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

MINUTES
JOINT MEETING
MAY 9, 2018 – 8:16 a.m.
233 East Fulton

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

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. David Lindberg, Mr. Alex Ford, and Mr. John Patterson of Wilshire Associates, Inc., Mr. Charles Groeschell and Ms. Sharon deGuzman of Baird Advisors, and Mr. Mark Babiec and Mr. Steven Burton of CBRE Clarion.

Mr. Balkema made the motion to excuse the absences of Mr. Mitchell and Mr. Allen. The motion was seconded by Mr. Tryc and carried.

There were no public comments regarding agenda items.

Mr. VanderPloeg made the motion to approve the minutes of the Joint Meeting of March 21, 2018. The motion was seconded by Mr. VanderWall and carried.

Mr. Charles Groeschell, Managing Director and Senior Portfolio Manager, and Ms. Sharon deGuzman, Managing Director and Senior Portfolio Manager, of Baird Advisors (Baird) presented their firm's annual report to Trustees. Mr. Groeschell noted that Baird was founded in 1919 in Milwaukee and has total assets under management of more than $63.2 billion. They have a disciplined, research driven approach. Baird has 3,500 associates, of which, 2,200 are shareholders. He noted that Baird has been designated for the 15th consecutive year as one of the Fortune 100 Best Companies to Work For. Mr. Groeschell reviewed their investment philosophy and process, which is twofold: 1) to structure portfolios to achieve the return of the benchmark for each client (accomplished by a duration neutral discipline); and 2) to add incremental value through a bottom-up, risk-controlled process (Baird seeks to consistently add 15-50 basis points of incremental return). He stated that the portfolio is positioned: 1) to have attractive yield advantages over respective benchmarks; 2) to benefit from spread sector outperformance; and 3) to modestly benefit from flattening of the yield curve. Ms. deGuzman provided Baird's perspective on the current environment and noted that cyclical forces have strengthened and there has been synchronous improvement in global growth. Labor markets are near or at "full employment," the Central Bank policy is in transition, and volatility has returned on fears of higher rates and trade policy uncertainty. She stated what has not changed is that secular trends continue to restrain inflation and growth; structural headwinds will limit acceleration in growth and inflation. She reviewed the stock and bond volatility thus far in 2018 and noted that yields have risen in 2018 with further flattening. Ms. deGuzman commented that fixed income inflows have slowed after a strong January and corporate credit fundamentals remain solid. There is a growing awareness of the Federal deficit and short-term credit spreads have increased while there is abundant liquidity from major global central banks. Baird seeks to utilize a holistic approach to achieve the optimal portfolio structure. Baird's internal research and security selection are the primary drivers of incremental return as they identify value from the bottom up. Mr. Groeschell reviewed the City of Grand

Rapids Retirement Systems' objectives, risk controls, portfolio guidelines and characteristics, and provided the following return statistics for the portfolios:

	General Retirement System	**Police & Fire Retirement System**	**Barclays Aggregate Index**
2003 (Mar.-Dec.)	3.25%	3.25%	2.60%
2004	4.88%	4.88%	4.34%
2005	3.13%	3.15%	2.43%
2006	4.75%	4.77%	4.33%
2007	6.15%	6.07%	6.97%
2008	-1.10%	-1.56%	5.24%
2009	9.52%	10.22%	5.93%
2010	9.98%	9.81%	6.54%
2011	8.06%	7.83%	7.84%
2012	7.00%	7.13%	4.22%
2013	-1.56%	-1.51%	-2.02%
2014	6.99%	6.99%	5.97%
2015	1.01%	0.99%	0.55%
2016	3.80%	3.90%	2.65%
2017	4.47%	4.47%	3.54%
2018 (1st Qtr.)	-1.31%	-1.31%	-1.46%
Since Inception			
Cumulative Return	94.71%	94.75%	78.59%
Annualized Return	4.51%	4.52%	3.92%

The report was received and filed by Chairman Hawkins.

Mr. Mark Babiec, CFA, Senior Vice President and Head of Client Service, and Mr. Steven Burton, CFA, Co-CIO and Senior Portfolio Manager of CBRE Clarion Securities (CBRE) presented their firm's annual report to Trustees. Mr. Babiec noted that CBRE has 95+ dedicated real estate securities professionals worldwide, their average portfolio management team has 24 years of experience, and they employ a team-oriented approach with individual accountability. CBRE has experienced exceptionally low turnover of investment team personnel and is part of CBRE Group, Inc., the world's premier real estate services firm. He provided Trustees an overview of CBRE's organization and process. CBRE's investment philosophy is to generate consistent outperformance while maintaining a meaningful level of active portfolio risk. Investment returns as of 03/31/18 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	Trailing 3-Years	**Trailing 5-Years**	**YTD 2018**	**Since Inception***
General Retirement System	1.1%	4.2%	-4.6%	10.4%
Police & Fire Retirement System	1.1%	4.2%	-4.6%	10.4%
FTSE EPRA/NAREIT Developed Index	1.5%	4.1%	-4.5%	10.6%

*Inception date – June 16, 2009

Mr. Burton provided a global market review and noted that in 2017 global property stocks generated positive performance in each quarter and regionally, Europe was the best performing region, followed by Asia-Pacific and North America. In the first quarter of 2018, global property stocks were negative, particularly in the U.S. as a rise in the 10-year Treasury yield generated headwinds for REITs and other income-oriented asset classes. In addition, the Asia-Pacific region and Europe held up better than North America, but each region was still modestly negative for the quarter. He discussed the asset allocation as it relates to portfolio positioning themes and CBRE's global real estate strategy. Mr. Burton provided CBRE's real estate securities outlook by noting that REITs are well positioned to deliver attractive returns over the next 12 months because: 1) REIT valuations are attractive; 2) Real estate fundamentals are good in most markets supported by favorable economic conditions; and 3) the macro environment remains supportive of the asset class. Stocks are cheap relative to real estate value and REITs have typically outperformed when the Fed has raised rates. Global earnings growth remains stable and the dividend yield remains attractive. Mr. Babiec discussed the contributors and detractors from the portfolio in 2017. The report was received and filed by Chairman Hawkins.

Mr. David Lindberg and Mr. Alex Ford presented the quarterly performance report to Trustees. Mr. Lindberg commented that the U.S. stock market was down 0.76% for the first quarter of 2018; while the market never experienced a daily loss of 2% or more last year, there were five such down days during the first quarter of 2018. A strong jobs report and wage growth report had investors rethinking their inflation expectations and led to concerns that the Federal Reserve might accelerate increases in their short-term rate. Consumer spending, the main driver of economic growth, will be a key issue to watch in 2018. Equity markets outside the U.S. produced mixed results during the quarter with emerging markets up but developed markets in negative territory. Concerns about global trade conflicts dominated headlines. The U.S. Treasury yield curve rose in a parallel fashion during the quarter with most maturities up 35 basis points on average. The Federal Open Market Committee decided to increase its overnight rate by 25 basis points in March to a range of 1.50% to 1.75%. Mr. Lindberg 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. 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 INDEX RETURNS
PERIODS ENDED 03/31/18

Index	QTR.	1 YEAR	3 YEARS	5 YEARS	10 YEARS
S&P 500	**-0.76**	**13.99**	**10.78**	**13.31**	**9.49**
RUSSELL 2000	**-0.08**	**11.79**	**8.39**	**11.47**	**9.84**
NAREIT GLOBAL RE INDEX	**-4.53**	**3.23**	**1.52**	**4.10**	**N/A**
MSCI ACWI X-US	**-1.18**	**16.53**	**6.18**	**5.89**	**2.70**
BLOOMBERG AGGREGATE	**-1.46**	**1.20**	**1.20**	**1.82**	**3.63**
BLOOMBERG COMMODITY	**-0.40**	**3.71**	**-3.21**	**-8.32**	**N/A**
91 DAY T-BILLS	**0.35**	**1.10**	**0.53**	**0.34**	**0.34**

General Retirement System

Asset Commitments as of 03/31/18:		Asset Allocation to Managers:	
Domestic Equity	24.3%	NTAM	15.5%
Fixed Income	25.0%	PIMCO	2.8%
Cash Equivalents	0.2%	Wellington Management Company	6.0%
Real Estate	4.7%	Baird Advisors	12.3%
Private Equity	3.8%	Western Asset Management	12.6%
Non-U.S. Equity	23.8%	Cash Account	0.2%
Commodities	4.4%	Neuberger Berman	16.2%
MLPs	4.4%	Harding Loevner	7.7%
TIPS	9.4%	CBRE Clarion	4.7%

Adams Street Partners	2.6%
Aberdeen Asset Management	1.2%
Wellington Commodities	4.4%
Harvest Fund Advisors	4.4%
Brown Brothers Harriman	9.4%

Police and Fire Retirement System

Asset Commitments as of 03/31/18:	
Domestic Equity	24.5%
Fixed Income	24.7%
Cash Equivalents	0.5%
Real Estate	4.6%
Private Equity	3.7%
Non-U.S. Equity	24.3%
Commodities	4.2%
MLPs	4.4%
TIPS	9.1%

Asset Allocation to Managers:	
NTAM	15.7%
PIMCO	2.8%
Wellington Management Company	6.0%
Baird Advisors	12.3%
Western Asset Management	12.4%
Cash Account	0.5%
Neuberger Berman	16.2%
Harding Loevner	8.1%
CBRE Clarion	4.6%
Adams Street Partners	2.6%
Aberdeen Asset Management	1.2%
Wellington Commodities	4.2%
Harvest Fund Advisors	4.4%
Brown Brothers Harriman	9.1%

The report was received and filed by the Chairman.

Mr. Patterson, Mr. Lindberg and Mr. Ford next presented Trustees with an educational report on Private Credit (PC). Mr. Patterson provided Trustees with an overview on PC by stating that traditional suppliers of PC have decreased their lending appetite since the crisis and consolidation in the banking industry has decreased the number of active banks. Regulation-driven constraints such as capital requirements have further restricted the private lending market and robust private equity market activity keeps the demand for debt at healthy levels. A low interest rate environment increases the demand for yield and unmet financing needs for private companies are flowing to alternative sources of capital. He reviewed various strategies, products, and their target returns within the PC asset class. They commented on four strategies: 1) direct lending, 2) mezzanine, 3) distressed debt, and 4) other. Mr. Patterson provided an overview on fundraising by strategy type and geography and historical performance. He reviewed the key macro drivers and key risks. The risks are: 1) credit risk; 2) illiquidity; 3) interest rate risk; 4) manager selection; 5) macro-economic/cyclicality; and 6) regulatory. Mr. Ford stated that Wilshire performed a strategic asset allocation analysis which includes a 5% allocation to PC; the commitment amount will be approximately \$20 - \$23 million per plan. They conducted a search of suitable candidates for this allocation and noted there were three firms that met their search criteria: 1) 50 South Capital Advisors; 2) Grosvenor Capital Management; and 3) Portfolio Advisors. Mr. Patterson reviewed Wilshire's investment process and credit manager search and provided a firm and strategy update on each of the three firms. Mr. Lindberg provided investment comparisons, a characteristics summary, and performance information for all three firms as well as fee structure. Mr. Lindberg stated that there are not a lot of quality investment firms that provide fund-of-funds products in this space. Wilshire recommended interviewing all three candidates and suggested that if Trustees wish to diversify the allocation to this asset class, it might be prudent to hire two managers. Following Trustee discussion, Trustees agreed to have Wilshire coordinate interviews with the three managers outlined in their report at the June 20, 2018 Joint Board meeting.

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

Ms. Korzen commented that the office chairs for the staff are 18-25 years old. She stated they are worn out and requested approval to purchase four new chairs for a total cost of $1,745.00. Mr. Balkema made the motion to approve the purchase of four new office chairs for staff members at a total cost of $1,745.00. The motion was seconded by Mr. Butts and carried.

Mr. Michaud provided Trustees with an update on the Neuberger Berman (NB) CIT contract. He has been reviewing the contract with NB and wanted to make Trustees aware of a few items as a CIT contract is different than a separately managed account agreement. He noted that the choice of law or jurisdiction is New York because it is a declaration of trust account. So, if there is an issue with the relationship, it would need to be adjudicated in New York, where NB is located. They are willing to apply certain Michigan law principles. He stated that there is also an issue of liquidity whereby NB could possibly hold up receiving distributions from this account if they feel it is in the best interest of the Trust. He commented that NB would not be a fiduciary to the Retirement Systems, but rather to the whole fund. The fund would be administered by a Trustee on behalf of NB. He stated these are not unusual stipulations; Mr. Lindberg agreed. Mr. Balkema asked if any disputes could be settled in Michigan v. New York; Mr. Michaud stated NB was not open to those terms. Mr. Michaud stated that it is stipulated in the contract that since the Retirement Systems are the initial seed investors they would receive the best fee arrangements. In addition, NB will have to provide the Retirement Systems with notification of any changes they wish to make to the organization and/or operations; if the Trustees do not like the changes, then they will need to exit the fund. Mr. Timkovich asked how long NB could hold onto the funds if Trustees decide to exit the fund; Mr. Michaud stated that he can't give a definitive date, but if there was a delay beyond 30 days, then Trustees would have a cause of action against NB. Mr. Tryc asked what the benefit would be to the Retirement Systems for becoming the seed investor in the CIT; Mr. Michaud stated the plans would receive efficiencies of administration, lower fees, and more exposure to emerging markets.

Chairman Hawkins disclosed that a number of Trustees attended a dinner last evening with Mr. Groeschell, Ms. deGuzman, Mr. Babiec, and Mr. Burton. In addition to himself and his spouse, in attendance were Mr. Tryc, Mr. Timkovich and spouse, Mr. VanderWall and spouse, Mr. Butts and spouse, Mr. VanderPloeg and guest, Mr. Mitchell and spouse, and Ms. Korzen.

The meeting adjourned at 10:55 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 20, 2018, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems