

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

MINUTES  
JOINT MEETING  
AUGUST 16, 2023 – 8:11 a.m.  
233 Fulton Street East

The meeting was called to order by Chairman Hawkins. Other members present: Mr. David Tryc, Mr. Justin Ewald, Mr. Martin Timkovich, Mr. Philip Balkema, Mr. William Butts, Mr. Phillip Mitchell, Ms. Donijo DeJonge, Mr. Nathaniel Moody, and Mr. William Fabiano.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Ms. Lisa Davenport and Mr. Brian Faleiro of Neuberger Berman, Mr. Mark Roman and Mr. Thomas Walsh of Grosvenor Capital Management, and Mr. Stephen DiGirolamo, and Mr. Jake McClelland of Wilshire.

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of June 21, 2023. The motion was seconded by Mr. Tryc and carried.

Ms. Lisa Davenport, CFA and Client Service Advisor and Mr. Brian Faleiro, CFA and Portfolio Specialist of Neuberger Berman (NB) presented their firm’s annual report to Trustees. Ms. Davenport provided an overview of the firm, noting that NB: has over 700 investment professionals; is 100% independently, employee owned; has approximately \$4.6 billion total assets under management; and a 96% retention rate. Chairman Hawkins asked if NB has experienced any SEC or compliance issues recently; Mr. Faleiro responded no. Mr. Faleiro reviewed the global equity team structure and noted that NB has an experienced team that utilizes a differentiated approach and consistent process to assist in risk management. NB has a disciplined fundamental process to capitalize on international opportunities as well as a multidimensional view on quality. NB's quality at a reasonable price philosophy focuses on a universe of companies that they believe can generate returns above their cost of equity and trade at compelling valuation levels. As part of their process, their end-to-end repeatable process is designed to enable a bottom-up fundamental analysis. They analyze industry attractiveness along with a business’ strategy, culture, ESG, and financial attributes to identify opportunities. NB’s proprietary dashboard displays the team’s holistic portfolio view, allowing portfolio managers to evaluate individual names. Their process is designed to maximize return potential and minimize risk per given level of quality in the team’s quality universe. NB employs a systematic process designed to ensure consistency in portfolio construction, monitoring, and trading. Mr. Faleiro reviewed NB’s ESG and portfolio management oversight and governance six-step continuous process. Mr. Faleiro reviewed the retirement systems’ objectives and portfolio guidelines and provided the following return statistics for both portfolios for periods ending June 30, 2023:

**Annualized Returns – Net of Fees**

	<u>YTD</u>	<u>1 Yr.</u>	<u>3-Yr.</u>	Since Inception of the Fund <u>07/20/18 – 06/30/23</u>
NB World ex-U.S. Trust Class III	9.71%	15.53%	7.58%	4.86%

MSCI AC World Ex-U.S. Index      9.47%      12.72%      7.22%      3.38%

He reviewed sector attribution, country attribution, holdings, sector allocation, regional, country, market cap allocation, and portfolio characteristics as of June 30, 2023. {Mr. Fabiano arrived at 8:41 a.m.} Mr. Faleiro reviewed new and eliminated investments in the portfolio, year-to-date through June 30, 2023. The report was received and filed by Chairman Hawkins.

Mr. Mark Roman, Managing Director and Mr. Thomas Walsh, Principal, of Grosvenor Capital Management (GCM), presented their firm’s annual update to Trustees. Mr. Roman noted that GCM has \$75.0 billion in assets under management, of which, \$23.0 billion is in absolute return strategies. He noted that GCM began investing in 1971, they have 533 employees and 173 investment professionals. Mr. Walsh noted that the GCM Opportunistic Credit Fund V, Ltd. (OCFV) is an evergreen specialized fund that provides a single point-of-entry to an evolving set of differentiated opportunistic credit investments. He reviewed their target objectives and constraints. Mr. Walsh stated that corporate credit all-in yields are attractive as rising rates and increasing spreads have driven elevated yields for corporate credit. Increasing dispersion creates opportunities. GCM does not believe this is a “buy-the-index” opportunity and they expect “zombie” credits and rising defaults will create attractive opportunities for active credit selection. He noted that structured credit remains dislocated due to supply/demand technicals. The private credit opportunity continues to grow as companies look for speed of execution, tailored transaction, and certainty of closing in today’s market environment. The OCFV fund’s performance is 4.2% year-to-date 2023 and over the last 12 months (July 2022 – June 2023), the fund’s performance is 5.5%. They believe that the OCFV is well positioned to generate strong risk-adjusted returns. Recent additions have been accretive to performance and positioned the fund well in the current environment. Mr. Walsh reviewed the key attributes of the OCFV, portfolio construction, and strategy attribution. He provided the following returns for the period ending June 30, 2023:

	GCM Opp. <u>CF V</u>	Credit Suisse <u>Distressed Loan Index</u>	Credit Suisse <u>Lev. Loan Index</u>
2016 (2 months)	1.6%	4.5%	1.5%
2017	5.8%	2.2%	4.3%
2018	2.4%	1.6%	1.1%
2019	8.5%	-2.7%	8.2%
2020	0.9%	0.8%	2.8%
2021	9.7%	15.0%	5.4%
2022	0.4%	-19.7%	-1.1%
2023 (YTD)	4.2%	8.0%	6.3%

Since 11/2016:

Cumulative Return	38.3%	6.2%	31.9%
Annualized Return	5.0%	0.9%	4.2%

Mr. Walsh commented on GCM’s forward looking pipeline and noted that their investment approach is to identify the best relative value opportunities across credit strategies. They currently favor: 1) a diversified approach to portfolio construction; 2) asset-backed investments with strong counterparties and contractual cash flows; 3) low dollar price structured and corporate credit; 4) opportunities resilient to severe recessionary scenarios; and 5) dislocation “trigger” mandates. The report was received and filed by Chairman Hawkins.

Mr. Stephen DiGirolamo and Mr. Jake McClelland presented the quarterly performance report to Trustees. Mr. DiGirolamo commented that the U.S. stock market was up 8.43% for the second quarter and up 19.03% for the past 12 months. Large-cap stocks outperformed small-cap stocks by 331 basis points and

growth stocks vastly outperformed value stocks for the second straight quarter. Economic growth within the United Kingdom has been positive enough this year to barely escape a technical recession. Inflation has been trending downward within Britain, but at a much slower pace v. other regions, with annual changes being twice as high in the U.K. as in the U.S., as of the end of May. In China, several economic indicators have fallen short of expectations during the past few weeks, including measurements of industrial production, retail sales, and trade. The 10-year Treasury yield ended the quarter at 3.84%, up 37 basis points. Credit spreads were noticeably down during the quarter with high yield spreads down 69 basis points. The FOMC increased the overnight rate by 0.25% in May, targeting a range of 5.00% to 5.25%, before pausing increases in June. The current expectation is for another 50 basis points in increases before the end of 2023. Mr. McClelland provided Trustees with Wilshire's June 2023 asset class assumptions and an extensive update on employment conditions and the U.S. equity market, non-U.S. equity market, U.S. fixed income market, and the high yield bond market. 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 06/30/23**

<u>Plan</u>	<u>QTR.</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>10 YEARS</u>
<b>General Retirement System</b>	<b>2.14</b>	<b>5.70</b>	<b>8.29</b>	<b>6.27</b>	<b>6.83</b>
<b>Policy Index</b>	<b>2.26</b>	<b>5.91</b>	<b>7.61</b>	<b>5.59</b>	<b>5.88</b>
<b>Police &amp; Fire Retirement System</b>	<b>2.24</b>	<b>5.99</b>	<b>8.30</b>	<b>6.24</b>	<b>6.82</b>
<b>Policy Index</b>	<b>2.26</b>	<b>5.91</b>	<b>7.61</b>	<b>5.59</b>	<b>5.88</b>

**General Retirement System**

Asset Commitments as of 06/30/23:

Domestic Equity	17.2%
Non-U.S. Equity	17.1%
Fixed Income	23.5%
Global Low Volatility	10.1%
Real Estate	4.8%
Private Equity	7.7%
Commodities	4.7%
Midstream Energy	5.0%
TIPS	4.9%
Private Credit	4.7%
Cash Equivalents	0.4%

Asset Allocation to Managers:

NTAM	11.6%
PIMCO	3.3%
Wellington Management Company	2.3%
Neuberger Berman	8.4%
Harding Loevner	8.7%
BlackRock	10.1%
CenterSquare	4.8%
Wellington Commodities	4.7%
Brown Brothers Harriman	4.9%
Harvest Fund Advisors	5.0%
Adams Street Partners	6.7%
Aberdeen Asset Management	1.0%
Grosvenor Capital	3.7%
50 South Capital	1.0%
Baird Advisors	12.0%
Western Asset Management	11.5%
Cash Account	0.4%

**Police and Fire Retirement System**

Asset Commitments as of 06/30/23:

Domestic Equity	18.6%
Non-U.S. Equity	17.2%
Fixed Income	23.2%

Asset Allocation to Managers:

NTAM	12.3%
PIMCO	3.7%
Wellington Management Company	2.6%

Global Low Volatility	10.0%	Neuberger Berman	8.6%
Real Estate	4.8%	Harding Loevner	8.6%
Private Equity	7.4%	BlackRock	10.0%
Commodities	4.8%	CenterSquare	4.8%
Midstream Energy	5.0%	Wellington Commodities	4.8%
TIPS	4.5%	Brown Brothers Harriman	4.5%
Private Credit	4.3%	Harvest Fund Advisors	5.0%
Cash Equivalents	0.3%	Adams Street Partners	6.5%
		Aberdeen Asset Management	0.9%
		Grosvenor Capital	3.4%
		50 South Capital	0.9%
		Baird Advisors	11.9%
		Western Asset Management	11.3%
		Cash Account	0.3%

Board approval was requested for attendance at the following conferences: the Baird Advisors conference to be held September 10 -11 by Chairman Hawkins, Mr. Tryc, and Mr. Ewald, and the Fall MAPERS Conference to be held September 10 - 12 by Ms. Korzen and Ms. Williams. Mr. Balkema made the motion to approve attendance of the aforementioned conferences by Trustees and staff per the Trustee Training, Educational Development and Due Diligence policy. The motion was seconded by Mr. Tryc and carried.

There were no comments on items not on the agenda.

Ms. Korzen presented Trustees with a copy of the Advisor and Consultant Reviews policy that was referenced at the June 21, 2023 Joint Board meeting.

Mr. Michaud provided Trustees with an update on the IME-PC issue that was brought up in the General Retirement System Board meeting. He stated that he just received an email from IME-PC's attorney stating that they will not issue the two Police & Fire Retirement System medical reports unless IME-PC is paid for the outstanding General Retirement System report as well as the two Police & Fire Retirement System reports. Mr. Balkema stated that it may be prudent to pay the full General Retirement System invoice and then file a complaint with the state regarding the doctor who performed the IME. Ms. Korzen stated that IME-PC has already paid the physician and they have asked the doctor to consider lowering his fees, but he will not. Mr. Michaud stated that this matter has gone to collections and he has been working with IME-PC's collection attorney. Following Trustee discussion, it was decided to have Mr. Michaud to try to negotiate a lower settlement for the General Retirement System report and keep Trustees apprised of his progress so they can decide what the proper course of action will be if necessary to take care of this matter.

Ms. Korzen stated that she was informed by abrdrn that they have sold their Private Equity business to HighVista Strategies. The same team will be managing the account and they are seeking authorization by the Boards to move the portfolios to the new company. Wilshire commented that they are aware of the transition and support it. Following Trustee discussion, Mr. Tryc made the motion on behalf of the General Retirement System to authorize the move of the abrdrn portfolio to HighVista Strategies. The motion was seconded by Mr. Timkovich and carried. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to authorize the move of the abrdrn portfolio to HighVista Strategies. The motion was seconded by Mr. Fabiano and carried.

Ms. Korzen stated that she was informed by abrdrn that they have a potential conflict of interest that has arisen with funds that are in their secondaries as they reach their end-of-life phase. The selling agent

has asked abrdn to manage these funds and as such are being paid a fee to do so. They are asking for authorization from the Boards to approve this arrangement. Wilshire commented that they are aware of the issue and support it. Following Trustee discussion, Mr. Tryc made the motion on behalf of the General Retirement System to authorize the management of the secondary funds by abrdn on behalf of the selling agent. The motion was seconded by Mr. Timkovich and carried. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to authorize the management of the secondary funds by abrdn on behalf of the selling agent. The motion was seconded by Mr. Fabiano and carried.

Ms. Korzen provided an update on the RFP process for Investment Consultant service by noting that yesterday was the deadline for submission of proposals. One firm stated they would not be responding while 10 firms indicated they will be submitting proposals. She stated that some of the responding firms provide discretionary services while some do not. Chairman Hawkins reminded Trustees to refrain from having any contact with the responding firms during this process. Mr. Timkovich asked if the decision to either go with discretionary services or not should be decided first; Mr. Michaud stated that the RFP process should be viewed as an educational process to help aid Trustees in their decision on this matter. Ms. Korzen will place the proposals on the SharePoint site when received so all Trustees can view them. She stated that this matter can be discussed again at the September Board meeting and Trustees can hold a special meeting in October to interview candidates.

Chairman Hawkins disclosed that a number of Trustees attended a dinner last evening with Ms. Lisa Davenport and Mr. Brian Faleiro of Neuberger Berman, and Mr. Steve DiGirolamo and Mr. Jake McClelland of Wilshire. In addition to himself and his spouse, in attendance were Mr. & Mrs. Moody, Mr. & Mrs. Ewald, Mr. & Mrs. Timkovich, Mr. & Mrs. Tryc, and Ms. Korzen.

The meeting adjourned at 10:08 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, September 20, 2023, at 8:05 a.m., 233 Fulton Street East, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems