

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

MINUTES
JOINT MEETING
MARCH 16, 2022 – 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. Craig VanderWall, Mr. Martin Timkovich, Mr. Philip Balkema, Mr. Phillip Mitchell, Ms. Donijo DeJonge, and Mr. Justin Ewald. Absent: Mr. William Butts and Mr. Nathaniel Moody.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Ms. Apurva Schwartz and Mr. Dylan Strober of Harding Loevner, Mr. Mark Edwards and Mr. Peter Lawrence of Aberdeen Standard Investments, Mr. David Lindberg and Mr. Jake McClelland of Wilshire, and Ms. Lisa Balkema, Retirement Services Specialist.

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

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of February 16, 2022. The motion was seconded by Mr. Tryc and carried.

Ms. Apurva Schwartz, Portfolio Specialist, and Mr. Dylan Strober, Deputy Manager, Client Management, of Harding Loevner (HL) presented their firm’s annual report to Trustees. Mr. Strober reviewed HL’s organizational team and process and noted that HL has 49 investment professionals and the International Equity Portfolio management team averages 14 years at HL. HL’s total assets under management as of December 31, 2021 total \$86.0 billion. He reviewed HL’s organization and process and quality growth statistics as of December 31, 2021 v. the MSCI ACW ex-US Index, as well as their total returns by quality and growth rank. Ms. Schwartz provided a summary on both portfolios and noted the following return statistics for the portfolios as of December 31, 2021:

	<u>3 Mo.</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>Since Inception</u>
General Retirement System	4.47%	9.93%	17.70%	12.59%	8.84%
Police & Fire Retirement System	4.47%	9.95%	17.75%	12.61%	8.85%
MSCI ACWI ex-US Index	1.88%	8.29%	13.68%	10.11%	6.75%

*Inception date: April 1, 2015

Ms. Schwartz commented on HL’s quality and growth investment philosophy and the MSCI ACWI ex-U.S. Index total returns by quality, growth, and value rank. In the 4th quarter of 2021, high quality outperformed and for all of 2021, high quality and cheap stocks outperformed. She reviewed benchmark performance and performance attribution as of 12/31/21. She noted that in 2021, highly-priced shares suffered and HL’s allocation hurt, but they owned names in expensive quintiles that performed well in 2021. International index-weighted inflation is rising more moderately than in the U.S. in 2021 and 2022.

Ms. Schwartz reviewed the portfolio exposures and noted that HL has maintained a positive active weight in semiconductors while industry sales have accelerated. She provided an overview on completed portfolio transactions, comparisons on allocation between the portfolio by sector and geography, and an overview on portfolio positioning. Ms. Schwartz commented on the portfolio guidelines and exposures. HL's decision-making has produced a distinctive pattern of performance. She commented on emerging markets and their exposure to China and noted that while styles may come and go, diversified stock-picking remains HL's constant endeavor. Ms. Schwartz stated that HL's analysts search the world for companies that meet their high quality and durable growth criteria, conduct fundamental research, then value and rate their stocks to make them available to their portfolio managers for investment. Environmental, Social, and Governance (ESG) issues are considered in each step of their process as they believe they can contribute profoundly to the success or failure of their investments. Their decision-making structure imposes individual accountability, mitigates biases, and ensures continuity. They monitor and manage risk at the security, portfolio, and enterprise levels. Ms. Schwartz reviewed historical quality and growth statistics, valuation metrics, and model portfolio holding by sector and region. Ms. Schwartz commented that prior to February 24, 2022, the style headwinds from mid-November 2021 were continuing. Growth stocks sold off and cyclical stocks soared. She stated that HL holds two Russian stocks which equate to about 2.4% of the portfolio; after February 24, 2022, Russian stocks fell by half as sanctions led to surprises in the marketplace. A few days after February 24, 2022, Russian stocks fell by half again. Investment managers could not foresee the implications from the sanctions as this was an unprecedented event. She stated that HL cannot trade the two Russian stocks as no one can exit their positions with Russian securities. In March 2022, HL fair valued the two Russian stocks at zero so as to limit liquidity risk. They still feel the two Russian stocks hold option value. {Mr. VanderWall arrived at 9:09 a.m.} The report was received and filed by Chairman Hawkins.

Mr. Mark Edwards, Senior Analyst-Venture Capital, and Mr. Peter Lawrence, Strategic Director, of Aberdeen Standard Investments (abrdn) presented their firm's annual report to Trustees. Mr. Lawrence noted that abrdn is a global asset management firm with \$627.89 billion in assets under management. They have over 800 investment professionals across 30 locations and they are listed on the London Stock Exchange. abrdn does not have any Russian or Ukraine exposure. abrdn has 50 investment professionals globally in Private Equity. Their objective is to provide a suite of private capital solutions designed to meet client objectives and generate strong long-term investment performance. Mr. Lawrence provided Trustees with an overview of the Aberdeen Global Partners I, L.P. structure; they allocate 40% to U.S. Small Buyout Private Equity, 40% to non-U.S. developed and emerging markets private equity/venture capital, and 20% to U.S. Venture Capital. He provided a portfolio update and noted that 101% is committed and 99% is called. They have 63 manager commitments, 12 co-investments, and \$72 million is distributed to LPs. He commented on the J-curve evolution, drawdowns, and distributions within the portfolio. Mr. Edwards reviewed the Global Partners I geographic diversification, portfolio trends, and underlying portfolio performance. The report was received and filed by Chairman Hawkins.

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

Mr. Michaud commented on recent updates to the Michigan Open Meetings Act. He noted that the Attorney General recently provided an opinion on providing remote access to individuals with a disability as defined under the ADA. Although the Attorney General's opinions are not binding on local units of government, his firm recommends that Trustees discuss how to handle such requests and consider what accommodations, if any, can be offered to a member of the public or Board who cannot attend a meeting in person due to a disability under the ADA. He recommended adding specific verbiage to all meeting notices that addresses this issue. He suggested that if anyone requests special accommodations for a meeting, Trustees should consider the request. This will be on a case-by-case basis as requested. Ms. Korzen stated that she will put the suggested language on the annual meeting notices that are sent to the City Clerk's office and she will update the website as well. If a person makes an accommodation request for a meeting, Trustees will need to discuss the request and decide before that particular Board

meeting if the request will be granted. Mr. Mitchell stated this will probably become a bigger issue if/when the Board does not provide Zoom capabilities.

Mr. Lindberg commented that recently Wilshire had experienced a cybersecurity issue. He stated that great progress is being made with their IT team and outside experts to assess the implications. No issues have arisen with client data being compromised as of yet, but they continue to collect information. They are currently rebuilding their infrastructure.

The meeting adjourned at 9:40 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, May 18, 2022, at 8:10 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems