

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

MINUTES
JOINT MEETING
FEBRUARY 17, 2021 – 8:06 a.m.
VIA ONLINE CONFERENCE

The meeting was called to order by Chairman Hawkins, Kent County, MI. Other members present: Mr. David Tryc, Kent County, MI, Mr. Craig VanderWall, Kent County, MI, Mr. Martin Timkovich, Kent County, MI, Mr. Philip Balkema, Kent County, MI, Mr. William Butts, Kent County, MI, Mr. Phillip Mitchell, Kent County, MI, Ms. Donijo DeJonge, Panama City, FL, Mr. Nathaniel Moody, Kent County, MI, and Mr. Robert Veenstra, Kent County, MI.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Kent County, MI, Mr. Thomas Michaud, Legal Advisor to the Boards, Ms. Anna Koscielecka and Mr. Matthew Murdoch of Aberdeen Standard Investments, Mr. Kevin Gore and Mr. Travis Carr of Western Asset Management, Mr. Calvin Born and Mr. Jake McClelland of Wilshire Associates, Inc., Mr. John Globensky, Grand Rapids City Treasurer, Mr. Scott Saindon, Fiscal Services Manager for the City of Grand Rapids, and Ms. Lisa Balkema, Retirement Services Specialist, Mecosta County, MI.

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of January 20, 2021. The motion was seconded by Mr. Timkovich and carried.

Ms. Anna Koscielecka, Manager, and Mr. Matthew Murdoch, Director, of Aberdeen Standard Investments (Aberdeen) presented their firm's annual report to Trustees. Ms. Koscielecka noted that Aberdeen is a global asset management company listed on the London Stock Exchange and has over 1,000 investment professionals worldwide across 39 locations. Aberdeen has a multi-asset product range that spans private equity, private credit, venture capital, infrastructure, and real assets strategies. Aberdeen has approximately \$562.9 billion in assets under management. Aberdeen has 50 investment professionals globally and has a distinct focus on the least efficient segments of private markets, offering tailored solutions via commingled funds and segregated mandates. Ms. Koscielecka reviewed Aberdeen's organization, people, and process. Ms. Koscielecka noted that European buyout activity has increased following the 2009 trough and U.S. buyout market has been particularly active recently with 2020 representing the largest annual value of buyouts since the global financial crisis, despite the global pandemic. 2020 was a record 12 months for the venture market in Europe, a record year on the investment front for U.S. venture capital, and Asian venture capital has seen a significant expansion in the last 5 years. She provided information on regional and sector breakdowns within the buyouts market and exit activity on European buyouts, U.S. buyouts, and U.S. venture capital. She noted that in mid-March through April of 2020 Aberdeen reached out to its managers to assess the impacts of COVID-19. While 1Q20 returns were down, they rebounded in 2Q20. Ms. Koscielecka commented on fundraising volume and value for Europe and the U.S. and global private equity markets. She provided an overview on U.S. buyout activity, recent performance, and U.S. industry dynamics and commented on European investment activity and returns. She provided Trustees with an overview of the Aberdeen Global Partners I, L.P. structure and noted that they offer a single solution providing access to a global portfolio of the "best in class" private capital managers while providing administrative ease. Ms. Koscielecka noted that Aberdeen Global Partners is 100% committed and of that, 99% has been called. She stated that they have 63 fund commitments and 12 co-investments and \$34 million has been distributed to LPs. She reviewed the geographic and industry diversification, portfolio trends, investment stage, and valuation status for the Aberdeen Global Partners I portfolio. She also commented on

Aberdeen’s current fund manager commitments and underlying portfolio characteristics and provided a portfolio update and various statistical data. The report was received and filed by Chairman Hawkins.

Mr. Kevin Gore, Client Service Executive, and Mr. Travis Carr, Product Specialist and CFA, of Western Asset Management (WAM) presented their firm’s annual report to Trustees. Mr. Gore provided Trustees with an update of WAM and noted that as of December 31, 2020 WAM has 131 investment professionals on five continents and seven offices, with \$484.5 billion in global assets under management. Mr. Gore noted that Franklin Templeton recently bought Legg Mason; the sale is now complete. Mr. Gore reviewed the firm’s investment management team, investment philosophy and process and provided a business update on the firm; WAM employs a long-term, fundamental value discipline and multiple diversified strategies. Mr. Carr reviewed the risk strategies that WAM employs for the portfolios by noting that they believe integrating risk management into portfolio construction and in the independent review of portfolio risks strengthens its effectiveness. Mr. Gore noted that WAM’s investment strategy seeks to maximize return via a well-diversified, long-term value-based core fixed income portfolio that includes limited opportunistic exposure to the “plus” sectors (high yield and non-U.S. and emerging market debt). He reviewed WAM’s attribution statistics, investment results, sector exposure, and portfolio positioning v. the Bloomberg Barclays U.S. Aggregate Unhedged Index. He reviewed WAM’s investment thought process during 1Q20 going forward after assessing the impacts of COVID-19. Mr. Carr provided a market outlook for 2021 by noting that with respect to COVID-19, humanity will win this war, although it is currently losing the battle, the global economy is recovering, fiscal and monetary policy should stay supportive, the 2nd half of 2021 should see a meaningful pickup in growth as the economy reopens, reopening spread products should outperform Treasury and sovereign bonds, emerging markets should particularly benefit, and the dollar should weaken only mildly. He noted that while the global economy is gaining traction, it faces a protracted period of output slack and global governments have provided an enormous amount of stimulus. The road ahead for Europe appears challenging and WAM expects Europe to recover to pre-crisis activity levels, but not before the end of 2022. He stated that leading indicators in China are encouraging and financial market conditions continue to be growth-supportive and fiscal policy has become more supportive as well. The Fed expects only a gradual rise in inflation and while consumer fundamentals have improved, the labor market remains wounded. He stated that U.S. rates are attractive on a relative basis and both fundamentals and technicals appear strong for investment-grade corporates. Mr. Gore reviewed the attribution statistics, sector and credit sector exposures and portfolio positioning and provided the following return statistics for both portfolios as of December 31, 2020:

	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>Since Inception*</u>
General Retirement System	10.8%	7.3%	6.9%	5.9%	6.1%
Police & Fire Retirement System	10.8%	7.3%	6.9%	5.9%	6.0%
Bloomberg Barclays U.S. Agg. UH Index	7.5%	5.3%	4.4%	3.8%	4.4%

*April 30, 2004

The report was received and filed by Chairman Hawkins.

Mr. Calvin Born and Mr. Jake McClelland presented the quarterly performance report to Trustees. Mr. Born commented that although the Coronavirus is accelerating and many cities are re-imposing restrictions, both consumer and business surveys are moderating at encouraging levels. Job growth has slowed dramatically, and initial jobless claims remain at what would normally be historic levels. Consumer price changes slowed during the 4th quarter with modest gains during the past 12 months. The CPI was up 0.4% for the three months ending November and up 1.2% for the one-year period. A second wave of COVID-19 infections is hindering several European countries and the ECB responded by expanding its money-printing programs by hundreds of billions of euros. The Chinese economy is poised for growth this year and that is driven by the PRC’s traditional strengths such as exports, while domestic demand is still weak. The U.S. Treasury yield curve was up across most maturities with the 10-year Treasury yield ending the quarter at 0.93%. The FOMC met twice with no changes to their overnight rate, which they expect will be near zero through 2023. Mr. Born 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 Systems was conducted.

**SUMMARY OF RETURNS
PERIODS ENDED 12/31/20**

<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	9.76	10.32	7.16	8.53	7.85
Policy Index	9.40	7.99	6.09	7.54	6.68
Police & Fire Retirement System	9.88	10.43	7.15	8.52	7.86
Policy Index	9.40	7.99	6.09	7.54	6.68

General Retirement System

<u>Asset Commitments as of 12/31/20:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	18.7%	NTAM	12.0%
International Equity	19.8%	PIMCO	2.3%
Fixed Income	22.8%	Wellington Management Company	4.6%
Real Estate	4.7%	Baird Advisors	11.2%
Private Equity	5.9%	Western Asset Management	11.7%
Commodities	4.3%	Neuberger Berman	10.1%
Midstream Energy	4.0%	Harding Loevner	9.7%
TIPS	5.3%	CenterSquare Investment Management	4.7%
Private Credit	4.4%	Adams Street Partners	4.6%
Global Low Volatility	9.7%	Aberdeen Asset Management	1.3%
Cash	0.5%	Wellington Commodities	4.3%
		Harvest Fund Advisors	4.0%
		Brown Brothers Harriman	5.3%
		Grosvenor Capital Management	3.3%
		50 South Capital	1.2%
		BlackRock	9.7%
		Cash	0.5%

Police and Fire Retirement System

<u>Asset Commitments as of 12/31/20:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	19.4%	NTAM	12.1%
International Equity	20.1%	PIMCO	2.4%
Fixed Income	23.1%	Wellington Management Company	5.0%
Real Estate	4.5%	Baird Advisors	11.6%
Private Equity	5.6%	Western Asset Management	11.6%
Commodities	4.5%	Neuberger Berman	10.2%
Midstream Energy	3.9%	Harding Loevner	10.0%
TIPS	4.8%	CenterSquare Investment Management	4.6%
Private Credit	4.2%	Adams Street Partners	4.4%
Global Low Volatility	9.4%	Aberdeen Asset Management	1.3%
Cash	0.5%	Wellington Commodities	4.5%
		Harvest Fund Advisors	3.9%
		Brown Brothers Harriman	4.8%
		Grosvenor Capital Management	3.1%
		50 South Capital	1.1%
		BlackRock	9.5%
		Cash	0.5%

The reports were received and filed by Chairman Hawkins.

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

The meeting adjourned at 9:45 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, March 17, 2021, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems