

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

MINUTES
JOINT MEETING
MARCH 17, 2021 – 8:09 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 Beach, FL, Mr. Nathaniel Moody, Columbus, OH, 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. Apurva Schwartz and Mr. Dylan Strober of Harding Loevner, Ms. Mariko Boswell and Mr. Connor Woods of PIMCO, Mr. David Lindberg, Mr. Calvin Born, and Mr. Jake McClelland of Wilshire Associates, Inc., Ms. Molly Clarin, Chief Financial Officer for the City of Grand Rapids, Mr. Scott Saindon, Fiscal Services Manager for the City of Grand Rapids, Mr. John Globensky, City Treasurer for the City of Grand Rapids, and Ms. Lisa Balkema, Retirement Services Specialist, Kent County, MI.

There were no public comments regarding agenda items.

Mr. Butts made the motion to approve the minutes of the Joint Meeting of February 17, 2021. The motion was seconded by Mr. Moody and carried.

Ms. Apurva Schwartz, Portfolio Specialist, and Mr. Dylan Strober, Senior Associate, of Harding Loevner (HL) presented their firm’s annual report to Trustees. Mr. Strober reviewed HL’s organizational team and process and noted that HL has 46 investment professionals and the International Equity Portfolio management team averages 13 years at HL. HL’s assets under management as of December 31, 2020 total \$84.0 billion. He reviewed HL’s organization and process and quality growth statistics as of December 31, 2020 v. the MSCI ACW ex-US Index as well as total returns by quality and growth rank. Ms. Schwartz provided a summary on both portfolios and noted the following return statistics for the portfolios as of December 31, 2020:

	<u>3 Mo.</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>Since Inception</u>
General Retirement System	14.91%	20.76%	8.47%	11.37%	8.65%
Police & Fire Retirement System	14.90%	20.86%	8.50%	11.37%	8.66%
MSCI ACWI ex-US Index	17.08%	11.13%	5.38%	9.43%	6.49%

*Inception date: April 1, 2015

Ms. Schwartz noted that stock selection always matters and reviewed the three phases of 2020: 1) the dominant driver in 1Q20 was quality; 2) the dominant driver from March – November was fast growth; and 3) the dominant drivers since the election and the vaccine were low quality and good value. She commented on benchmark and sector/region returns and performance attribution. She noted that the highest growth companies are becoming more expensive. Portfolio additions and reductions in 2020 were focused on valuation; new purchases and sales were focused on quality and growth. She noted that diversified stock picking remains HL’s constant endeavor. Ms. Schwartz reviewed the portfolio allocation and exposures. She

commented that expectations improved in 2020, and 2021 forecasts point to a rebound. Earnings estimates fell with economic growth in 2020; however, rising earnings do not necessarily predict market rises. Ms. Schwartz reviewed historical quality and growth statistics, valuation metrics, and model portfolio holding by sector and region. The report was received and filed by Chairman Hawkins.

Ms. Mariko Boswell, Executive Vice President, CFA and CAIA, and Mr. Connor Woods, Account Analyst, of Pacific Investment Management Company (PIMCO), presented their firm’s annual report to Trustees. Mr. Woods noted that PIMCO has \$2.22 trillion in assets under management, over 870 investment professionals, over 260 portfolio managers with an average experience of 16 years, and over 50 countries in which their clients are based. Ms. Boswell noted that PIMCO’s StocksPLUS product gains passive exposure to the index through futures and total return swaps and they invest in a high-quality, actively managed bond alpha portfolio with meaningful return potential over cash. The bond portfolio is designed to be uncorrelated to equities, highly liquid, high quality, and flexible. She stated that the low correlation of alpha provides potential diversification benefits to a portfolio of traditional active equity managers. The StocksPLUS portfolio has nearly \$35 billion in assets under management. Ms. Boswell reviewed PIMCO’s organization and process. She stated that in the 4Q20, investors looked through lockdowns to the roll out of the COVID-19 vaccine. Developed market stocks rallied 14.0% in the fourth quarter and emerging market stocks returned 19.7%, while U.S. stocks gained 12.1% hitting record highs over the quarter. Global economic data displayed positive momentum earlier in the 4Q20, though a surge in virus cases and renewed lockdown measures weighed on economic activity. Risk assets continued to rally supported by vaccine approvals, more policy stimulus, and clarity on the U.S. election outcome. The following returns were reported for the period ending February 28, 2021:

	<u>10 yrs.</u>	<u>5 yrs.</u>	<u>3 yrs.</u>	<u>1 yr.</u>	<u>6 mo.</u>	<u>3 mo.</u>	<u>Since 09/30/87</u>	<u>Acct. Inception*</u>
StocksPLUS L.P.	14.1%	17.5%	14.4%	32.0%	9.9%	5.6%	10.7%	7.2%
S&P 500	13.4%	16.8%	14.1%	31.3%	9.7%	5.6%	10.1%	6.7%

*Inception date: 09/01/00

Ms. Boswell reviewed the top contributors and detractors for the portfolio, key interest rate and spread sector strategies and stated that the fund has outperformed its benchmark primarily due to exposure to U.S. inflation and high-quality credit holdings. She commented that the portfolio continues to focus on maintaining a high level of liquidity while holding high quality “safe spread” assets for generating attractive income and total returns. She noted that PIMCO has bounded optimism on the global economy. Global output and demand are likely to rebound strongly in 2021, inflation should creep up only moderately in 2021, and central banks should remain supportive. Vaccine rollout and policy support to spur strong growth rebound in 2021. A weakening dollar and improving global backdrop should also prove supportive. She stated there are three risks to the baseline outlook: 1) fiscal fatigue; 2) China deleveraging; and 3) economic scarring. The report was received and filed by Chairman Hawkins.

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

The meeting adjourned at 9:23 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, May 19, 2021, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems

03/17/21