/Director

Mr. VanDagens thanked the Board for their business. He informed the Board that Andrew Shipman left the firm. They combined the two value investment teams under Michael Santelli leadership. He is the Managing Director for Large Cap Value. He has been with PNC since 1995 and was promoted to team leader in 2003. The team was fully transitioned in October, 2010 with a bigger and deeper team.

Mr. Santelli said that they are a high quality manager and that they trailed the benchmark in 2010. They are investors not speculators.

Their one-year performance was 9.36% versus the index at 15.51%. Market returns were attractive during the first quantitative easing then the market peaked and rolled over. QE2 was announced and it was a one-way road upward. It was as if they said the bar is open and everyone joined in and then they announced that the drinks were free.

Their performance was hurt in part due to underperformance in large cap financials including Bank of America, Goldman Sachs and Merrill Lynch. They also held energy positions in Trans Ocean which hurt them due to the oil spill. They sold those types of positions and moved into other names including Ensco and Noble Energy.

He reviewed their sectors allocations. They are a bottom up stock pickers. They were underweight to financial services; within the sector they were overweight to insurance names like Chubb and Travelers.

They invest in large cap value pharma in healthcare. The stock market does not give credit to the pharma stocks for R&D, current valuations suggests the market is only valuing the current dividends of these stocks. They do not see valuations going forward providing double digit returns. They are looking to buy dollars at $.75 and receiving dividends.

Chairman Harrison asked why they have such a large allocation to the financial services industry.

Mr. Kuhn asked if it is based on how the Russell 1000 Value Index draws it up which is down from 30% to 40%.

Chairman Harrison asked if they see progress from their strategy going forward.

Mr. Santelli said that on a relative basis they benefited from the latter part of the year. The market sometimes rewards you for buying dollars for $.75 positions. Year-to-date they are 100 basis points behind the benchmark with a high quality portfolio focus.

Chairman Harrison asked if their performance is better in a down market.

Mr. Santelli said that they did well during the first quarter of 2009. The quantitative easing and liquidity in the market have hurt them. A portfolio of companies trading at intrinsic value will be rewarded.

Mr. Kuhn asked if healthcare since Obama Care has put it in the penalty box. He asked if would be able to do well in a regulated environment. Or, if the new health care policies are overturned, will the valuations float back toward historical norms.

Mr. Santelli said that they are stocks and there are downside risks.

Munder Capital – Mid Cap Growth
Thomas Mudie, CFA – Senior Portfolio Specialist
Andrea Leistra, Investment Manager

Ms. Leistra told the Board that she is the new Client Relationship Manager for the System and that Pam Hopkins has officially retired. They are in compliance with the System's Investment Policy Statement.

They recently added an analyst that was a former employee.

She announced that Munder Capital was named Top Gun Mid Cap Manager of the Decade by Plan Sponsor Network.

At the end of the year they purchased Integrity which is a multi-cap value asset manager located in Ohio. They will keep their name and team in place with Munder supplying compliance.

Mr. Mudie said that it was a high risk low quality market coming out of the Bear market. He reviewed six measures of the beta market.

It was a tough year for active managers. Total one-year returns were 26.35% which was inline with the benchmark.

He described their alpha generation in down market periods. During the calendar year when the market would rise they underperformed and when the market declined they picked up relative value. At the end of the year they were inline with the market. Beta was 0.92% and alpha was 2.0%.

He reviewed their absolute sector performance and relative contribution analysis from December 31, 2009 through December 31, 2010. Information technology and consumer discretionary were positive contributors and industrial and healthcare were detractors.

He described the top five and bottom five stocks. The recovery of the auto industry is doing well. ARM Holdings PLC ADS provides parts to i-Pods, i-Pads and i-Phones and semiconductors. Sky Works supplies amplifiers for smart phones.

Equity characteristics of the portfolio show that their holdings had faster growth rates during the past year with good valuations.

Sector weightings are within 1% to 3% of the benchmark for risk controls.

He reported that the market capitalization of their portfolio increased during the year and they held minimal cash.

Most of their top ten equity holdings did not start as one of their top ten stocks.

Chairman Harrison said that Munder is one of their defensive minded firms that keep their performance on the upside.

Mr. Kuhn said that Gray & Company's focus is on downside risk.

Chairman Harrison said that they are adding value on the downside.

Trustee Barnett congratulated Mr. Mudie and Ms. Leistra on their performance.

Meeting Break at 2:25 p.m.
Meeting Resumed at 2:40 p.m.

Loomis Sayles – Small Cap Value
Joe Gatz, CFA – Vice President/Portfolio Manager

Mr. Gatz said that it took a strong fourth quarter to pull ahead of the benchmark for the year. Their fourth quarter performance was 16.61% versus the benchmark at 15.36% with one-year returns at 25.36% versus 24.50%. Their performance numbers are ahead for the one-year, three-year, five-year and ten-year periods. It took a big push at the end of the year; stock selection was the key with particularly strong contributions from the producer durable, consumer discretionary and technology sectors. Small cap valuations in financial services were a challenge.

They recently added a new analyst to their investment team.

Since the third week of April, 2010 the market saw the affects of the end of QE1 and the potential European credit crisis. During this down market they positioned the portfolio in cyclical companies that took advantage of the rally during the fourth quarter.

Their strategy is to look for inefficiently priced stocks that are misunderstood, undiscovered, or other special situations.

Their one-year performance was 25.36% versus the benchmark at 24.50%. Contributions from mergers and acquisitions helped them to outperform during the fourth quarter.

He reviewed their composite performance over calendar years. They out performed the benchmark three of the four quarters during 2010 and eight out of the last ten years.

He described their sector distribution versus the benchmark. Their sector weighting to financial services is 27.4% versus 37.0%. It is hard to hit that weighting one stock at a time. Currently twelve to thirteen of their positions in financial services are in REITs. Their strategy is driven by a bottom up process. He assessed their top ten holdings and their weighting in the portfolio.

Their portfolio characteristics focus on cash flow and reasonable valuations. They look for companies with a modest p/e ratio that have the potential for strong economic improvement.

Their risk/return profile continues to be attractive.

AMBS - Large Cap Value
Allan Meyers, CFA – Senior Vice President
Scott Wagasky, Director of Business Development

Mr. Wagasky stated that as a Michigan investment manager they appreciate the Board’s business. They are an emerging manager located in Grand Rapids. They are in full compliance with the System’s Investment Policy Statement. They recently added two new principals/ shareholders Ryan Allen, CFA and Jennifer Van Zyll, going from seven to nine.

Mr. Meyers provided an update of their performance. Their year-to-date performance is 13.17% versus the index at 15.51%. They will underperform in big up markets. Their position in Anadarko cost them 100 to 150 basis points. Repositioning their portfolio helped them in the third and fourth quarter but was not enough to offset the underperformance. Going into 2011 they are positioned for the expanding economy.

Their long-term performance for the past seventeen months is a little ahead of the benchmark at 22.8% versus 22.4%.

They look for cheap stocks with low p/e ratios and earnings potential. They look for catalysts that will improve the profitability of the company and raise the p/e ratio relative to the S&P.

He reviewed their sector weightings versus the index. They are overweight to cyclical companies. Their weighting to basic materials includes companies like Dow Chemical which has a tremendous amount of leverage and Bemis. Gold stocks are also included in basic materials through holdings in Barrick Gold Corporation and Numont Mining. They are underweight to consumer staples because they cannot pass on cost increases. There are a lot of cheap valuations but there is not much potential for earnings growth. The slowing growth rate will continue for the next six to eight months before there will be a turn. They are gradually increasing their weighting to financials with cheap stocks like Capital One.

He described their top five best and worst performers.

He provided an overview of their recent portfolio transactions.

Chairman Harrison asked if they had sold any bad performing stocks.

NorthPointe Capital – Large Cap Value
Peter Cahill, Portfolio Manager/CIO/Partner
Kenneth Hudson, VP – Institutional Sales Partner

Mr. Hudson said that NorthPointe is a Michigan-centric manager hired by the System on May 11, 2009. They have twenty-two employees with eleven equity partners. They currently have $1.5 billion in assets under management. They have done a lot of work inside the company to reach out and build their culture and move into the future.

Mr. Cahill stated that they were funded in May, 2009. Their performance since inception is 23.76% versus the benchmark at 21.33%, adding 2.4% in returns. They matched the benchmark in the fourth quarter of 2010.

2010 was a year of three markets. They do not want to have a market they cannot win for their clients. They want to be an all-weather manager. Year-to-date they are ahead of the benchmark by 2%. It is important how they position the portfolio. They look for large cap companies that are relatively cheap, have higher return on investment potential, and have a quality focus to manage risk. They feel 2011 will be a very strong year.

During their eleven years of managing this strategy, they have outperformed for clients, generating returns of 15.51% versus the benchmark at 13.94%.

He indicated that they do hold a small position in Apple.

Seizert Capital Partners – Large Cap Value
Chuck Schmidt, COO/Portfolio Manager
Chris Heatley

Mr. Heatley introduced himself and Chuck Schmidt to the Board. Seizert currently has $2.2 billion in assets under management. As of December 31, 2010 they manage $8.6 million for the Retirement System. Their year-to-date performance is 15.19% versus the benchmark at 15.51%.

They had one addition to their support staff in 2010. They also sold 25% of the firm to Northern Lights.

Mr. Schmidt told the Board that the future is uncertain.

He reviewed the portfolio characteristics as of December 31, 2010. The five-year historical growth rate of 6% for their stocks is significantly higher than the benchmark's 1%, this hopefully will mean great things for their investors. Long-term future growth rates are 9% versus 9%.

The portfolio's p/e ratio is 11.5% versus 14.6% for the benchmark, which is relatively inexpensive. Market capitalization is larger than the index at $75,646 million versus $70,624 million. Based on the expected growth rates and cash flow projections, their companies can self fund future growth and have superior return on capital metrics (12.6% versus the index at 7.9%). Their quality bias leads to a portfolio with a lower debt to equity ratio of 33% versus 38% for the index.

He reviewed their exposure to various sectors. The market has 6% exposure to utilities where they have no exposure. These stocks offer relatively high yields.

They have a different view of large banks and see them as growth vehicles in the future. They will provide decent yields and extend credit when they find good lending opportunities; this will lead to earnings growth.

Chairman Harrison said that he appreciated the managers taking their time and thanked them for their participation. He acknowledged that they provide the trustees with more knowledge which is appreciated.

The managers left at 3:48 p.m.

Gray & Company Wrap-up

Chairman Harrison asked about the managers' performance and how much downside protection is needed in the portfolio.

Mr. Kuhn said that defense wins; managers that can provide consistent downside protection tend to generate better long-term total performance. During 2010 it was not a good stock picking market. Managers provided a lot of protection on the downside in 2008 and early 2009. Some managers put up 10% performance in bad markets. If the market was up 15%, the managers tended to slightly under perform.

Ms. Zimmermann reminded the Board that 15% is twice the actuarial valuation requirement for returns.

Mr. Kuhn asked the Board if they preferred the new format.

Chairman Harrison said that the overall market overview works out good.

Mr. Kuhn also asked if the manager summary information was helpful.

Ms. Zimmermann asked if there is another way to split the manager review meetings since there were over thirty people attending today.

Mr. Kuhn asked if they would prefer a mix of managers including fixed income, equities, and private equity.

Ms. Zimmermann said that could provide a more interesting perspective.

Mr. Kuhn asked if the Board would prefer that only the portfolio managers attend the meeting and that they eliminate the marketing people. They could hold a dinner the evening prior to the meeting including the marketing people.

The meeting adjourned at 4:04 p.m.