

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

MINUTES
JOINT MEETING
JUNE 21, 2023 – 8:13 a.m.
233 E. Fulton Street

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Andrew Citron and Mr. Mark Aziz of BlackRock Institutional Trust Company, and Mr. Rob Goldstein and Ms. Sharon Liss of CenterSquare Investment Management.

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

There were no public comments regarding agenda items.

Mr. Fabiano made the motion to approve the minutes of the Joint Meeting of May 17, 2023. The motion was seconded by Mr. Tryc and carried.

Mr. Rob Goldstein, 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 that CS has \$13 billion in assets under management as of January 31, 2023. CS has 35 years of experience in investing in real estate and they have more than 100 professionals. CS has 40+ employee owners and over 100 institutional relationships as well as a diversified client base. Mr. Goldstein reviewed their people, organization, and process and informed Trustees of recent staffing changes, but assured them that day-to-day operations have not changed. Mr. Goldstein reviewed the performance attribution over various time periods. Investment returns as of 04/30/23 for the General and Police & Fire Retirement Systems’ portfolios were reported as follows:

	<u>YTD 2023</u>	<u>Trailing 12 Months</u>	<u>Since Inception*</u>
General Retirement System	4.07%	-14.69%	2.11%
Police & Fire Retirement System	4.07%	-14.72%	2.11%
FTSE NAREIT Equity REITs Index	3.54%	-14.80%	0.94%

*Inception date – September 30, 2019

Mr. Goldstein provided Trustees an overview on the state of the U.S. economy, commenting on monetary policy, credit conditions, the labor market, the housing market, and politics. He noted that some of the market drivers in the REIT market have been: 1) the community and regional bank market; 2) interest rates; 3) the Federal Reserve; 4) a probability of recession; 5) earnings forecasts; 6) inflation; and 7) real estate fundamentals. Mr. Goldstein stated that U.S. REITs rose 2.68% in the first quarter 2023 but

underperformed broad equities as problems in the banking market weighed on commercial real estate. There was a big dispersion in the first quarter 2023 in REIT returns. He commented on the relative performance of REITs v. major indices, real estate fundamentals, and earnings growth. Mr. Goldstein commented that the REIT outlook has attractive relative valuation and yields. CS believes that REITs should generate 8-12% in annual total returns over the medium-term. He reviewed the REIT investment landscape and noted that we are past peak inflation and structural issues will keep inflation from reaching the Fed's 2% target. REIT balance sheets are well-positioned to withstand a credit crisis and rising rates and REIT leverage is better positioned than going into the global financial crisis. Mr. Goldstein provided Trustees with a sector commentary and analysis. CS screens favorably v. the index across all ESG category scores. He commented on CS's ESG engagement highlights so far in 2023. The report was received and filed by Chairman Hawkins.

Mr. Mark Aziz, CFA, and Vice President Index Equity Strategist, 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. BlackRock offers an extensive and flexible platform for index strategies and create solutions for their clients so they have access to high quality index exposures. Ms. Citron reviewed BlackRock's organization, people, and process. BlackRock seeks to deliver efficient investment outcomes through their risk management and cost efficiency processes. Mr. Aziz noted that in 2023, the MSCI global investable market indexes transitioned to a quarterly comprehensive index review schedule as part of the February 2023 index review and turnover increased in the MSCI small cap indexes due to implementation of QCIR criteria due to wider buffer zones. With respect to the Russell reconstitution in 2022, the overall trade size was approximately 20% smaller than June 2021, driven by downward market moves. The FTSE/Russell/SPDJ/Morningstar March 2023 rebalance was slightly smaller from last year's notional of \$61 billion. The MSCI reclassified Russia from emerging to standalone status in one step at market close on March 9, 2022. Mr. Aziz provided Trustees with additional information on the 2023 MSCI index rebalance results and the 2022 Russell reconstitution. Investment returns as of 03/31/23 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>MTD</u>	<u>Q1</u>	<u>YTD</u>	<u>Since Fund Inception*</u>
Fund	3.84%	1.73%	1.73%	7.34%
MSCI ACWI Min. Vol. NDR Index	3.71%	1.53%	1.53%	6.86%

*Fund Inception date – August 13, 2013

Mr. Aziz provided characteristics on BlackRock's MSCI ACWI minimum volatility index fund as well as the major sources of tracking error on global and domestic index funds. He provided a strategy overview and objective for an optimal beta asset allocation. He noted that BlackRock's scale can help drive lower costs due to the size of their trading footprint, the diversity of their client base, and large seasoned funds may require less market trading. He stated that BlackRock is an asset manager whose purpose is to create better financial futures for their clients and the people they serve. Mr. Aziz reviewed the opportunity spectrum and provided an overview on the index plus strategy. He commented that certain broad, persistent sources of return have historically outperformed market cap weighted benchmarks. He provided an overview of their Systematic Active Equity platform and reviewed their different platform offerings at BlackRock. 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 07/01/23 – 07/01/24 from Euclid/Hudson. The policies would renew with mostly the same terms and a few enhancements and the premiums would be \$16,224 for the Police & Fire Retirement

System and \$17,338 for the General Retirement System. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to renew the Euclid policy as outlined in the proposal for the period 07/01/23 – 07/01/24 for \$16,224. The motion was seconded by Mr. Fabiano and carried. Mr. Tryc made the motion on behalf of the General Retirement System to renew the Euclid policy as outlined in the proposal for the period 07/01/23 – 07/01/24 for \$17,338. The motion was seconded by Mr. Mitchell and carried. Mr. Tryc asked why the General Retirement System coverage is more expensive than the coverage for the Police & Fire Retirement System; Ms. Korzen stated she was not sure but will check with the company and report her findings to Trustees at a later date. Ms. Korzen also noted that the Commercial policy listed a renewal amount of \$1,611.00 for the period 07/01/23 - 07/01/24, up from the current rate of \$1,120.00. She stated that the policy auto-renews, but she has voiced her concerns to the agent regarding the significant price increase. They will check with other providers and let Ms. Korzen know if there are any other suitable candidates with a lower premium. She stated that it would need to be approved now, but the policy could be canceled later if a new policy is issued with a different carrier. Chairman Hawkins asked Ms. Korzen to pursue this issue and keep Trustees informed of any changes. Mr. Balkema made the motion to renew the AmTrust North America Commercial policy as outlined in the proposal for the period 07/01/23 – 07/01/24 for \$1,611.00. The motion was seconded by Mr. Tryc and carried.

The Executive Director next addressed the current lease with the Masonic Center Building by noting that the current lease expires June 30, 2023. The proposed lease included a 5% increase as the rate is tied to CPI. Upon review of the lease, Chairman Hawkins, Mr. Michaud, and Ms. Korzen asked them to change the section regarding legal costs to have it read that each party covers its own legal costs; the Masonic Center representatives agreed. Ms. Korzen also pointed out to the Masonic Center that there are a lot of vacancies in the building and in the downtown area; the lease will instead include a 3% rent increase. The lease will be a 5-year lease. Mr. Mitchell made the motion to approve the lease with the Masonic Center for the next five years as outlined in their proposed lease agreement. The motion was seconded by Mr. Tryc and carried.

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

Chairman Hawkins commented that he would like the discussion regarding professional services to the Boards to continue to be reviewed on a regular basis. These services would encompass: 1) actuarial; 2) audit; 3) investment consultant; 4) custodial; and 5) legal. Investment managers are reviewed separately with the assistance of the investment consultant. He noted that the last time an RFP was issued for investment consultant services was 2016 and felt it was time to revisit this issue. Mr. Mitchell agreed and stated that an RFP should be issued for investment consultant services and have the companies provide information on all of the services that they can offer the Retirement Systems. He stated that he felt there are pros and cons to implementing a global investment solution as Wilshire has proposed; Trustees agreed. Mr. Mitchell stated that the value the Retirement Systems receives is more important than cost. Mr. Ewald, Mr. Tryc, and Mr. Balkema voiced their concerns about the global investment solution option as it would be giving too much control over the assets to the investment consultant. Mr. Michaud commented that adhering to the policy in place regarding professional services reviews will help Trustees be more educated on the providers and their processes and will assist in obtaining the best value in services for the Retirement Systems. He stated that one provider should be reviewed each year so that a schedule of every 5 years for each type of provider is maintained. He noted that Trustees could designate the same month in each year to review a particular provider and decide if an RFP is necessary. Ms. Korzen noted that the last time an RFP was issued for custody services was 2019. Trustees agreed to issue an RFP for investment consultant services and have this issued within approximately 30 days. Any interviews could be conducted in October as there are no Board meetings scheduled that month. She asked if an open RFP should be issued for the investment consultant services; Mr. Michaud suggested that would be prudent and offered his assistance in the issuance of the RFP.

Chairman Hawkins commented that Mr. VanderWall, Mr. Citron, and Mr. Aziz have offered to take Trustees to brunch after today's Board meetings.

The meeting adjourned at 9:15 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, August 16, 2023, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems