

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

MINUTES  
JOINT MEETING  
JANUARY 18, 2023 – 8:21 a.m.  
233 E. Fulton, Suite 216

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Clayton Robinson of The Northern Trust Company, Mr. Mike Nieves and Mr. Austin Guy of Northern Trust Asset Management, Ms. Kathleen Switala of 50 South Capital, Mr. David Lindberg, Mr. Stephen DiGirolamo and Mr. Jake McClelland of Wilshire, and Ms. Molly Clarin, Chief Financial Officer for the City of Grand Rapids.

Mr. Tryc made the motion to excuse the absence of Mr. Moody. The motion was seconded by Mr. Balkema and carried.

There were no public comments regarding agenda items.

Mr. Ewald made the motion to approve the minutes of the Joint Meeting of December 21, 2022. The motion was seconded by Mr. Tryc and carried.

Mr. Clayton Robinson, Relationship Manager and Second Vice President of The Northern Trust Company (NT) presented his firm's annual update to Trustees. Mr. Robinson introduced himself and noted that NT has \$12.8 trillion in assets under custody/administration and \$10.0 trillion in assets under custody. He stated that NT has a strong capital position, high quality, a liquid balance sheet and superior credit ratings. NT is staging their return to the office. Within the public entities and institutions space, NT has 208 client relationships, and 26 client servicing professionals with an average of 18 years of relationship management experience. NT continues to invest in technology and innovation. He provided statistical information for both the General and Police & Fire Retirement Systems and reviewed the NT client servicing team. Mr. Robinson reviewed NT's core services and stated that they have been innovating and reimagining their products and services. He noted that their strategy is to move further up the asset servicing value chain and serve as the operating platform on and through which their asset owner and asset manager clients execute their business strategy. Mr. Robinson reviewed 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 \$1,245,969 for the General Retirement System and \$1,190,690 for the Police & Fire Retirement System. Mr. Robinson provided an overview of the Benefit Payments (BP) system at NT. He reviewed the BP team and provided statistical data on benefit payments for both the General and Police & Fire Retirement Systems. He reviewed enhancements to the BP program in 2021 and 2022. Mr. Robinson commented on NT's approach to information security and how they protect the Retirement Systems' data. Chairman Hawkins asked if the issues that the Retirement Systems office staff had experienced with NT have been addressed; Ms. Korzen responded yes. The report was received and filed by Chairman Hawkins.

Mr. Mike Nieves, CFA, CAIA, and Director of Public Funds, and Mr. Austin Guy, CFA, and Senior Investment Strategist, of Northern Trust Asset Management (NTAM) presented their firm's annual report to Trustees. Mr. Guy provided an overview of the NTAM portfolio and stated that they are a global leader in asset management. As of September 30, 2022, NT had \$1.2 trillion in assets under management, had locations in 20+ countries, and 22,000+ global employees. As of September 30, 2022, NTAM had \$999.1 billion in assets under management and they were the world's 18<sup>th</sup> largest asset manager. Mr. Nieves provided an overview on NTAM's organizational

commitment, stewardship, industry leadership, and expertise. NTAM is committed to diversity, equity, and inclusion and sustainable investing. Mr. Guy provided an overview on index investing and noted that their index platform has grown over 40+ years by evolving alongside their clients. They are committed to quality service and offer direct points of contact to portfolio managers, strategists, and other resources. He reviewed their index management platform, management team, and trading platform. He stated that NTAM has a global opportunity set of index solutions for various vehicle types and solutions for emerging trends in index management. Mr. Guy reviewed NTAM's indexing philosophy and process, noting that they translate benchmark knowledge and local market expertise into efficient portfolio management and trading, using their global portfolio management platform. He reviewed their portfolio construction and implementation. He stated that volatility continues to increase and provided an overview of U.S. and Emerging Market benchmarks. He reviewed the following returns for the period ending November 30, 2022:

	<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	3.62%	-13.09%	-9.20%	10.91%	11.00%	13.39%
S&P 500	3.63%	-13.10%	-9.21%	10.91%	10.98%	13.34%

Mr. Guy reviewed NTAM's lending performance and numerous characteristics as of November 30, 2022. The report was received and filed by Chairman Hawkins.

Ms. Kathleen Switala, Vice President, of 50 South Capital (50 South), presented her firm's annual update to Trustees. Ms. Switala 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 manages \$13.2 billion in assets and has an experienced team with a 22-year history. Ms. Switala stated that 50 South's strategy is designed to generate 11-13% net annualized net yields with quarterly income earned from a primarily first lien loan portfolio. They focus on senior, sponsor-backed lending to middle market businesses in the U.S. and Europe, with portfolio construction and risk controls resulting in well-diversified loan portfolios without sacrificing yield. She reviewed 50 South's selection criteria and their target market to achieve attractive returns and risk profile. She provided an overview of their portfolio construction and track record for their sponsor-backed Credit Fund I. They had income distribution of 16% on average capital outstanding in 2020, 13.1% in 2021, and annualizing at 12.6% in 2022. She stated that 91.7% of funds have been called and the net yield to investors was 12.0%. She reviewed the portfolio's industry diversification and NAV by strategy as well as geographic diversification. She provided an update on 50 South's sponsor-backed Credit Fund II and noted that the fund is building a diversified portfolio of senior middle market loans in partnership with experienced lenders that are market leaders within their target niche. The report was received and filed by Chairman Hawkins.

Mr. David Lindberg, Mr. Stephen DiGirolamo and Mr. Jake McClelland of Wilshire provided Trustees with an educational report on Global Investment Solutions. Mr. Lindberg noted that Wilshire offers customized approaches with a decades-long history of both advising and managing assets. Wilshire recognizes that the challenge for asset owners involves scale and the process is critical. He stated that a global investment solution provides performance that tracks well to policy decisions and adds intentional value aligned to active risk decisions. Mr. Lindberg stated that the value proposition for Grand Rapids is to utilize Wilshire's capabilities and scale in the most efficient way possible with Global Investment Solutions. This would expand the current advisory scope to mostly discretionary, but the Retirement Systems would retain the most important policy decisions. The Systems would get the "best use" of Wilshire's service offerings with the same investment research, manager research, investment philosophy, and client team. Global Investment Solutions would provide the Retirement Systems with: 1) scale; 2) reduced overall costs; 3) increased operational efficiencies; 4) succession planning; and would allow both Boards to focus primarily on their most important decision – asset allocation policy. He noted that both Boards would continue to decide the asset allocation policy and associated risks and Wilshire would still act as advisor to the Boards. Wilshire would implement the Boards' decisions and Wilshire would take care of manager selection and retention (via separate accounts and/or Wilshire established Commingled Investment Trusts designed for retirement systems). Wilshire would also take care of fund rebalancing, generation of cash flow necessary for benefit payments and certain legal and administrative matters. The client service to the Retirement Systems would remain the same. Some of the outcomes with this proposal would be: 1) eliminate need for annual manager presentations; 2) focus investment reviews solely on the most important decision; 3) greater sharing of fiduciary risk with Wilshire as a partner; 4) the Retirement Systems office can spend time more efficiently on plan level issues; and 5) the portfolios are managed on Wilshire's broad scale investment platform. He stated the same custody agreement with Northern Trust would remain in place. Mr. Lindberg stated that the Retirement Systems can expect the portfolios' performance to track closely to the Boards' policy

decisions with lower costs, as Wilshire's scale is more commensurate with larger plan asset sizes. The Boards can customize construction and choose to retain certain desired managers as appropriate. He provided an overview of the schedule of responsibilities as they are today v. what they would be with Global Investment Solutions. Trustees stated that this is an interesting proposal and would like to see examples of what the changes would be should they implement the proposal. Mr. Timkovich stated that he would like to see how the transition process of replacing the Executive Director is going first before making a decision on this proposal. Mr. Tryc stated that if Trustees implemented this proposal, it could be difficult for another investment consultant to absorb should Wilshire ever be replaced. Mr. Mitchell stated that it comes down to how much control Trustees wish to have in the investment arena. Chairman Hawkins stated that if there is interest in this type of product, it would follow a bidding process. Mr. Mitchell stated that there are pros and cons to implementing this type of proposal. Ms. Korzen noted that a number of the tasks that Wilshire is proposing with their Global Investment Solutions are already being performed by Ms. Jackie Williams within the office and Trustees should be mindful of that. Chairman Hawkins stated that they will continue to have this dialogue in conjunction with the transition process for the Executive Director.

There were no comments on items not on the agenda.

Mr. Michaud provided Trustees with a handout on the recent passage of Secure 2.0 Act. He stated that this act was signed into law on December 29, 2022 and contains 92 provisions intended to promote additional retirement savings and ease administrative requirements through modernization of federal retirement laws. He noted that not all the changes enacted under Secure 2.0 are applicable to governmental plans; however, there will be some impact on governmental defined benefit plans. He reviewed some of the changes under the act. The report was received and filed by Chairman Hawkins.

Chairman Hawkins stated that he would like the Operations Committee to be re-formed since Mr. VanderWall is no longer on the Board. He would like the Operations Committee to discuss the transition process for finding Ms. Korzen's replacement due to her upcoming retirement. He would like to develop the process, job description and salary for the Executive Director and come back with results to the Trustees at the March 2023 Joint Board meeting and discuss how Trustees would like to see the services delivered that the Retirement Systems office provides. He noted that he recently met with Ms. Lisa Balkema and Ms. Jackie Williams to discuss their concerns with the transition process.

Chairman Hawkins stated that on January 30 there will be interviews held for the Retirement Systems Assistant position.

The meeting adjourned at 9:53 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 15, 2023, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems