

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

MINUTES  
JOINT MEETING  
MAY 15, 2019 – 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, Ms. Donijo DeJonge, Mr. Nathaniel Moody, and Mr. Robert Veenstra. Absent: Mr. Phillip Mitchell.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. David Lindberg and Mr. Alex Ford of Wilshire Associates, Inc., Mr. Charles Groeschell and Mr. Jeffrey Simmons of Baird Advisors, and Mr. Todd Briddell, Mr. Patrick Wilson, and Ms. Meghan Burke of CenterSquare Investment Management, Mr. Tony Kenkel and Mr. Rich Pentz of Principal Real Estate Investors, Mr. Frank Haggerty and Mr. John Creswell of Duff & Phelps Investment Management, Mr. Jeff Dood, Chief Financial Officer, and Mr. John Globensky, City Treasurer.

Chairman Hawkins introduced Mr. Robert Veenstra as the new Police Member Trustee; he will fill the unexpired term created by Mr. Thomas VanderPloeg's resignation; his term will end the first Monday in January 2022. Trustees welcomed him to the Board.

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

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of March 20, 2019. The motion was seconded by Mr. Timkovich and carried. {Mr. Butts arrived at 8:06 a.m.}

Mr. Charles Groeschell, Managing Director and Senior Portfolio Manager, and Mr. Jeffrey Simmons, CFA, Managing Director and Senior Portfolio Manager, of Baird Advisors (Baird) presented their firm's annual report to Trustees. Mr. Groeschell noted that Baird was founded in 1919 in Milwaukee and has total assets under management of more than \$73.5 billion. They have a disciplined, research driven approach. Baird has 3,600 associates, of which, 2,400 are shareholders. He noted that Baird has been designated for the 16<sup>th</sup> consecutive year as one of the Fortune 100 Best Companies to Work For. Mr. Groeschell reviewed their investment philosophy and process, which is twofold: 1) to structure portfolios to achieve the return of the benchmark for each client (accomplished by a duration neutral discipline); and 2) to add incremental value through a bottom-up, risk-controlled process (Baird seeks to consistently add 15-50 basis points of incremental return). He stated that risk control is the foundation of their investment discipline and internal research drives their investment process. Mr. Simmons reviewed Baird's risk controls for the portfolio and stated that the portfolio is positioned: 1) to have attractive yield advantages over respective benchmarks; 2) to benefit from spread sector outperformance; and 3) to be positioned fairly neutral to the yield curve. Mr. Simmons provided Baird's perspective on the current environment and noted that the backdrop of secular headwinds continues to restrain growth and inflation, cyclical forces pulled back after strong growth in 2018, and imminent recession is likely. Overall in 2019 there

should be positive growth, but it will be realized slower. The interest rate policy is on hold however global central bank balance sheets have peaked. He stated that the U.S. Treasury yields fell sharply in March as the yield curve flirts with inversion, but so far, the inversion has been slight and short-lived. U.S. Treasury yields are still attractive to global investors as the yield spreads snapped back in the first quarter of 2019. Corporate credit fundamentals remain solid and debit issuance is slowing however the growth in Federal debt in this cycle poses the biggest concern. Mr. Groeschell reviewed the City of Grand Rapids Retirement Systems' objectives, risk controls, portfolio guidelines and characteristics, and provided the following net investment return statistics for the portfolios:

|                               | <b><u>General Retirement System</u></b> | <b><u>Police &amp; Fire Retirement System</u></b> | <b><u>Bloomberg Barclays Aggregate Index</u></b> |
|-------------------------------|---|---|--|
| March 2019                    | 1.96%                                   | 1.97%   | 1.92%  |
| Year-to-Date                  | 3.12%                                   | 3.12%   | 2.94%  |
| 1-Year                        | 4.68%                                   | 4.73%   | 4.48%  |
| 3-Year                        | 2.65%                                   | 2.69%   | 2.03%  |
| 5-Year                        | 3.27%                                   | 3.29%   | 2.74%  |
| 7-Year                        | 3.18%                                   | 3.22%   | 2.48%  |
| 10-Year                       | 5.07%                                   | 5.15%   | 3.77%  |
| <b><u>Since Inception</u></b> |   |   |  |
| Cumulative Return             | 97.41%                                  | 97.54%  | 86.60%   |
| Annualized Return             | 4.32%                                   | 4.32%   | 3.95%  |

The report was received and filed by Chairman Hawkins.

Mr. David Lindberg and Mr. Alex Ford presented the quarterly performance report to Trustees. Mr. Lindberg commented that the U.S. stock market was up 14.1% for the first quarter of 2019; this marks the strongest quarter for U.S. equities since 2009. Concerns about global growth were dwarfed by the Fed's updated forecast for no rate increases in 2019. Consumer price increases have slowed recently with very little growth during the past six months. CPI was up 0.1% for the three months ending February and 1.5% for the one-year period. Equity markets outside the U.S. enjoyed a strong start to 2019. While there are signs of an economic slowdown in Europe, by far the biggest unknown is the result of the U.K.'s Brexit. The U.S. Treasury yield curve fell across most maturities during the quarter with the biggest decreases occurring in the 5 to 10-year portion of the curve. Mr. Lindberg also provided information on Wilshire's return and risk assumptions and their forecast over time as well as a summary economic review of all the major asset classes. Following a review of the capital markets, the Quarterly Funds Evaluation of the investment managers of the General and Police & Fire Retirement Systems was conducted.

**SUMMARY OF INDEX RETURNS  
PERIODS ENDED 03/31/19**

| <b><u>Index</u></b>           | <b><u>QTR.</u></b> | <b><u>1 YEAR</u></b> | <b><u>3 YEARS</u></b> | <b><u>5 YEARS</u></b> | <b><u>10 YEARS</u></b> |
|-------------------------------|--------------------|----------------------|-----------------------|-----------------------|------------------------|
| <b>S&amp;P 500</b>            | <b>13.65</b>       | <b>9.50</b>          | <b>13.51</b>          | <b>10.91</b>          | <b>15.92</b>           |
| <b>RUSSELL 2000</b>           | <b>14.58</b>       | <b>2.05</b>          | <b>12.92</b>          | <b>7.05</b>           | <b>15.36</b>           |
| <b>NAREIT GLOBAL RE INDEX</b> | <b>14.59</b>       | <b>13.27</b>         | <b>5.68</b>           | <b>6.42</b>           | <b>N/A</b>             |
| <b>MSCI ACWI X-US</b>         | <b>10.31</b>       | <b>-4.22</b>         | <b>8.09</b>           | <b>2.57</b>           | <b>8.85</b>            |
| <b>BLOOMBERG AGGREGATE</b>    | <b>2.94</b>        | <b>4.48</b>          | <b>2.03</b>           | <b>2.74</b>           | <b>3.77</b>            |
| <b>BLOOMBERG COMMODITY</b>    | <b>6.32</b>        | <b>-5.25</b>         | <b>2.22</b>           | <b>-8.92</b>          | <b>N/A</b>             |

### General Retirement System

#### Asset Commitments as of 03/31/19:

|                  |       |
|------------------|-------|
| Domestic Equity  | 23.3% |
| Fixed Income     | 25.2% |
| Cash Equivalents | 0.7%  |
| Real Estate      | 5.3%  |
| Private Equity   | 5.1%  |
| Non-U.S. Equity  | 21.6% |
| Commodities      | 4.2%  |
| MLPs             | 4.9%  |
| TIPS             | 7.5%  |
| Private Credit   | 2.2%  |

#### Asset Allocation to Managers:

|                               |       |
|-------------------------------|-------|
| NTAM                          | 15.0% |
| PIMCO                         | 2.8%  |
| Wellington Management Company | 5.7%  |
| Baird Advisors                | 12.6% |
| Western Asset Management      | 12.9% |
| Cash Account                  | 0.7%  |
| Neuberger Berman              | 14.4% |
| Harding Loevner               | 7.4%  |
| CBRE Clarion                  | 5.4%  |
| Adams Street Partners         | 3.8%  |
| Aberdeen Asset Management     | 1.3%  |
| Wellington Commodities        | 4.3%  |
| Harvest Fund Advisors         | 5.0%  |
| Brown Brothers Harriman       | 7.5%  |
| Grosvenor Capital Management  | 1.8%  |
| 50 South Capital Advisors     | 0.5%  |

### Police and Fire Retirement System

#### Asset Commitments as of 03/31/19:

|                  |       |
|------------------|-------|
| Domestic Equity  | 23.7% |
| Fixed Income     | 25.0% |
| Cash Equivalents | 0.7%  |
| Real Estate      | 5.1%  |
| Private Equity   | 5.0%  |
| Non-U.S. Equity  | 22.3% |
| Commodities      | 4.0%  |
| MLPs             | 5.0%  |
| TIPS             | 7.0%  |
| Private Credit   | 2.2%  |

#### Asset Allocation to Managers:

|                               |       |
|-------------------------------|-------|
| NTAM                          | 15.0% |
| PIMCO                         | 2.9%  |
| Wellington Management Company | 6.0%  |
| Baird Advisors                | 12.5% |
| Western Asset Management      | 12.7% |
| Cash Account                  | 0.7%  |
| Neuberger Berman              | 14.7% |
| Harding Loevner               | 7.7%  |
| CBRE Clarion                  | 5.1%  |
| Adams Street Partners         | 3.7%  |
| Aberdeen Asset Management     | 1.3%  |
| Wellington Commodities        | 4.1%  |
| Harvest Fund Advisors         | 5.1%  |
| Brown Brothers Harriman       | 7.1%  |
| Grosvenor Capital Management  | 1.7%  |
| 50 South Capital Advisors     | 0.5%  |

The report was received and filed by the Chairman. Mr. Ford commented that the BlackRock contract has been signed and he will coordinate with Ms. Korzen on funding for this low volatility allocation. He stated that the funds will likely come from the non-U.S. equity portfolios and proposed that when the time comes for funding this new account, Trustees should consider rebalancing the Neuberger Berman and Harding Loevner portfolios so that the exposure to non-U.S. equities is 50-50 between both portfolios. He stated that there is no reason to have one portfolio with a higher exposure than the other. Following Trustee discussion, Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to rebalance the Neuberger Berman and Harding Loevner portfolios so that each portfolio represents half of the allocation to non-U.S. equities; this rebalancing will occur when the funding for the BlackRock portfolio is accomplished. The motion was seconded by Mr. VanderWall and carried. Mr. Tryc made the motion on behalf of the General Retirement System to rebalance the Neuberger Berman and Harding Loevner portfolios so that each portfolio is half of the allocation to non-U.S. equities; this rebalancing will occur when the funding for the BlackRock portfolio is accomplished. The motion was seconded by Mr.

Timkovich and carried. Mr. Lindberg commented that the Northern Trust Asset Management account (NTAM) has proposed lowering its current fee from 5 basis points on the first \$100 million and 2 basis points on everything above \$100 million to a fee of 2 basis points on all assets. If accepted, the 10% fee offset (based on the NTAM management fee) from custody fees will no longer apply. Following Trustee discussion, Mr. Butts made the motion on behalf of the General Retirement System to have the Executive Director and Wilshire Associates explore the possibility of lowering the management fees with the Northern Trust Asset Management account and report back to Trustees at a later date. The motion was seconded by Mr. Timkovich and carried. Vice Chairman VanderWall made the motion on behalf of the Police & Fire Retirement System to have the Executive Director and Wilshire Associates explore the possibility of lowering the management fees with the Northern Trust Asset Management account and report back to Trustees at a later date. The motion was seconded by Mr. Balkema and carried.

Mr. Alex Ford next noted that Wilshire provided Trustees with a search document for a replacement for CBRE Clarion. Mr. Lindberg provided background on each firm and commented that Wilshire is comfortable with all three candidates. He noted that CBRE Clarion did submit a proposal for their U.S. REIT product and although that product has performed slightly better than the global product the Retirement Systems are invested in presently, he suggested that it is still time to transition to another firm for this asset allocation.

The following REIT manager representatives were interviewed:

- 9:00 – 9:30      CenterSquare Investment Management, Plymouth Meeting, PA  
Mr. Todd Briddell, CFA, Chief Executive Officer, Chief Investment Officer  
Mr. Patrick Wilson, CFA, Assistant Portfolio Manager, Real Estate Securities  
Ms. Meghan Burke, CAIA, Investor Relations
- 9:30 – 10:05    Principal Real Estate Investors, Des Moines, IA  
Mr. Tony Kenkel, CFA, FRM, Global Portfolio Manager  
Mr. Rich Pentz, Client Advisor
- 10:05 – 10:35   Duff & Phelps Investment Management, Chicago, IL  
Mr. Frank Haggerty, CFA, Portfolio Manager  
Mr. John Creswell, Executive Managing Director

After conclusion of the interview process, Mr. Lindberg commented that all three candidates have done well and would serve the Retirement Systems well. He stated that CenterSquare has the most consistent performance and an attractive fee structure that is negotiable. Mr. Ford stated that Principal will be the most diversified whereas Duff & Phelps has the smallest number of holdings and will have a more concentrated approach. CenterSquare is in the middle with respect to concentration. All three candidates have had a tight tracking error, so they are all consistent and generating positive returns. CenterSquare and Principal indicated that they would be willing to negotiate their fee arrangements; it might be a possibility with Duff & Phelps. Following Trustee discussion, Mr. VanderWall made the motion on behalf of the Police & Fire Retirement System to continue the process of looking for a replacement for the CBRE Clarion product by conducting a due diligence visit to CenterSquare Investment Management. The motion was seconded by Mr. Balkema and carried. Mr. Tryc made the motion on behalf of the General Retirement System to continue the process of looking for a replacement for the CBRE Clarion product by conducting a due diligence visit to CenterSquare Investment Management. The motion was seconded by Mr. Butts and carried. Ms. Korzen will coordinate a due diligence visit with CenterSquare, Wilshire Associates, and Trustees.

Mr. Ford presented a Management Fee Analysis report to Trustees and noted that Wilshire recently reviewed current fee arrangements with the Retirement Systems' investment managers. They made comparisons to peers using the appropriate Wilshire Compass Universe for public managers. The

data presented was as of March 31, 2019. Mr. Lindberg commented that: 1) five of the 11 managers rank in the top third of their peer universe (lowest fees), 2) four of the 11 managers rank near the median of their peer universe, and 3) two of the 11 managers rank in the bottom third of their peer universe (highest fees). He also provided a fee analysis on private equity and private credit. They will continue to monitor this issue on at least an annual basis.

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

Chairman Hawkins disclosed that a number of Trustees attended a dinner last evening with Mr. Groeschell and Mr. Simmons. In addition to himself and his spouse, in attendance were Mr. Tryc, Mr. Timkovich and spouse, and Mr. VanderWall and spouse.

Ms. Korzen commented that the contracts with BlackRock are now complete and she will coordinate with Wilshire Associates on when the funding will take place and which investment accounts will provide the funding. She reiterated that at that same time, the rebalancing of the Neuberger Berman and Harding Loevner accounts will take place per the motions previously made by Trustees.

The meeting adjourned at 10:57 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 19, 2019, at 8:10 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems