

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

MINUTES  
JOINT MEETING  
SEPTEMBER 21, 2022 – 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, Mr. Phillip Mitchell, Ms. Donijo DeJonge, and Mr. Justin Ewald. Absent: Mr. Nathaniel Moody.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Scott Hazen and Mr. Matt Autrey of Adams Street Partners, Ms. Angeliqe Richardson of Wellington Management Company, Mr. Stephen DiGiorlamo of Wilshire, and Ms. Molly Clarin, Chief Financial Officer for the City of Grand Rapids.

Mr. VanderWall 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. Tryc made the motion to approve the minutes of the Joint Meeting of August 17, 2022. The motion was seconded by Mr. Balkema and carried.

Mr. Scott Hazen, CFA, Partner, and Head of Investor Relations (North America) and Mr. Matt Autrey, Partner, Primary Investments, of Adams Street Partners (ASP) presented their firm’s annual report to Trustees. Mr. Hazen noted that ASP is a 100% employee-owned private equity firm. They have \$50 billion in assets under management, 450+ ASP general partners worldwide, 40+ years of proprietary data, 11 offices worldwide, and 90+ investment professionals. He noted that since their inception, no client has lost capital in an ASP investment program. Mr. Hazen and Mr. Autrey reviewed their organization, people, and process. Mr. Autrey reviewed ASP’s perspective in today’s market with respect to valuations, scaling and pacing, liquidity, and macro concerns. He commented that ASP is committed to diversity, equity, inclusion, volunteerism, and charitable giving. Mr. Autrey reviewed the Private Equity Fund program at ASP and provided Trustees with a review of the City of Grand Rapids General and Police & Fire Retirement Systems’ portfolios as of March 31, 2022:

**General Retirement System**

<u>ASP 2010 Fund Name</u>	<u>Subscription</u>	<u>Amount Drawn</u>	<u>Net IRR*</u>	<u>M.V. (NAV)</u>	<u>Dist. Rec. (D)</u>	<u>Total Value (NAV+D)</u>
U.S. Fund	\$2,500,000	\$2,202,500	18.04%	\$2,178,890	\$3,706,990	\$5,885,880
Non-U.S. Developed	\$1,500,000	\$1,350,750	13.81%	\$919,959	\$1,737,189	\$2,657,148
Emerging Markets	\$500,000	\$449,000	12.01%	\$547,117	\$406,975	\$954,092
Direct Fund	\$500,000	\$480,500	13.00%	\$294,303	\$663,571	\$957,874
2010 Participant Total	\$5,000,000	\$4,482,750	15.78%	\$3,940,269	\$6,514,725	\$10,454,994
ASP 2013 Global Fund	\$5,000,000	\$4,467,500	17.63%	\$7,086,545	\$3,439,997	\$10,526,542
ASP 2015 Global Fund	\$6,500,000	\$5,453,500	30.85%	\$10,514,929	\$3,122,712	\$13,637,641
ASP 2017 Global Fund	\$6,000,000	\$4,326,150	33.15%	\$8,457,573	\$824,732	\$9,282,305
ASP 2019 Global Fund	\$5,500,000	\$2,219,269	99.10%	\$4,005,830	\$291,543	\$4,297,373
Grand Total	\$28,000,000	\$20,949,169	21.25%	\$34,005,146	\$14,193,709	\$48,198,855

09/21/22

## Police & Fire Retirement System

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ASP 2017 Global Fund	\$6,000,000	\$4,326,150	33.15%	\$8,457,573	\$824,732	\$9,282,305
ASP 2019 Global Fund	\$7,000,000	\$2,824,524	99.10%	\$5,098,334	\$371,056	\$5,469,390
Grand Total	\$29,500,000	\$21,554,424	21.45%	\$35,097,650	\$14,273,222	\$49,370,872

\*Since Inception

Mr. Autrey reviewed the portfolios' performance attribution and contribution to IRR for all partnerships as of March 31, 2022 and the diversification of investment commitments. Mr. Autrey commented that ASP believes that the existing portfolio NAV is expected to peak in 2021/2022 and then will decline as distributions outpace capital calls and growth on unrealized investments. He reviewed the 2022 global private equity program. He reviewed the net asset value, capital calls and distributions for all the funds held within both plans. The report was received and filed by Chairman Hawkins.

Ms. Angelique Richardson, CFA and Relationship Manager of Wellington Management Company (WMC) presented her firm's annual report to Trustees. Ms. Richardson stated that WMC has \$1,190 billion of client assets under management. WMC has 976 investment professionals, with 192 partners all active in the firm. They have 2,486 clients based in 62 countries. Ms. Richardson provided a review of WMC's people, process, and small cap portfolios. She stated that WMC conducts research through fundamental, environmental, social, and corporate governance (ESG), quantitative, macro, and technical lenses. Ms. Richardson noted that WMC's investment objective is to outperform the Russell 2000 Index over 3- to 5-year periods. WMC emphasizes stock selection by an experienced team of industry experts. Portfolio construction is designed to emphasize stock selection insights. They believe that there is greater opportunity among stocks than sectors. They utilize bottom-up research and attempt to beat the market by exploiting intra-industry dispersion. She stated that diversity of investment styles is a key to consistent performance and the WMC Small Cap 2000 blends investor flexibility with the benefits of diversification. Investment returns through July 31, 2022 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>2021</u>	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>Since Inception</u>
Ret. Systems	16.5%	-13.6%	10.2%	10.2%	13.8%	11.7%
Russell 2000	14.8%	-14.3%	7.5%	7.1%	10.6%	8.1%
	<u>YTD</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ret. Systems	-18.1%	29.6%	34.3%	-9.9%	21.1%	20.6%
Russell 2000	-15.4%	20.0%	25.5%	-11.0%	14.6%	21.3%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>		
Ret. Systems	-1.7%	10.3%	44.3%	19.7%		
Russell 2000	-4.4%	4.9%	38.8%	16.3%		

She reviewed the top performing and bottom performing sectors as well as provided information on the top ten active positions and portfolio characteristics. Ms. Richardson then reviewed the Commodities portfolios and commented that WMC has been consistently outperforming commodity benchmarks since its inception. She noted that WMC believes that a diversified commodities portfolio should take advantage of the uncorrelated properties of individual commodities. The portfolio should be actively managed based on a long-term perspective, analyzing supply and demand fundamentals that shape price cycles, seizing valuation opportunities created by short-term volatility, and improving the roll yield through exposure across the futures curve. WMC seeks to outperform their strategic benchmark, an equal sector-weighted customer commodities index. There are approximately 50 commodities in the opportunity set with maturities ranging between one month and ten years and they have sector allocation flexibility. The contribution-to-relative-risk approach guides portfolio positioning. The collateral is managed to achieve high quality and liquidity. She reviewed the commodities team, commodities universe, investment process, and portfolio construction. Investment returns through July 31, 2022 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>YTD</u>	<u>1 yr.</u>	<u>3 yrs.</u>	<u>5 yrs.</u>	<u>Since Inception*</u>
Retirement Systems	11.7%	16.0%	15.8%	10.4%	0.3%
Custom Benchmark	12.1%	16.5%	13.5%	9.1%	-0.4%
Production-Weighted S&P GSCI	35.7%	42.7%	14.8%	10.7%	-3.1%
Bloomberg Commodity Index	23.5%	27.2%	16.2%	8.8%	-1.0%
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Retirement Systems	25.5%	7.0%	12.4%	-11.9%	9.9%
Custom Benchmark	25.3%	0.4%	12.1%	-9.7%	10.6%
Production-Weighted S&P GSCI	40.4%	-23.7%	17.6%	-13.8%	5.8%
Bloomberg Commodity Index	27.1%	-3.1%	7.7%	-11.2%	1.7%

Ms. Richardson reviewed performance attribution and positioning for the portfolios and provided views on short-and intermediate-term drivers in the commodities market. She stated that many commodities are in the middle point of their cycles. She commented on the sentiment indicator within the commodities market and noted that there has been an improvement to the roll yield. Ms. Richardson stated that investors are not crowding the asset class and implied roll yields support excess returns. There is a strong cyclical and structural backdrop for the asset class. Commodity inventories have however declined by the most since the early 2000s and they are approaching critically low levels. She stated that Russia remains the second largest exporter of commodities globally and Europe remains highly dependent on Russian natural gas. Energy prices are becoming a tax on the economy and U.S. oil production is returning at a slow pace. She noted that energy shortages are materializing, and renewables require >10x more upfront capital than fossil fuels. The report was received and filed by Chairman Hawkins.

The Executive Director next commented that the contract with Northern Trust will expire September 30, 2022. They have provided a fee renewal for both Systems extending the current fee schedule with the same terms for the next 3 years, expiring on September 30, 2025. Following Trustee discussion, Mr. Tryc made the motion on behalf of the General Retirement System to approve the fee renewal request as outlined in the report submitted by Northern Trust. The motion was seconded by Mr. Mitchell and carried. Mr. VanderWall made the motion on behalf of the Police & Fire Retirement System to approve the fee renewal request as outlined in the report submitted by Northern Trust. The motion was seconded by Mr. Balkema and carried.

There were no comments on items not on the agenda.

Chairman Hawkins next addressed the Executive Director's performance evaluation and stated that he is still working on the condensed format but the evaluation will be completed utilizing Survey Monkey as in the past.

Chairman Hawkins disclosed that a number of Trustees attended a dinner last evening with Ms. Richardson, Mr. Hazen, and Mr. Autrey. In addition to himself, in attendance were Mr. & Mrs. Tryc and Mr. & Mrs. Ewald.

Chairman Hawkins reminded Trustees that recently attended the Baird Conference and the Fall MAPERS Conference to submit their reports from those conferences.

Chairman Hawkins next commented that he would like to discuss the topic of the fees that the Systems are paying to their providers. While investment managers are evaluated on an ongoing basis, the other providers (actuary, custodial bank, investment consultant, auditor, and legal services) need to have their services reviewed periodically to ensure the Systems are receiving the best possible services and that the fees are in line with industry standards. Ms. Korzen stated that there is a policy in place to have each service provider reviewed approximately every 5 years. Mr. Butts commented that while costs are certainly important so is quality of service that is being provided; Mr. Balkema agreed. Mr. Timkovich noted while having a provider for a long period of time does help build institutional knowledge of the Systems, it can also be a detriment as it might lead to providers not always recommending the best ideas as they may have been turned down in the past. Mr. Michaud stated that Trustees should consider having their providers give them an educational level of what their respective firms do along with their philosophy and fees; perhaps once a year might be prudent. He stated that it would also be prudent to develop a framework of standards that each provider should be held to. Chairman Hawkins commented that the staff has had problems with Northern Trust but there is a mechanism in place to communicate directly with them on a monthly basis to identify and correct any issues. Ms. Korzen stated she will reach out to other systems to find out what their experience has been with their custodial bank. Chairman Hawkins commented that it might be prudent to reinstitute the due diligence visits to the providers to enable Trustees to interact and develop a deeper insight as to each provider's leadership and organization as a whole; Mr. Mitchell agreed. Ms. Korzen suggested that if Trustees were to decide to make a change in either the investment consultant and/or the custodial bank that it would probably be desirable to accomplish that prior to her retirement. Mr. Balkema suggested having the Executive Director provide Trustees a monthly update on discussions with Northern Trust to keep them abreast of any issues. Trustees agreed that legal services are being met sufficiently with no issues. Ms. Korzen and Mr. Michaud will work together to create potential questions for an RFP or RFI, should it be necessary, for investment consultant and custodial services. Chairman Hawkins stated that he would like the Operations Committee to review this issue soon and he will also be part of that process.

The meeting adjourned at 9:36 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, November 16, 2022, at 8:05 a.m., 233 E. Fulton, Suite 216, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems