

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

MINUTES  
JOINT MEETING  
AUGUST 21, 2024 – 8:44 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, Ms. Donijo DeJonge, Mr. William Fabiano, 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, Ms. Lisa Davenport and Mr. Brian Faleiro of Neuberger Berman, Mr. Mark Roman and Mr. Kyle Brennan of Grosvenor Capital Management, Mr. Michael Holycross, and Ms. Mary Nye of Mariner.

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of June 12, 2024. The motion was seconded by Mr. Timkovich and carried.

Ms. Lisa Davenport, CFA, 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 750 investment professionals; is 100% independently, employee owned; has approximately \$4.8 billion total assets under management; and has over 2,800 employees. Mr. Faleiro reviewed the global equity team structure and noted that NB utilizes a team-based and focused approach to international investing. He commented that NB's investment philosophy is a disciplined fundamental process to capitalize on international opportunities. Mr. Faleiro noted that NB starts with a broad universe, employs a quality focus to analyze a company's return on invested capital and management quality, then invests only in companies that fit their quality framework, including material ESG factors. They seek to mitigate portfolio-level risk through sector, country, and security diversification and they assess both the magnitude and change of each component within their quality framework. NB focuses on the universe of companies that they believe can generate returns above their cost of equity and trade at compelling valuation levels. The investable international universe is comprised of over 8,000 stocks and through their investment process, they narrow that down to 60-100 stocks for the portfolio. NB employs a six-step continuous process for portfolio management oversight and governance: 1) investment management; 2) monitoring; 3) monitoring/engagement; 4) engagement/involvement; 5) involvement/oversight; and 6) oversight. He commented that NB's investment process is designed to maximize return potential and minimize risk per a given level of quality in the team's quality universe and they have a systematic process designed to ensure consistency in portfolio construction, monitoring, and trading. Mr. Faleiro reviewed the retirement systems' objectives and portfolio guidelines and provided the following return statistics for both portfolios for periods ending June 30, 2024:

## Annualized Returns – Net of Fees

	<u>1 Yr.</u>	<u>3 Yr.</u>	<u>5-Yr.</u>	Since Inception of the Fund <u>07/20/18 – 06/30/24</u>
NB World ex-U.S. Trust Class III	10.67%	-0.38%	7.10%	5.82%
MSCI AC World Ex-U.S. Index	11.62%	0.46%	5.55%	4.72%

Mr. Faleiro reviewed the equity fund characteristics, holdings, sector allocations and attribution, market cap allocation, and regional and country allocation for the portfolios. He noted that there are no current SEC issues. The report was received and filed by Chairman Hawkins.

Mr. Mark Roman, Managing Director and Mr. Kyle Brennan, Executive Director, Credit Investments of Grosvenor Capital Management (GCM), presented their firm’s annual update to Trustees. Mr. Roman noted that GCM has over 50 years of investing experience and they have \$79 billion in assets under management, of which, \$24 billion is in absolute return strategies. He noted that GCM has 539 employees and 176 investment professionals. Mr. Brennan stated that this is an ideal environment for credit investing as fundamental and technical dislocations have led to arguably the best credit investing environment since the global financial crisis, with the potential to achieve equity-like returns with strong downside mitigation. The target return in high-quality alternative credit has increased from 6-8% a year ago to 12-14% today. GCM believes we are entering the best credit investing environment in at least a decade. Cracks are emerging across credit markets. Corporate defaults, amend and extends, and distressed exchanges have increased in 2024. Over the last few months, there have been more signs pointing to a consumer slowdown. There is significant stress across commercial real estate assets while prevailing mortgages rates have eased slightly, but affordability continues to remain extremely challenged. Mr. Brennan commented that the Opportunistic Credit Fund LTD is an evergreen specialized fund providing a single point of entry to an evolving set of differentiated opportunistic credit investments. The fund seeks to capitalize on credit market dislocations and complex situations globally. The fund began in November 2016 and has \$1.3 billion in fund commitments with 25 managers. Mr. Brennan stated that in September 2024, Trustees will have the annual opportunity to receive a 5% cash distribution from the fund or have the 5% reinvested in the fund. He noted that the fund has returned 6.7% over the trailing 12-month period. The fund has generated positive returns every calendar year since inception and extended its positive monthly return streak to 20 straight months. He reviewed the portfolio construction for the fund and commented that they target 10-25 managers. Mr. Brennan also reviewed the strategy attribution and current investment focus and philosophy. GCM maintains a diversified approach to portfolio construction, focusing on senior secured credit and opportunities resilient to severe recessionary scenarios; they do not invest in strategies dependent on Fed policy and forward rate curve. Mr. Brennan provided the following returns for the period ending June 30, 2024:

	<u>GCM Opp. CF Ltd.</u>	<u>Credit Suisse Distressed Loan Index</u>	<u>Credit Suisse High Yield Index</u>	<u>Credit Suisse Lev. Loan Index</u>
2016 (2 months)	1.6%	4.5%	2.0%	1.5%
2017	5.8%	2.2%	7.0%	4.3%
2018	2.4%	1.6%	-2.4%	1.1%
2019	8.5%	-2.7%	14.0%	8.2%
2020	0.9%	0.8%	5.5%	2.8%
2021	9.7%	15.0%	5.5%	5.4%
2022	0.4%	-19.7%	-10.6%	-1.1%
2023	7.6%	17.2%	13.6%	13.0%
2024 (YTD-6 months)	3.4%	2.6%	2.7%	4.4%

Since 11/2016:

Cumulative Return	47.7%	18.3%	41.1%	46.5%
Annualized Return	5.2%	2.2%	4.6%	5.1%

The report was received and filed by Chairman Hawkins.

Mr. Michael Holycross and Ms. Mary Nye presented the quarterly performance report to Trustees. Mr. Holycross noted that the U.S. Federal Reserve continued on its stable trajectory, holding rates steady during the second quarter. The Fed's prolonged pause in its rate-hiking cycle and the insertion of the word "any" in its December press release, provided capital markets hope that the Fed may pivot in its stance and begin reducing rates to a less restrictive level in 2024. Growth in the U.S. labor market continued in June. U.S. Equity results were mixed for the second quarter, with large-cap stocks strongly outpacing small-cap stocks. Large-cap equity benchmarks continue to experience top-heavy concentration among a limited number of stocks. International stocks also continued to experience growth during the second quarter, but results were muted by a strengthening U.S. Dollar. Fixed Income markets remained largely steady during the quarter. High-yield bonds outperformed investment-grade issues for the quarter, largely due to higher coupons. Global bonds continue to lag the domestic bond market, with the Bloomberg U.S. Aggregate Bond Index outpacing the Global Aggregate ex-U.S. Index by 2.2% for the quarter. He stated that domestic and international equity markets posted strong results in the second quarter. Central banks remained vigilant in their stances to bring inflation under control. Policy rates were stable across most developed markets as central banks continued their tight monetary stances. Ongoing military conflicts, coupled with global economic uncertainty, continue to act as headwinds to international market results. Mr. Holycross provided Trustees with 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 06/30/24**

<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>1.50</b>	<b>10.05</b>	<b>3.10</b>	<b>7.21</b>	<b>6.13</b>
<b>Policy Index</b>	<b>1.37</b>	<b>10.16</b>	<b>2.97</b>	<b>6.47</b>	<b>5.33</b>
<b>Police &amp; Fire Retirement System</b>	<b>1.53</b>	<b>10.42</b>	<b>3.18</b>	<b>7.26</b>	<b>6.14</b>
<b>Policy Index</b>	<b>1.37</b>	<b>10.16</b>	<b>2.97</b>	<b>6.47</b>	<b>5.33</b>

**General Retirement System**

Asset Commitments as of 06/30/24:

Domestic Equity	17.4%
Non-U.S. Equity	17.7%
Fixed Income	27.9%
Global Low Volatility	0.0%
Real Estate	4.9%
Private Equity	6.5%
Commodities	5.0%
Midstream Energy	5.2%
TIPS	0.0%
Private Credit	4.8%
Cash Equivalents	10.6%

Asset Allocation to Managers:

NTAM	11.8%
Wellington Management Company	2.2%
PIMCO	3.4%
Neuberger Berman	8.9%
Harding Loevner	8.8%
BlackRock	0.0%
CenterSquare	4.9%
Wellington Commodities	5.0%
Brown Brothers Harriman	0.0%
Harvest Fund Advisors	5.2%
Adams Street Partners	5.9%
HighVista Strategies	0.6%

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Grosvenor Capital	3.8%
50 South Capital	1.0%
Baird Advisors	13.9%
Western Asset Management	14.0%
Cash Account	10.6%

**Police and Fire Retirement System**

Asset Commitments as of 06/30/24:

Domestic Equity	19.3%
Non-U.S. Equity	17.5%
Fixed Income	26.7%
Global Low Volatility	0.0%
Real Estate	4.9%
Private Equity	6.2%
Commodities	5.0%
Midstream Energy	5.5%
TIPS	0.0%
Private Credit	4.3%
Cash Equivalents	10.8%

Asset Allocation to Managers:

NTAM	12.4%
Wellington Management Company	2.8%
PIMCO	4.1%
Neuberger Berman	8.9%
Harding Loevner	8.6%
BlackRock	0.0%
CenterSquare	4.9%
Wellington Commodities	5.0%
Brown Brothers Harriman	0.0%
Harvest Fund Advisors	5.5%
Adams Street Partners	5.6%
HighVista Strategies	0.6%
Grosvenor Capital	3.4%
50 South Capital	0.9%
Baird Advisors	13.3%
Western Asset Management	13.4%
Cash Account	10.8%

Ms. Korzen commented that she just received an email from Western Asset Management (WAM) noting that Mr. Ken Leach will be taking a leave of absence from WAM to address an SEC investigation into certain past trade allocations involving treasury derivatives in select WAM accounts. Mr. Mike Buchanan will be assuming the roles of Chief Investment Officer during Mr. Leach's absence. Mr. Holycross stated that Mariner had a meeting planned with WAM in the near future, but will escalate that meeting and keep Trustees informed. The report was received and filed by the Chairman.

Mr. Holycross and Ms. Nye provided Trustees with a report on fees for traditional assets. Ms. Nye commented that in reviewing traditional investment manager fees, all managers are at or below average for similar accounts. She stated that Midstream Energy and Real Estate was not included as the data set for peer comparisons of fee schedules does not contain enough entries to be statistically relevant. In the U.S. Small Cap Equity space, 126 managers were compared, with 1,555 observations, while in the International Equity, Developed Markets space, 112 managers were compared, with 1,871 observations. In the U.S. Broad Market Core Fixed Income space, 84 managers were compared, with 1,300 observations, and in the U.S. Broad Market Core + Fixed Income space, 51 managers were compared, with 902 observations. Mr. Timkovich asked when the asset allocation study will be forthcoming from Mariner; Ms. Nye indicated that they were waiting for the updated actuarial valuation before the study is prepared; however, she stated that they will prepare the report soon rather than wait for the updated actuarial valuation in November.

The Executive Director next addressed the current lease with the Masonic Center Building by noting that the anniversary date of the lease commencement was July 1, 2023. The base rent of the lease agreement is adjusted annually for the cost of living. She stated that the base rent for the Retirement Systems office space will be adjusted by the current CPI which is 3.4%. Starting July 1, 2024, the new monthly rent

will be \$2,786.32 Ms. Korzen noted that the current lease with the Masonic Center will be up for renewal on July 1, 2028.

Board approval was requested for attendance at the following conferences: the Baird Advisors Conference to be held September 8 - 9 by Chairman Hawkins, Mr. Tryc and Mr. Ewald; the Fall MAPERS Conference to be held September 22 - 24 by Mr. Tryc, Mr. Timkovich, Mr. Ewald, Mr. Fabiano, Ms. Korzen, and Ms. Williams, and the NCPERS Public Safety Conference to be held October 27 – 30 by Mr. Ewald and Mr. Fabiano. 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 Ms. Jackson and carried.

There were no comments on items not on the agenda.

Ms. Korzen stated that she recently received a request from Adams Street Partners (ASP) to extend the term of their 2010 Direct Fund as there are a few investments in the fund that should not be sold at this time. Mr. Michaud reviewed the letter and recommended that the term be extended for 1 year.

The Executive Director updated Trustees on the process for finding a replacement for her due to her upcoming retirement. She noted that the position was posted on the MAPERS website and so far there has been one applicant. She will keep Trustees informed on the progress of the posting. The deadline for application submissions is September 4, 2024.

Chairman Hawkins stated that the following Trustees and staff attended a dinner with Ms. Lisa Davenport and Mr. Brian Faleiro of Neuberger Berman: Chairman Hawkins and spouse, Mr. Ewald and spouse, Mr. Timkovich and spouse, Mr. Tryc and spouse, Ms. Holly Jackson and spouse, and Ms. Korzen.

The meeting adjourned at 10:11 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, September 18, 2024, at 8:05 a.m., 233 Fulton Street East, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems