

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

MINUTES
JOINT MEETING
JANUARY 15, 2020 – 8:05 a.m.
233 East Fulton

The meeting was called to order by Chairman Hawkins. Other members present: Mr. David Tryc, Mr. Craig VanderWall, Mr. Martin Timkovich, Mr. Philip Balkema, Mr. William Butts, Mr. Phillip Mitchell, Ms. Donijo DeJonge, Mr. Nathaniel Moody, and Mr. Robert Veenstra.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Robert Morgan, of 50 South Capital, Mr. Lawrence Fumarolo of The Northern Trust Company, and Mr. William “Mac” Nickey of Northern Trust Asset Management, Ms. Mandi Vollmer and Ms. Libby Sladek of IME P.C., and Mr. Calvin Born of Wilshire Associates, Inc.

There were no public comments regarding agenda items.

Mr. Veenstra made the motion to approve the minutes of the Joint Meetings of November 20, 2019 and December 18, 2019. The motion was seconded by Mr. Tryc and carried.

Mr. Robert Morgan, Managing Director, of 50 South Capital (50 South), presented his firm’s annual update to Trustees. Mr. Morgan stated that 50 South is a global alternatives firm that provides differentiated solutions and unique access to private equity, private credit, and hedge fund investment opportunities. 50 South has \$9.1 billion in assets as of 09/30/19. They have an experienced team with an 18-year history. Mr. Morgan noted that 50 South focuses on small to mid-sized managers and they are connected to the global network and resources of Northern Trust. He reviewed 50 South’s objectives of the fund and stated that in the current low interest rate environment, 50 South believes that there is a favorable risk/return opportunity that can be achieved by investing in private lower and middle market loans. 50 South selected managers focused on their target market. Mr. Morgan reviewed their manager selection by noting that the managers they select must: 1) have invested through the recession; 2) be among the market leaders; 3) be a lead/co-lead agent or maintain significant influence in the credit facility; and 4) be additive to the fund’s structure. He stated that 50 South’s strategy and the separate accounts being negotiated charge no carried interest and have lower all-in fees when compared to direct senior credit funds. He stated the portfolio is already 52% called and he expects that another 15% will be called soon and the remainder should be called later this year. Mr. Morgan reviewed 50 South’s portfolio construction that encompasses the core U.S. middle market, U.S. lower middle market, European middle market and a staging vehicle for liquid credit. {Mr. VanderWall arrived at 8:17 a.m.} He provided a funding update on each market and noted that it is still early in the fund’s life and managers are actively investing and yields, leverage ratios and pacing are meeting expectations. Mr. Morgan provided Trustees with an overview of each market that they are invested in. The report was received and filed by Chairman Hawkins.

Mr. William “Mac” Nickey, Director, Public Funds, of Northern Trust Asset Management (NTAM) presented his firm’s annual report to Trustees. Mr. Nickey noted that NTAM has \$983 billion in assets under management as of September 30, 2019 and they are the world’s 18th largest asset manager. He reviewed NTAM’s organization, people, and process. He reviewed the following returns for the period ending November 30, 2019:

	<u>3 mo.</u>	<u>YTD</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>10 yr.</u>
NT S&P 500 Index Fund	7.86%	27.69%	16.16%	14.93%	11.04%	13.51%
S&P 500	7.86%	27.63%	16.11%	14.88%	10.98%	13.44%

Mr. Nickey discussed market insights and commented on six notable five-year themes: 1) global growth restructuring; 2) irreconcilable differences between the U.S. and China; 3) stuckflation 4.0 with respect to muted growth in global demand and timid policy responses; 4) executive power play as solid growth has pacified power grab concerns; 5) monetary makeover as stuckflation has left central banks without a North Star and seeking relevance as their independence is challenged; and 6) staking out climate risk as climate risk regulatory impacts will likely slowly build. Mr. Nickey reviewed NTAM's lending performance and numerous characteristics statistics as of November 30, 2019. The report was received and filed by Chairman Hawkins.

Mr. Lawrence Fumarolo, Vice President and Senior Relationship Manager of The Northern Trust Company (NT), presented his firm's annual update to Trustees. Mr. Fumarolo noted that NT has \$11.6 trillion in assets under custody and \$8.8 trillion in assets under administration. He stated that NT has a strong capital position, high quality balance sheet and superior credit ratings. NT has 26 global locations, clients in 53 countries, and 22,000+ staff worldwide. They are well-positioned for continued investment in their business, across all market cycles. NT places technology at the core of their business strategy. He reviewed the retirement systems' custody account structures and provided an update on benefit payments and recent enhancements to the program. Mr. Fumarolo commented on the securities lending program with NT and stated that the program is designed to enhance the return of an overall investment program without interfering with the investment strategy. He noted that cumulative net earnings through the program since 2007 were \$966,211 for the General Retirement System and \$900,093 for the Police & Fire Retirement System. The report was received and filed by Chairman Hawkins.

Ms. Mandi Vollmer, Registered Nurse and Legal Nurse Consultant, and Ms. Libby Sladek, Head of Operations, of IME, P.C. made a presentation to Trustees regarding the IME services their firm provides. Ms. Vollmer provided an overview of her firm noting that they provide IME services for legal, workers comp, and disability matters. They provide unbiased physicians to conduct IMEs and the physicians generally review all relevant medical records before the IME. After the IME, the physician will write a detailed written report concerning the evaluation and give his/her opinion on the case and answer questions that were posed by the organization. Ms. Vollmer stated that they personalize each case and give it the necessary individual attention that it deserves. They will provide the organization with CVs on each potential physician. They ensure that each physician is board certified in Michigan and they try to avoid contracting with physicians that will not provide a clear opinion on the evaluation. Ms. Sladek outlined their process and fees and noted that cost confirmations are always provided to the organization well in advance of the appointment. She did state that some physicians prefer to review all the medical records before the appointment and some do not. She stated that when there is a discrepancy between the claimant and the physician, they will find out the problem and work with the claimant and physician to resolve the issue. If they encounter a physician that did have a reported discrepancy with a claimant, they will let the organization know so they can decide whether or not to utilize that physician. Ms. Vollmer noted that there is typically an assistant in the office during IMEs to help create a safer environment. She stated that her firm is a national company and they recruit physicians that are board certified and experienced. They also credential the physicians once they have been recruited and perform background checks and yearly audits on the physicians. She stated that a typical IME appointment lasts between 45 minutes and one hour. They have had experience with cases that involve obtaining a neutral physician and she stated that the company, not the physician, handles that process as medical director. Ms. Korzen stated that the General Retirement System presently has one employee applying for a duty disability retirement and IME P.C. has been utilized as the Board's physician. The report was received and filed by Chairman Hawkins.

The Executive Director next addressed the experience study fee quotes by Gabriel, Roeder, Smith and Company. She noted that the quoted fee is \$14,000 per Retirement System. Mr. Balkema made the motion on

behalf of the Police & Fire Retirement System to hire Gabriel, Roeder, Smith and Company to perform the experience study as outlined in their report at the cost of \$14,000. The motion was seconded by Mr. Veenstra and carried. Mr. Tryc made the motion on behalf of the General Retirement System to hire Gabriel, Roeder, Smith and Company to perform the experience study as outlined in their report at the cost of \$14,000. The motion was seconded by Mr. Butts and carried.

Chairman Hawkins requested to go into closed session to discuss the performance evaluation of the Executive Director, and pending litigation for a class action matter. Mr. Timkovich made the motion to go into closed session to discuss the performance evaluation for the Executive Director and the Energy Transfer class action. The motion was seconded by Mr. Butts and carried. Roll call vote: yeas: 10, nays: 0. Trustees concluded their closed session and re-entered open session. Following Trustee discussion, Mr. Balkema made the motion to amend the Executive Director's three-year contract as discussed during the closed session and to approve a salary increase of 4% for the calendar year 2020. The motion was seconded by Mr. VanderWall and carried. Mr. Balkema stated that the Securities Litigation Committee reviewed the documentation regarding Energy Transfer and recommended that the Retirement Systems seek lead plaintiff status and also retain VanOverbeke, Michaud & Timmony, P.C. to assist in this process. Mr. VanderWall made the motion on behalf of the Police & Fire Retirement System to seek lead plaintiff status through BLBG in the Energy Transfer class action lawsuit, to retain VanOverbeke, Michaud & Timmony, P.C. to assist in this matter, and authorize Ms. Korzen to sign all related documents during the process. The motion was seconded by Mr. Veenstra and carried. Mr. Tryc made the motion on behalf of the General Retirement System to seek lead plaintiff status through BLBG in the Energy Transfer class action lawsuit, to retain VanOverbeke, Michaud & Timmony, P.C. to assist in this matter, and authorize Ms. Korzen to sign all related documents during the process. The motion was seconded by Mr. Butts and carried.

Ms. Korzen commented that the Code of Conduct policy requires that Trustees and staff complete an annual disclosure statement; Ms. Balkema provided Trustees with the form. Ms. Korzen stated that the forms are due by the February 19, 2020 Board meetings. A list of the Retirement Systems' internal accounting controls was provided to Trustees. {Mr. Moody left at 10:00 a.m.}

There were no comments on items not on the agenda.

Board approval was requested for attendance at the following conference: the 2020 MAPERS One Day Seminar to be held March 6 by Ms. DeJonge and Ms. Korzen. Mr. Timkovich made the motion to approve attendance of the aforementioned conference by the tentative list of Trustees and staff listed above per the Trustee Training, Educational Development and Due Diligence policy. The motion was seconded by Mr. Tryc and carried.

The meeting adjourned at 10:03 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 19, 2020, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems