

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

MINUTES
JOINT MEETING
JUNE 15, 2022 – 8:05 a.m.
233 E. Fulton Street

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Scott Dohemann and Mr. Andrew Citron of BlackRock Institutional Trust Company, Mr. Patrick Wilson and Ms. Sharon Liss of CenterSquare Investment Management, and Mr. Jake McClelland of Wilshire.

Mr. Tryc made the motion to excuse the absences of Mr. Timkovich, Mr. Balkema, and Mr. Ewald. The motion was seconded by Mr. VanderWall and carried.

There were no public comments regarding agenda items.

Mr. Butts made the motion to approve the minutes of the Joint Meeting of May 18, 2022. The motion was seconded by Ms. DeJonge and carried.

Mr. Scott Dohemann, Head of U.S. Index Strategy, and Mr. Andrew Citron, CFA and Director of Institutional Business Development, of BlackRock Institutional Trust Company (BlackRock) presented their firm's annual report to Trustees. Mr. Citron noted that BlackRock was established in 1988 and as of March 31, 2022, had \$9.57 trillion in assets under management. He provided an overview of who BlackRock is and the clients they serve. They have over 18,000 employees, 100 countries with BlackRock clients, and offices in over 35 countries. He commented on inflation and interest rates in the market. BlackRock has an integrated process with sustainable solutions while providing investment stewardship and corporate sustainability. They have built the world's leading investment and risk management platform. Mr. Citron reviewed BlackRock's Index Equity platform. He noted that they focus on consistent performance with efficient outcomes for clients and offer an extensive and flexible platform for their index strategies with sophisticated technology and risk management. BlackRock provides value, innovation, expertise, client focus, performance, and customization for its clients. He stated that indexing has grown across vehicles, exposures and use cases and technology has allowed asset owners to index more efficiently. BlackRock continues to invest in a scalable investment engine with a focus on: 1) people; 2) platform; and 3) process. Mr. Dohemann reviewed BlackRock's organization, people, and process. BlackRock focuses on efficient performance outcomes supported by their proprietary operating system. Their operating system helps them with performance and oversight, efficient trading, benchmark knowledge, and portfolio construction. Their portfolio risk monitoring is a continual process. Mr. Dohemann provided Trustees with a Corporate action case study and an Index Change case study to illustrate their capabilities. He provided highlights from recent index rebalances: 1) MSCI November 2021; 2) Russell Reconstitution in 2021; and 3) FTSE/Russell/SPDJ December 2021. He also provided an overview of the major sources of tracking error with respect to global and domestic index funds. Investment returns as of 03/31/22 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>Q1*</u>	<u>1-Yr.</u>	<u>3-Yr.</u>	<u>5-Yr.</u>	<u>Since Inception**</u>
Fund	-2.92%	8.94%	8.12%	9.02%	8.97%
MSCI ACWI Min. Vol. NDR Index	-3.02%	8.63%	7.70%	8.55%	8.47%

*Period returns for less than a year are cumulative

**Fund Inception date – August 13, 2013

Mr. Dohemann provided characteristics on BlackRock’s MSCI ACWI minimum volatility index fund. He noted that BlackRock is the world’s largest manager of indexed assets with \$4.73 trillion in index assets under management across equity and fixed income, and they can drive lower costs due to their scale. He provided Trustees with an overview on any Russian securities held within the portfolio and any impacts they may have. The report was received and filed by Chairman Hawkins.

Mr. Patrick Wilson, CFA and Portfolio Manager, and Ms. Sharon Liss, Director, Capital Markets, of CenterSquare Investment Management (CS) presented their firm’s annual report to Trustees. Ms. Liss provided Trustees with an overview of CS and noted the CS has \$15 billion in assets under management as of April 30, 2022. CS was founded in 1987 and has 90 professionals and 40 employee owners. She reviewed their investment team and process. She noted that the factors affecting investments over the 6-12 months will be: 1) monetary policy and interest rates; 2) inflation outlook; and 3) economic growth outlook. CS invests in a diversified portfolio of real estate securities identified as undervalued v. the FTSE NAREIT Equity REIT Index. CS aims to uncover these low-relative price opportunities across sectors and between comparable stocks. Mr. Wilson reviewed the sector performance and performance attribution for the portfolios since December 31, 2021. Investment returns as of 04/30/22 for the General and Police & Fire Retirement Systems’ portfolios were reported as follows:

	<u>YTD-2022</u>	<u>Trailing 12 Mo.</u>	<u>Annualized Since Inception*</u>
General Retirement System	-7.01%	-12.73%	9.48%
Police & Fire Retirement System	-7.02%	-12.73%	9.50%
FTSE NAREIT Equity REITs Index	-8.08%	-11.92%	7.80%

*Inception date – September 30, 2019

Mr. Wilson commented on the following current market drivers: 1) interest rates; 2) Federal Reserve policy shift; 3) improving real estate fundamentals; 4) a decline in COVID cases and severity; 5) inflation; and 6) the war in Ukraine. He noted that U.S. REITs outperformed broader equities in the first quarter of 2022 despite higher interest rates and the Fed’s first rate hike in years; all sectors produced positive returns in the first quarter of 2022. He compared that relative performance of REITs v. major indices. Economic growth should be above long-term trends in 2022, but lower than 2021. Supply is not keeping pace with demand in many sectors and operating fundamentals broadly surprised to the upside driven by a strong consumer. He stated that inflation will likely be elevated, perhaps significantly so, for quite some time. Mr. Wilson noted that REIT earnings growth for 2022 and 2023 should be robust and expense growth acceleration could partially offset revenue growth. CS believes that REITs should generate 7% - 9% annual total returns over the medium-term and there are favorable valuations. He noted that companies have started to return to the office, but vibrancy is still lacking; leasing activity stopped improving in the first quarter of 2022. Secular trends should provide resiliency as the pandemic accelerated e-commerce demand and highlighted the need for a resilient and sophisticated supply chain with redundancy in inventory levels. Industrial REITs remain a solid secular story with growth in e-commerce as a tailwind. With respect to residential issues, demographics suggest more housing is needed. In the retail arena, the demand for space continues amid rising inflation. He noted that net lease acquisitions are at record breaking levels and the hotel outlook is improving. Mr. Wilson noted that the CS portfolio screens favorably v. the index

across all environmental, social, and governance category scores. He provided an overview of CS' ESG engagement. The report was received and filed by Chairman Hawkins.

Ms. Korzen next addressed the renewal quotes for the Fiduciary Liability insurance policies for the period 07/01/22 – 07/01/23 from Euclid Specialty. The renewal policies would renew with the same terms and the quotes for the premiums would be \$16,085 for the Police & Fire Retirement System (an approximate increase of 5.3%) and \$17,175 for the General Retirement System (an approximate increase of 7.8%). Ms. Korzen stated that the increases were due primarily to higher claims experienced by the company, higher asset levels for the plans, and the rates have been the same for the last two years. Mr. VanderWall made the motion on behalf of the Police & Fire Retirement System to renew the Euclid policy with non-indemnifiable public entity coverage as outlined in the proposal for the period 07/01/22 – 07/01/23 for \$16,085. The motion was seconded by Mr. Mitchell and carried. Mr. Tryc made the motion on behalf of the General Retirement System to renew the Euclid policy with non-indemnifiable public entity coverage as outlined in the proposal for the period 07/01/22 – 07/01/23 for \$17,175. The motion was seconded by Mr. Moody and carried. Ms. Korzen also noted that the Commercial policy listed a renewal amount of \$1,120.00 for the period 07/01/22 - 07/01/23, down slightly from the current rate. Mr. Mitchell made the motion to renew the AmTrust North America Commercial policy as outlined in the proposal for the period 07/01/22 – 07/01/23 for \$1,120.00. The motion was seconded by Mr. Butts and carried.

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

Ms. Korzen noted that the contract with Northern Trust (NT) is due to expire September 30, 2022 and asked Trustees if they wish to issue an RFP or continue with NT. She stated that an RFP was issued 3 years ago, but upon review of the three candidates that responded, NT was the prudent choice. Mr. Michaud stated that it is common practice to issue RFPs periodically for custody/benefit payment services, but every 5-6 years is the norm. Mr. Mitchell asked if there are any problems with NT; Ms. Korzen stated there have been some problems, but mainly they are on the operational side and NT is now holding monthly meetings with the Retirement Systems office staff to address any issues. Following Trustee discussion, it was decided that barring any major issues, they will continue the relationship with NT.

Chairman Hawkins stated that the following Trustees and staff will be attending a brunch with Mr. Andrew Citron of BlackRock: Chairman Hawkins, Mr. Tryc, Mr. VanderWall, and Ms. Korzen.

The meeting adjourned at 9:14 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, August 17, 2022, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems