

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

MINUTES
JOINT MEETING
JUNE 16, 2021 – 8:14 a.m.
VIA ONLINE CONFERENCE

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Kent County, MI, Mr. Thomas Michaud, Legal Advisor to the Boards, Ms. Emily Foote and Mr. Andrew Citron of BlackRock Institutional Trust Company, Mr. Patrick Wilson, and Ms. Sharon Liss of CenterSquare Investment Management, Mr. David Lindberg and Mr. Jake McClelland of Wilshire Associates, Inc., Mr. Scott Saindon, Fiscal Services Manager for the City of Grand Rapids, and Ms. Lisa Balkema, Retirement Services Specialist, Kent County, MI.

There were no public comments regarding agenda items. {Mr. VanderWall left the meeting at 8:15 a.m.}

Mr. Butts made the motion to approve the minutes of the Joint Meeting of May 19, 2021. The motion was seconded by Mr. Timkovich and carried.

Mr. Patrick Wilson, CFA and Portfolio Manager, and Ms. Sharon Liss, Director, Capital Markets, of CenterSquare Investment Management (CS) presented their firm’s annual report to Trustees. Mr. Wilson provided Trustees with an overview of CS and noted the CS has \$13 billion in assets under management as of March 31, 2021. CS was founded in 1987 and has approximately 50 investment professionals and over 30 employee owners. He reviewed their investment team and process and provided a review of the relationship with the Retirement Systems. Mr. Wilson reviewed the sector performance and performance attribution for the portfolios for the calendar year 2020 and noted the positioning for the portfolios as of May 31, 2021. Investment returns as of 05/31/21 for the General and Police & Fire Retirement Systems’ portfolios were reported as follows:

	<u>YTD 2021</u>	<u>CY 2020</u>	<u>Since Inception*</u>
General Retirement System	18.40%	-4.27%	7.80%
Police & Fire Retirement System	18.40%	-4.21%	7.83%
FTSE NAREIT Equity REITs Index	18.85%	-8.00%	5.64%
*Inception date – September 30, 2019			

Mr. Wilson provided Trustees with a state of the REIT market by noting that the U.S. REITs outperformed the broader equity indices in Q1 and the vaccine rollout drives laggards higher in a broader risk-on-rally.

He commented on real estate fundamentals and noted that businesses have opened back up with capacity and sales increasing. Many changes in consumer behavior during the pandemic will prove to be sticky and lodging and brick-and-mortar retail fundamentals were the most negatively-impacted over the past year. CS believes that REITs should generate 8-12% annual total returns over the medium-term as there is declining new supply, external growth, dividend yield spreads remain healthy to historical levels, and there are attractive relation valuations and durable cash flows. He stated that in the U.S., high leverage, small caps, and low growth take the lead. He provided statistical data on earnings growth and valuation metrics. Mr. Wilson commented that as the pandemic has dragged on it has become clear that the office is often needed to foster collaboration, train new employees, and create company culture. But it is just as clear that most companies don't need employees in the office five days a week to achieve those necessities. As far as industrial REITs are concerned, secular trends should provide resiliency. Residential REITs demographics suggest more housing is needed. Tenants and landlords in Retail REITs will be stressed by COVID-19. He provided an overview of the current and upcoming impacts to Net Lease, Hotels, Healthcare and Data Centers. The report was received and filed by Chairman Hawkins.

Ms. Emily Foote, CFA and Index Product Strategist, and Mr. Andrew Citron, Vice President and CFA, of BlackRock Institutional Trust Company (BlackRock) presented their firm's annual report to Trustees. Mr. Citron noted that BlackRock as of March 31, 2021, had \$9.0 trillion in assets under management. They have 16,000 employees, 100 countries with BlackRock clients, and offices in 35 countries. BlackRock offers an equity index platform that focuses on consistent performance with efficient outcomes for clients, offers over 2,500 funds managed against 900+ benchmarks, and they employ sophisticated technology and risk management. Ms. Foote reviewed BlackRock's organization, people, and process and the current indexing landscape. She reviewed BlackRock's dynamic ETF/CTF solution by stating that it: 1) offers a low-cost solution that can increase the liquidity profile of an index exposure; 2) facilitates efficient rebalance activity and capital calls; and 3) reduces market entry timing risk through the option of same day trading. She noted that indexing has grown across vehicles, exposures and use cases, index asset managers must evolve too. BlackRock continues to invest in a scalable investment engine through a focus on people, platform and process. BlackRock focuses on efficient performance outcomes supported by their proprietary Aladdin technology. Ms. Foote commented that BlackRock's investment cycle of management consists of: 1) efficient trading; 2) performance and oversight; 3) benchmark knowledge; and 4) portfolio construction. BlackRock's portfolio risk monitoring is a continual process. Ms. Foote provided highlights from recent index rebalances in 2020 and 2021. She stated that in 2021, MSCI will reclassify Iceland to Frontier Markets and consult regarding the status of Argentina and Turkey in Emerging Markets. Ms. Foote provided Trustees with an overview of the minimum volatility construction and methodology as well as historical returns. She commented on the major sources of tracking error and their impacts on global and domestic index funds. Investment returns as of 03/31/21 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>MTD</u>	<u>Q1</u>	<u>1-Yr.</u>	<u>Since Fund Inception*</u>
Fund	4.70%	1.80%	24.99%	8.97%
MSCI ACWI Min. Vol. NDR Index	4.64%	1.72%	24.36%	8.45%

*Fund Inception date – August 13, 2013

Ms. Foote provided characteristics on BlackRock's MSCI ACWI minimum volatility index fund. She noted that BlackRock is the market leader in equity indexing with \$4.73 trillion in index assets under management across equity and fixed income and due to their scale, they can drive lower costs. The report was received and filed by Chairman Hawkins.

Ms. Korzen next addressed the renewal quotes for the Fiduciary Liability and Commercial insurance policies for the period 07/01/21 – 07/01/22 from Euclid Specialty and AmTrust North America respectively. The fiduciary policies would renew with the same terms and the premiums would be \$15,273 for the Police & Fire Retirement System and \$15,938 for the General Retirement System. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to renew the Euclid policy with non-indemnifiable public entity coverage as outlined in the proposal for the period 07/01/21 – 07/01/22 for \$15,273. The motion was seconded by Mr. Moody and carried. Mr. Timkovich made the motion on behalf of the General Retirement System to renew the Euclid policy with non-indemnifiable public entity coverage as outlined in the proposal for the period 07/01/21 – 07/01/22 for \$15,938. The motion was seconded by Mr. Butts and carried. She also noted that the Commercial policy listed a renewal amount of \$1,202.00 for the period 07/01/21 - 07/01/22. Mr. Balkema made the motion to renew the AmTrust North America Commercial policy as outlined in the proposal for the period 07/01/21 – 07/01/22 for \$1,202.00. The motion was seconded by Mr. Timkovich and carried.

There were no public comments on items not on the agenda.

The Executive Director next addressed the current lease with the Masonic Center Building by noting that while there was no increase last year, the current lease does provide for one and the rent will be increasing by 5% in July as it is tied to changes in the CPI-U.

The meeting adjourned at 9:23 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, August 18, 2021, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems