

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

MINUTES  
JOINT MEETING  
JUNE 12, 2024 – 8:06 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 (virtual), Mr. Matthew Tomlins, Ms. Bryn Pellowe and Mr. Andrew Citron (virtual), Ms. Abby Woodham (virtual) of BlackRock Institutional Trust Company, Mr. Patrick Wilson and Ms. Rachel Gines of CenterSquare Investment Management, and Mr. Brian Green and Ms. Mary Nye of Mariner.

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of May 15, 2024. The motion was seconded by Mr. Tryc and carried.

Mr. Patrick Wilson, CFA and Portfolio Manager, and Ms. Rachel Gines, Vice President, Capital Markets, of CenterSquare Investment Management (CS) presented their firm’s annual report to Trustees. Ms. Gines provided Trustees with an overview of CS and noted the CS has \$13 billion in assets under management as of December 31, 2023. CS has 35 years of experience investing in real estate, approximately 100 professionals, 39 employee owners, and over 150 institutional relationships. She reviewed their investment team and process. Mr. Wilson reviewed the sector performance, performance attribution and strategy positioning for the portfolios as of April 30, 2024. Investment returns as of 04/30/24 for the General and Police & Fire Retirement Systems’ portfolios were reported as follows:

	<u>YTD</u>	<u>1-Year</u>	<u>Annualized Since Inception*</u>
General Retirement System	-6.91%	2.16%	2.12%
Police & Fire Retirement System	-6.90%	2.16%	2.12%
FTSE NAREIT Equity REITs Index	-7.20%	1.94%	1.15%

\*Inception date – September 30, 2019

Mr. Wilson commented that inflation data exceeded expectations during the quarter, as job growth and consumer resilience proved stronger than anticipated. Access to credit remains constrained across all sectors of commercial real estate, with lenders right-sizing their balance sheets and restricting investments due to uncertain economic growth. During the quarter, jobs demonstrated significant strength and unemployment remains low. Higher mortgage rates have resulted in the inventory of resale homes remaining near historic lows. The upcoming 2024 Presidential election will be a focal point for investors and the media. He stated that sticky inflation is reinforcing a "higher for longer" sentiment and a real estate pricing reset is still ahead in private markets. The credit market remains on the top of investors’ minds and market factors are governing new real estate supply. He reviewed the market conditions with respect to credit markets. He commented on the current market drivers: 1) interest rates; 2) recession probability; 3) earnings; 4) inflation; 5) energy prices; and 6) real estate fundamentals. He stated

that U.S. REITs fell slightly in the first quarter of 2024 and lagged broader equities as interest rates rose. The U.S. REIT sectors were mixed in the first quarter of 2024. He commented on the relative performance of REITs v. the major indices for the first quarter of 2024. Mr. Wilson reviewed earnings growth and valuation metrics. He provided CS' outlook for REITs by stating the relative valuation and yields are attractive. They believe that REITs should generate 8-12% annual total returns over the medium-term and provide favorable valuations. He noted that on the industrial side, supply remains a headwind as leasing activity slows and on the office side, landlord credit criteria is rising as a top tenant priority. Retail demand continues despite bankruptcies and residential supply is a concern though jobs remain robust. Senior housing continues to shine and digital infrastructure is experiencing cloud demand with an AI boost. Mr. Wilson provided an update on how CS is engaging ESG. The report was received and filed by Chairman Hawkins.

Mr. Andrew Citron, CFA and Director of Institutional Business Development, Mr. Matthew Tomlinson, Index Equity Strategy Team, Ms. Abby Woodham, Senior Strategist, and Ms. Bryn Pellowe, Relationship Manager, of BlackRock Institutional Trust Company (BlackRock) presented their firm's annual report to Trustees. Mr. Tomlinson commented on the current indexing landscape and recent and upcoming index events. Chairman Hawkins asked if BlackRock has encountered any SEC issues; Mr. Tomlinson stated not at this time as they are in the process of their annual process audit. He stated that BlackRock has over 50 years of experience in index equity and they have \$7.04 trillion in indexed assets as of the first quarter 2024. He reviewed BlackRock's index equity team, process, and philosophy. They focus on efficient performance outcomes that are supported by their proprietary Aladdin technology. BlackRock employs performance and oversight utilizing benchmark knowledge and efficient trading when constructing their portfolio. He reviewed their processes that utilize Aladdin and stated that they have a scalable trading platform. BlackRock employs a continual process with respect to portfolio risk monitoring; they complete a daily portfolio management review, monthly index review committee meeting with senior management, and an independent review from their Risk and Quantitative Analysis group. Mr. Tomlinson highlighted the events from the recent MSCI index rebalance and the 2023 Russell Reconstitution. Investment returns as of 03/31/24 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>10-Yr.</u>
Fund	4.73%	11.59%	4.66%	5.87%	7.69%
MSCI ACWI Min. Vol. NDR Index	4.71%	11.12%	4.26%	5.44%	7.22%

\*Period returns for less than a year are cumulative

Mr. Tomlinson provided characteristics on BlackRock's MSCI ACWI minimum volatility index fund. He commented on the major sources of tracking error for global and domestic index funds and which lead to performance headwinds and which lead to performance tailwinds. The report was received and filed by Chairman Hawkins.

Mr. Brian Green and Ms. Mary Nye of Mariner next presented Trustees with a report regarding their recommendations on asset allocation changes. Chairman Hawkins reminded Mariner that this is a new relationship between them and the Boards and they would need to be educated on why Mariner feels their proposal is warranted and how it would be accomplished if approved by Trustees. He would also like to be informed of any other systems that have implemented such an asset allocation and how that is working out for them. Ms. Nye commented on Mariner's asset allocation process: 1) set objectives; 2) determine risk level; 3) select asset classes; 4) model portfolio; and (5) provide asset allocation recommendations. She stated that Mariner is looking at the Retirement Systems' Investment Policy Statements (IPS) broadly. Mr. Green provided updated return projections for the various asset classes and noted that they believe there will be an average expected return of 6.03%. Mr. Green provided Trustees with portfolio mix considerations and the probability of meeting or exceeding return assumptions. He stated that Mariner is recommending the following policy target changes:

<u>Asset Class</u>	<u>Current Target</u>	<u>Recommended Target</u>
U.S. Large Cap	15.00%	24.00%
U.S. Small Cap	2.75%	6.75%
International Equity	17.75%	21.75%
Global Low Volatility	10.00%	0.00%
Core Fixed Income	24.50%	31.50%
TIPS	5.00%	0.00%
Private Credit	5.00%	5.00%
Real Estate	5.00%	5.00%
MLPs	5.00%	0.00%
Commodities	5.00%	0.00%
Private Equity	5.00%	5.00%
Cash Account	0.00%	1.00%

Mariner recommends the following allocation actions: 1) eliminate the TIPS portfolio and consolidate the funds into Core Fixed Income; 2) eliminate the Global Low Volatility portfolio and consolidate the funds into U.S. Equity and International Equity; 3) eliminate the MLP portfolio and consolidate the funds into U.S. Large Cap; and 4) eliminate the Commodity portfolio and consolidate into U.S. Small Cap and Core Fixed Income. He stated that these recommendations can be accomplished via the adoption of revised Investment Policy Statements. If Trustees agree with the recommendations and the adoption of the revised Investment Policy Statements, the portfolios will need to be rebalanced to bring them in line with the target allocations. He stated there would likely be a slight uptick in costs to transition the TIPS portfolio to the existing fixed income portfolios. Mariner will try to negotiate lower fees with Baird Advisors and Western Asset Management. If the BlackRock portfolios were eliminated, Mariner would recommend reallocating the funds between the existing domestic equity and international managers. If Trustees wished to keep an allocation to BlackRock, move the funds into their ACWI account; however, this would likely not be a long-term allocation. Ms. Korzen clarified that if the TIPS portfolios were reallocated to Baird Advisors and Western Asset Management, the resulting allocation for each manager would be 50% of the fixed income asset class; Mr. Green agreed. If Trustees agreed to terminate the TIPS and Global Low Volatility portfolios, the U.S. Aggregate Bonds allocation would then be 28.50%, the Large Cap stocks allocation would be 19.00%, the Small Cap allocation would be 4.75%, and the EAFE Equity allocation would be 21.75%. Following Trustee discussion, Mr. Ewald made the motion on behalf of the Police & Fire Retirement System to remove the TIPS and Global Low Volatility portfolios and reallocate the funds per Mariner's report. The motion was seconded by Mr. Fabiano and carried. Mr. Butts made the motion on behalf of the General Retirement System to remove the TIPS and Global Low Volatility portfolios and reallocate the funds per Mariner's report. The motion was seconded by Mr. Tryc and carried; Ms. DeJonge voted no. Mr. Tryc commented, and Trustees agreed, that they should continue to discuss the MLP and Commodities portfolios. Mr. Michaud commented that there should be a separate motion in order to have the existing Investment Policy Statements revised to reflect the changes Trustees made today. Mr. Ewald made the motion on behalf of the Police & Fire Retirement System to revise the existing Investment Policy Statement to reflect the changes regarding the TIPS and Global Low Volatility portfolios. The motion was seconded by Mr. Fabiano and carried. Mr. Tryc made the motion on behalf of the General Retirement System to revise the existing Investment Policy Statement to reflect the changes regarding the TIPS and Global Low Volatility portfolios. The motion was seconded by Mr. Butts and carried.

Ms. Korzen next addressed the renewal quotes for the Fiduciary Liability insurance policies for the period 07/01/24 – 07/01/25 from Euclid/Hudson. The policies would renew with the same terms and premiums; the rate would be \$16,224 for the Police & Fire Retirement System and \$17,338 for the General Retirement System. Mr. Ewald made the motion on behalf of the Police & Fire Retirement System to renew the Euclid policy as outlined in the proposal for the period 07/01/24 – 07/01/25 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 07/01/24 – 07/01/25 for \$17,338. The motion was seconded by Mr. Butts and carried. Ms. Korzen also noted that the Commercial policy listed a premium of

\$816.00 with a new carrier, Travelers, for the period 07/01/24 - 07/01/25, down from the current rate of \$1,611. They also recommended an umbrella policy at a cost of \$635.00, which provides an additional \$1 million in liability coverage. Mr. Michaud stated that the umbrella policy would be a prudent addition; Ms. Jackson agreed. Mr. Tryc made the motion to purchase the Travelers policy as outlined in the proposal for the period 07/01/24 – 07/01/25 for \$816.00 plus the umbrella policy of \$635.00. The motion was seconded by Ms. Jackson and carried.

The Executive Director next addressed the topic of professional services review. She noted that Trustees decided to review one professional service provider each year. Chairman Hawkins commented that the Investment Consultant was just hired and that most other providers (custodial bank, legal services, and the auditor) do not need to be reviewed at this time due to timing of their contracts. Trustees agreed that they are satisfied with the actuarial services that they receive from Gabriel, Roeder, Smith and Company and to perhaps revisit this provider next year.

Chairman Hawkins commented that Ms. Korzen will be retiring in the early part of 2025 and the process for finding her replacement needs to be established. He noted that the Executive Director's job description should be updated by Ms. Korzen and reviewed by Trustees first. Trustees should consider the resources available to them (e.g., MAPERS) and develop a process for hiring the new Executive Director. Mr. Michaud stated that once the job description and salary expectations have been reviewed, a notice could be posted on the MAPERS website. Ms. DeJonge asked if an application is needed or a resume and cover letter; Mr. Michaud stated it a resume and cover letter would be appropriate. Mr. Balkema commented that it might be prudent to try to hire someone from within the state of Michigan. Ms. Korzen noted that since she would be likely retiring in January or February 2025, it would be prudent to have the new person in place by November or December this year so that she can have enough time to train the new person. Mr. Robbins stated that the City just recently hired two new directors, and they could be of assistance during the process if desired. Chairman Hawkins stated that once Ms. Korzen has reviewed/updated the Executive Director job description and salary expectations, he will distribute those to Trustees for their review. He suggested that a committee be formed to coordinate this process. The committee will consist of: Chairman Hawkins, Mr. Balkema, Mr. Tryc, Mr. Ewald, Ms. Jackson. It is hoped to have the opening posted in July. Ms. DeJonge asked if any credit checks or background checks will be performed on the new Executive Director; Chairman Hawkins said yes.

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

The meeting adjourned at 10:27 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, August 21, 2024, at 8:05 a.m., 233 Fulton Street East, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems