

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

MINUTES
JOINT MEETING
JANUARY 19, 2022 – 8:16 a.m.
233 E. Fulton, Suite 216

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Lawrence Fumarolo of The Northern Trust Company, Ms. Lindsey Grande of Northern Trust Asset Management, Mr. Robert Morgan and Ms. Julie Canna of 50 South Capital, Mr. Calvin Born and Mr. Jacob McClelland of Wilshire Advisors, and Ms. Lisa Balkema, Retirement Services Specialist.

Mr. VanderWall made the motion to excuse the absences of Mr. Butts, Mr. Mitchell, and Mr. Moody. The motion was seconded by Ms. DeJonge and carried.

Chairman Hawkins welcomed Mr. Ewald to the Board.

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of November 17, 2021, and December 15, 2021. The motion was seconded by Mr. Timkovich and carried.

Mr. Lawrence Fumarolo, Vice President Corporate & Institutional Services, Taft-Hartley Group, of The Northern Trust Company (NT) presented his firm's annual update to Trustees. Mr. Fumarolo noted that NT has \$15.8 trillion in assets under custody/administration, \$1.5 trillion in assets under management, and locations in 26 countries with 25,000+ global employees. He stated that NT has a strong capital position, high quality, a liquid balance sheet and superior credit ratings. He commented that NT is staging their return to the office and also charting a new path forward. COVID-19 has accelerated the trends underway and they are driving positive transformation. He noted that NT embraces all forms of diversity, equity, and inclusion and reviewed NT's strategic priorities. Mr. Fumarolo stated that in the Public Funds segment, NT has 200 clients, \$1.3 billion in assets under custody, and 74 client servicing professionals that have an average of 18 years of relationship management experience. He reviewed the clients that NT services in Michigan and the people providing client service at NT. He reviewed the retirement systems' custody account structures and provided an update on benefit payments and recent enhancements to the program. He provided Trustees with an overview of NT's core services which highlights an emphasis on automation, straight-through processing, accuracy and timeliness, risk reduction, enhancing efficiency, cost minimization, and ensuring transparency. He reviewed NT's technology platforms and cyber security for clients. 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. NT has 465 clients from 31 countries, \$1.7 trillion of lendable securities, \$197 billion of loans outstanding, and 73 approved borrowers at the parent level. He noted that cumulative net earnings through the program since 2007 were \$1,153,116 for the General Retirement System and \$1,092,549 for the Police & Fire Retirement System. The report was received and filed by Chairman Hawkins.

Ms. Lindsey Grande, Senior Associate Relationship Manager, Public Funds & Taft-Hartley, of Northern Trust Asset Management (NTAM) presented her firm’s annual report to Trustees. Ms. Grande reviewed statistics on the Northern Trust Corporation and noted that NTAM has \$1.2 trillion in assets under management as of September 30, 2021 and they are the world’s 17th largest asset manager. She reviewed NTAM’s organization, people, process, organizational commitment, industry leadership, stewardship, and expertise. NTAM is committed to diversity, equity, and inclusion. She reviewed the following returns for the period ending November 30, 2021:

	<u>3 mo.</u>	<u>YTD</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>10 yr.</u>	Since <u>Inception</u>
NT S&P 500 Index Fund	1.32%	23.17%	27.91%	20.40%	17.93%	16.21%	10.67%
S&P 500	1.32%	23.18%	27.92%	20.38%	17.90%	16.16%	10.64%

She reviewed NTAM’s performance, characteristics, top ten holdings, sectors, and top assets as well as contributors by asset. The report was received and filed by Chairman Hawkins.

Mr. Robert Morgan, Managing Director, and Ms. Julie Canna, Senior Vice President, of 50 South Capital (50 South), presented their 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 \$11.6 billion in assets as of 09/30/21. They have an experienced team with a 21-year history. Ms. Canna noted that 50 South’s approach is to focus on inefficient markets, specifically small- to mid-sized managers; they have a reputation of finding talent early and they are connected to the global network and resources of Northern Trust. She stated that 50 South’s private credit solution, the Sponsor Backed Credit Funds, provide a compelling alternative for investors searching for higher yields in a low interest rate environment, investing alongside market-leading direct lending firms providing senior secured loans to private equity owned companies. She reviewed 50 South’s objectives of the fund and philosophy driving its competitive fee structure. She reviewed the portfolio construction and noted that they offer a single fund vehicle to access the managers and market segments, with favorable risk/return characteristics and attractive terms. 50 South’s sponsor backed credit fund has generated a consistent 12-13% annualized yield distribution each quarter; the fund generated a yield of 13.1% in 2021 from a well-diversified pool of senior loans. Mr. Morgan stated the portfolio is already 88.2% called as of September 30, 2021, has a net yield to investors of 13.1%, and the average senior loan-to-value is 39.6%. 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 sponsor backed liquid credit. He provided a funding update and an overview of each market that they are invested in. The report was received and filed by Chairman Hawkins.

There were no comments on items not on the agenda.

Mr. Born provided Trustees with an overview of the Wellington Management Company (WMC) Commodities fee reduction proposal. He stated that it is being offered to Wilshire’s long-time clients. WMC is offering a fee discount for their commodities portfolio from the current 75 basis points to approximately 65 basis points. The other option is to implement a performance-based fee; however, it is Wilshire’s estimation that the fee discount would be more prudent and less costly to the Retirement Systems in the long run. Mr. VanderWall made the motion on behalf of the Police & Fire Retirement System to approve the fee discount being offered by the Wellington Management Company for their commodities portfolio. The motion was seconded by Mr. Balkema and carried. Mr. Tryc made the motion on behalf of the General Retirement System to approve the fee discount being offered by the Wellington Management Company for their commodities portfolio. The motion was seconded by Mr. Timkovich and carried.

Ms. Korzen commented that she spoke with the Chairman regarding updating the meeting capabilities with a TV, laptop, and Owl. These items will enhance audio and visual capabilities with those who are unable to attend the meetings in person. Following Trustee discussion, Mr. Balkema made the motion to approve the purchase of the TV, laptop, and Owl for Board meeting use. The motion was seconded by Mr. VanderWall and

carried. Ms. Korzen also commented that the chairs around the Board table and those for guests are decades old and are falling into disrepair. She has been receiving quotes for new chairs and asked Trustees for their thoughts and recommendations. Following Trustee discussion, Mr. Tryc made the motion to authorize the Executive Director to purchase new Board chairs and guest chairs based upon the quotes from the vendors. The motion was seconded by Mr. Ewald and carried.

The meeting adjourned at 9:29 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 16, 2022, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems