

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

MINUTES
JOINT MEETING
JANUARY 15, 2025 – 8:12 a.m.
233 Fulton Street East, Suite 216

The meeting was called to order by Chairman Hawkins. Other members present: Mr. David Tryc, Mr. Justin Ewald (virtually), Mr. Martin Timkovich, Mr. Philip Balkema, Mr. William Butts, Ms. Donijo DeJonge, and Mr. William Fabiano. Absent: Mr. Drew Robbins and Ms. Holly Jackson.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Clayton Robinson of The Northern Trust Company, Mr. Brendan McMahon, Mr. Thomas Wackerlin of Northern Trust Asset Management, Ms. Julie Canna of 50 South Capital, Mr. Mike Holycross and Mr. Brian Green of Mariner, and Ms. Lisa Balkema.

Mr. Butts made the motion to excuse the absences of Mr. Robbins and Ms. Jackson. The motion was seconded by Mr. Timkovich and carried.

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of December 18, 2024. The motion was seconded by Mr. Timkovich and carried.

Mr. Clayton Robinson, Relationship Manager and Second Vice President of The Northern Trust Company (NT) presented his firm's annual update to Trustees. Mr. Robinson noted that NT has \$17.4 trillion in assets under custody/administration and \$13.8 trillion in assets under custody. He stated that NT is well-positioned for continued investment in their business across all market cycles. Within the public entities and institutions space, NT has 223 client relationships, and 26 client service professionals with an average of 18 years of relationship management experience. NT continues to invest in technology and innovation. He commented on NT's client servicing team approach and provided information on their alternative asset servicing. The report was received and filed by Chairman Hawkins.

Mr. Thomas Wackerlin, CFA and Client Portfolio Manager and Mr. Brendan McMahon, Director – Public Funds and Taft Hartley, of Northern Trust Asset Management (NTAM) presented their firm's annual report to Trustees. Mr. McMahon introduced himself as the client representative to the Retirement Systems. He discussed NTAM's business, people, organization, and process. He noted that he will be the point of contact now for the plans should they have any questions. Mr. Wackerlin provided an overview of the NTAM portfolio and stated that they serve sophisticated investors around the globe, from sovereign entities and the wealthiest individuals, to the largest global corporations and hedge funds. As of September 30, 2024, Northern Trust Corporation had \$1.6 trillion in assets under management, locations in 20+ countries, and 23,000+ global employees. As of September 30, 2024, NTAM had \$1.3 trillion in assets under management and was the world's 19th largest asset manager. Mr. Wackerlin provided an overview on NTAM's organizational commitment, stewardship, industry leadership, and expertise. NTAM is committed to diversity, equity and inclusion and sustainable investing. He noted that NTAM helps investors future-fit their portfolios by bringing clarity to investment opportunities and risks resulting from financially relevant environmental, social and governance factors. Mr. Wackerlin provided an overview on index investing and noted that their first equity index fund launched in 1973 and the average index portfolio manager has 20+ years of industry experience. Their index platform has grown over 40+ years by evolving alongside their clients. They are committed to quality service and offer direct points of contact to portfolio managers and other experts. He reviewed their index management platform, management team, and trading platform. He reviewed the following returns for the period ending November 30, 2024:

	<u>3 mo.</u>	<u>YTD</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>10 yr.</u>
NT S&P 500 Index Fund	7.15%	28.06%	33.87%	11.44%	15.77%	13.38%
S&P 500	7.15%	28.07%	33.89%	11.44%	15.77%	13.35%

Mr. Wackerlin reviewed NTAM's lending performance and numerous characteristics as of November 30, 2024. He stated that their portfolio construction process considers benchmark characteristics, liquidity, risk exposures, trading, and ongoing maintenance. They thoughtfully make active decisions within passive indexing and they have a demonstrated track record of success. Mr. Wackerlin reviewed client and market trends in index management. He provided an overview on fixed income index management as this is a newly added portfolio in December for both plans. Total index fixed income assets under management were \$98.1 billion as of September 30, 2024. He reviewed the taxable fixed income team and NTAM's investment process by noting that size and diversity of index members require a disciplined, risk-controlled sampling strategy. He also provided information on tracking error and active risk as well as information on NT's securities lending program. The report was received and filed by Chairman Hawkins.

Ms. Julie Canna, Senior Vice President, of 50 South Capital (50 South), presented her firm's annual update to Trustees. Ms. Canna stated that 50 South is a global alternatives firm that provides differentiated solutions and valued access to private equity, private credit, and hedge fund investment opportunities. 50 South manages \$15.1 billion in assets and has an experienced team with a 23-year history. Ms. Canna noted that the sponsor backed credit funds are a compelling alternative for investors who seek higher yields without taking meaningful credit risk via bespoke partnerships with prominent direct lending firms. The fund is designed to deliver quality, diversification and risk mitigation along with double-digit yields. They offer a differentiated loan pool which is formed through separate accounts and they are positioned to outperform by prioritizing credit quality through customized risk guidelines. 50 South has allocations to four sourcing partners through custom separate accounts with differentiated portfolio construction: 1) U.S. Middle Market; 2) U.S. Lower Middle Market; 3) European Middle Market; and 4) Liquid Credit. She stated that the fund and the separate accounts charge no carried interest and have lower all-in fees when compared to other offerings in the market, creating a strong alignment of interest and expectations for higher net yields. Ms. Canna stated that the sponsor backed credit fund has generated a consistent annualized yield distribution. She noted that the fund is 91.7% funded and the annualized yield (net) is 11.1%, with an IRR (net) of 9.7% as of June 30, 2024. She reviewed some of the Sponsor Backed Credit Fund I manager statistics and performance for the Sponsor Backed Credit Fund II as of June 30, 2024. She noted that the fund the Retirement Systems are invested in is now closed and starting to distribute principal as it has reached the goal of a 6-7 year fund. The report was received and filed by Chairman Hawkins.

Mr. Mike Holycross and Mr. Brian Green of Mariner presented the revised Asset Allocation Study to Trustees. Mr. Green stated that the revised report shows Trustees different policy considerations: 1) the decision to remove the Core Plus allocation and shift to a 100% investment grade allocation (they have also modeled the International Equity portfolio to accurately reflect the 70% developed and 30% emerging split of the ACWI Ex-US used to benchmark Harding Loevner and Neuberger Berman); 2) policy mix A moving Commodities to U.S. Large Cap stocks; 3) mix B moving REITs to a Value Add Real Estate allocation (VARE); 4) mix C having a 50/50 split between REITs and VARE of 2.5% each; and 5) mix D having a 50/50 split of REITs and VARE at 5% each. Mr. Green provided Trustees with an explanation of VARE by noting that this is comprised of primary property types (office, multifamily, industrial and retail) as well as specialty property types such as self-storage, senior housing and student housing. These properties are listed in the primary and secondary markets and increase value through leasing, repositioning, redevelopment, or pre-leased development. They typically have a three to five-year hold period with 40% or less of total return from income. He reviewed return inputs for various asset classes and their standard deviations. Mr. Green reviewed the characteristics of the current asset allocation policy v. the four other alternative policies outlined above. Mr. Green stated it is his hope that Trustees will choose to continue the education process on VARE, and possibly speak with two or three VARE managers. He did note that VARE is illiquid, but a U.S.-based product. Funds are usually locked up for 7-8 years. They do have higher fees, but the returns can be higher than publicly traded REITs. Following Trustee discussion, Mariner agreed to bring a revised investment policy to the February 19 Board meeting, along with additional education on VARE. The revised investment policy will include an allocation to VARE between 0% - 2.5%. Mr. Green noted that they will also be providing Trustees with pacing models on Private Equity and Private Credit soon.

Chairman Hawkins next discussed the topic of the Executive Director's retirement and the upcoming transition. He noted that Ms. Balkema has agreed to serve as Acting Executive Director for up to one year. He stated that Trustees may wish to consider hiring an executive search firm to find a permanent replacement for the Executive Director. Mr. Chaz Amidon of Palladian West came to speak to Trustees regarding the services offered by search firms. He noted that his company conducts searches locally and nationally. His firm has experience with non-profits and they generally are hired to find qualified people for hard to fill positions. Organizations will provide his firm with their goals and attributes they are looking for to fill a given position. His firm is family owned and in Michigan. His firm builds each search from scratch and then they go find the talent. Their process is rigorous and includes personality assessments. Their goal is to provide their clients with the best 3-5 candidates to choose from. Their fee is generally 30% of the position's first-year salary. They do provide a 12-month guarantee. Trustees asked if they would look outside Michigan for qualified candidates; he said only if Trustees wish them to. Mr. Amidon noted that if someone is going to be relocating to Michigan to accept the position, it is commonplace to pay relocation expenses, which can be upwards of \$20,000. Trustees will need to set a budget as well as pertinent other information and a salary study to conduct an executive search process if they wish to pursue this route. Ms. Korzen stated that the City of Grand Rapids has used a few different executive search firms in the past when filling high level positions. She will reach out to the City to obtain more information on the companies to offer a comparison to Trustees. Mr. Timkovich noted that it might be prudent to also make the City aware of the open position in the event there is someone who would be interested in applying.

There were no comments on items not on the agenda.

Chairman Hawkins commented that this will be a busy year with a lot of things to address: 1) a permanent replacement for the Executive Director; 2) investment policy statement updates; 3) investment manager due diligence visits; and 4) continued education from Mariner on various topics for the Trustees to help ensure they are performing their fiduciary duty as Trustees.

The meeting adjourned at 10:04 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 19, 2025, at 8:05 a.m., 233 Fulton Street East, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems