

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

MINUTES
JOINT MEETING
MAY 18, 2022 – 8:25 a.m.
233 East Fulton

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, Mr. Nathaniel Moody, and Mr. Justin Ewald. Absent: Mr. Craig VanderWall and Ms. Donijo DeJonge.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Jake McClelland of Wilshire Associates, Inc., and Mr. Charles Groeschell and Mr. Jeffrey Simmons of Baird Advisors.

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

There were no public comments regarding agenda items.

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

Mr. Charles Groeschell, Managing Director and Senior Portfolio Manager and Mr. Jeffrey Simmons, Managing Director and Senior Portfolio Manager of Baird Advisors (Baird) presented their firm's annual report to Trustees. Mr. Simmons noted that Baird was founded in 1919 in Milwaukee and has total assets under management of more than \$120 billion as of 04/30/22. They have a disciplined, research-driven approach. Baird has 4,800 associates, of which, more than 2/3 are shareholders. He noted that Baird has been designated for the 19th 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 supported by external tools drives their investment process. Mr. Simmons reviewed Baird's mortgage and asset-backed securities strategy. He highlighted their risk controls for the portfolio and stated that the portfolio is positioned to: 1) have attractive yield advantages over respective benchmarks; 2) maintain sufficient liquidity for uncertain environments; 3) benefit from spread sector outperformance; and 4) focus on risk control. Mr. Groeschell provided Baird's perspective on the current environment and noted that so far in 2022 yields have spiked higher and the curve has flattened sharply. He noted that all eyes are still on inflation, and fiscal and monetary policy tailwinds are turning to headwinds. The Russian invasion of Ukraine is clouding the outlook further. He noted that corporate credit fundamentals have strengthened and fixed income flows so far are negative in 2022. He stated that rising costs have been a drag on growth and Central Bank bond buying has distorted the financial markets. Mr. Simmons commented that the number of job openings per unemployed person are at record highs and slow labor force and productivity growth have limited potential GDP. Mr. Groeschell commented on Baird's approach to ESG integration and stated that they: 1) seek to invest in companies that are leaders in their industries and focused on long-term sustainability; 2) assess management's attentiveness to ESG challenges and opportunities; 3) consider reputational risks associated with very severe controversies in areas such as environment, customers, human rights, labor rights, and governance; 4) analyze the long-term ESG track record of companies with particular attention to recent actions; and 5) assess a company's ESG performance relative to its peers. Baird engages with management teams, enhancing their clarity on each issuer's awareness of sector-specific ESG trends, encouraging a commitment to ESG-related targets and uniform disclosure requirements. He 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:

	<u>General Retirement System</u>	<u>Police & Fire Retirement System</u>	<u>Bloomberg Barclays Aggregate Index</u>
April 2022*	-3.62%	-3.67%	-3.79%
Year-to-Date	-9.49%	-9.53%	-9.50%
1-Year	-8.50%	-8.57%	-8.51%
3-Year	0.81%	0.76%	0.38%
5-Year	1.64%	1.61%	1.20%
7-Year	1.85%	1.85%	1.36%
10-Year	2.35%	2.36%	1.73%
<u>Since Inception</u>			
Cumulative Return	102.53%	102.31%	88.77%
Annualized Return	3.75%	3.74%	3.37%

*Performance is preliminary

The report was received and filed by Chairman Hawkins.

Mr. Jake McClelland presented Wilshire's quarterly performance report to Trustees. Mr. McClelland commented that the U.S. stock market was down 4.9% for the first quarter of 2022. The worst performing sectors were Communication Services, Consumer Discretionary, and Technology. Large-cap stocks outperformed small-cap stocks while growth stocks underperformed value stocks. Russia invaded Ukraine during the quarter. Perhaps the most important tensions came from accelerating inflationary pressures that the conflict imposed on the Federal Reserve. The 10-year breakeven inflation rate pushed toward 3% and Fed Fund futures pricing implied an overnight rate of 2.25% by the end of the year. The U.K. economy surged in January and is now back above the level that existed before the COVID pandemic. An escalating COVID outbreak in China led to some local lockdowns and is cutting into economic growth forecasts. Russia's invasion of Ukraine led the MSCI to reclassify the Russian equity market from Emerging to a Standalone Market since Russian equities are currently uninvestable. The U.S. Treasury yield curve was up across all maturities during the quarter but most sharply in the intermediate range, with pronounced flattening further out along the curve. The now non-existent spread is as low as it has been since August 2019. The Fed raised the overnight rate off zero by 0.25% at their March meeting. Their current intent is for additional increases totaling 150 basis points before the end of 2022. Mr. McClelland 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 and a coronavirus timeline. Following a review of the capital markets, the Quarterly Funds Evaluation of the investment managers of the General and Police & Fire Retirement's Systems was conducted.

SUMMARY OF RETURNS PERIODS ENDED 03/31/22

<u>Plan</u>	<u>QTR.</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>10 YEARS</u>
General Retirement System	-2.23	11.54	11.49	9.30	8.39
Policy Index	-1.33	10.40	10.08	8.26	7.22
Police & Fire Retirement System	-2.36	11.29	11.41	9.24	8.38
Policy Index	-1.33	10.40	10.08	8.26	7.22

General Retirement System

Asset Commitments as of 03/31/22:

Domestic Equity	17.0%
Non-U.S. Equity	15.3%
Fixed Income	22.6%
Global Low Volatility	9.9%
Real Estate	5.1%
Private Equity	8.5%
Commodities	6.1%
Midstream Energy	5.7%
TIPS	5.0%

Asset Allocation to Managers:

NTAM	11.2%
PIMCO	3.6%
Wellington Management Company	2.3%
Neuberger Berman	7.6%
Harding Loevner	7.7%
BlackRock	9.9%
CenterSquare	5.1%
Wellington Commodities	6.2%
Brown Brothers Harriman	5.0%

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Private Credit	4.5%	Harvest Fund Advisors	5.7%
Cash Equivalents	0.4%	Adams Street Partners	7.2%
		Aberdeen Asset Management	1.4%
		Grosvenor Capital	3.4%
		50 South Capital	1.2%
		Baird Advisors	11.4%
		Western Asset Management	11.2%
		Cash Account	0.4%

Police and Fire Retirement System

Asset Commitments as of 03/31/22:

Domestic Equity	17.5%
Non-U.S. Equity	15.8%
Fixed Income	22.8%
Global Low Volatility	9.5%
Real Estate	5.2%
Private Equity	8.2%
Commodities	6.2%
Midstream Energy	5.5%
TIPS	4.5%
Private Credit	4.2%
Cash Equivalents	0.5%

Asset Allocation to Managers:

NTAM	11.6%
PIMCO	3.5%
Wellington Management Company	2.5%
Neuberger Berman	8.0%
Harding Loevner	7.9%
BlackRock	9.6%
CenterSquare	5.3%
Wellington Commodities	6.3%
Brown Brothers Harriman	4.5%
Harvest Fund Advisors	5.5%
Adams Street Partners	6.9%
Aberdeen Asset Management	1.3%
Grosvenor Capital	3.2%
50 South Capital	1.1%
Baird Advisors	11.6%
Western Asset Management	11.3%
Cash Account	0.5%

The report was received and filed by the Chairman.

Chairman Hawkins commented that the following Trustees (and their spouse) and staff attended a dinner last night with Mr. Groeschell and Mr. Simmons of Baird Advisors: Chairman Hawkins, Mr. Tryc, Mr. Timkovich, Mr. Mitchell, Mr. Moody, Mr. Butts, Mr. Ewald, and Ms. Korzen and her guest.

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

The meeting adjourned at 9:37 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 15, 2022, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems