

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

MINUTES
JOINT MEETING
MAY 19, 2021 – 8:08 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. 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, Kent County, MI, Mr. Nathaniel Moody, Kent County, MI, and Mr. Robert Veenstra, Kent County, MI. Absent: Mr. Craig VanderWall.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Kent County, MI, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. David Lindberg and Mr. Calvin Born of Wilshire Associates, Inc., Ms. Mary Ellen Stanek and Mr. Charles Groeschell of Baird Advisors, Mr. Jim Anderson and Mr. Jeffrey Tebeau of Gabriel, Roeder, Smith and Company, Mr. Mark Washington, City Manager for the City of Grand Rapids, Mr. Scott Saindon, Fiscal Services Manager for the City of Grand Rapids, Mr. Keith Heyboer, Senior Budget Analyst for the City of Grand Rapids, and Ms. Lisa Balkema, Retirement Services Specialist, Kent County, MI.

Mr. Veenstra made the motion to excuse the absence of Mr. VanderWall. The motion was seconded by Mr. Moody and carried.

There were no public comments regarding agenda items.

Mr. Balkema made the motion to approve the minutes of the Joint Meeting of March 17, 2021. The motion was seconded by Mr. Tryc and carried.

Ms. Mary Ellen Stanek, Managing Director and Chief Investment Officer and Mr. Charles Groeschell, Managing Director and Senior Portfolio Manager, of Baird Advisors (Baird) presented their firm's annual report to Trustees. Ms. Stanek reviewed Baird's people and process and noted that Baird was founded in 1919 in Milwaukee and has total assets under management of more than \$119.6 billion. They have a disciplined, research-driven approach. Baird has 4,500 associates, of which, more than 2/3 are shareholders. She noted that Baird has been designated for the 18th 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 risk control is the foundation of their investment discipline and internal research drives their investment process. Baird holds all cash bonds, no derivatives, 100% U.S. dollar-denominated securities, with no leverage. Ms. Stanek reviewed Baird's mortgage and asset-backed securities strategy. She noted their risk controls for the portfolio and stated that the portfolio is positioned to benefit from spread sector outperformance, steeper yield curves present very attractive roll down opportunities, and Baird continues to focus on risk control. Mr. Groeschell provided Baird's perspective on the current environment and noted that there has been a big bounce in the economy in 2021 on reopening, fiscal stimulus, and an accommodative Fed. There will likely be a big bounce in inflation in the coming months and interest rates off 2020 lows. He stated that cyclical

pressures are clearly building and secular disinflationary forces are persisting. Treasury yields jumped in the first quarter of 2021 but were moderate in April 2021. U.S. yields are still attractive globally and spreads are mostly tighter thus far in 2021. Domestic fixed income flows remain strong so far in 2021 and consumers are bouncing back. Leverage has shifted to the Federal government with Federal debt up sharply. He reviewed the City of Grand Rapids Retirement Systems’ objectives, risk controls, portfolio guidelines and characteristics, and provided the following net investment return statistics for the portfolios:

	<u>General Retirement System</u>	<u>Police & Fire Retirement System</u>	<u>Bloomberg Barclays Aggregate Index</u>
April 2021*	0.95%	0.94%	0.79%
Year-to-Date	-2.42%	-2.41%	-2.61%
1-Year	1.10%	1.10%	-0.27%
3-Year	5.74%	5.72%	5.19%
5-Year	3.81%	3.82%	3.19%
7-Year	3.88%	3.88%	3.30%
10-Year	4.04%	4.04%	3.39%
<u>Since Inception</u>			
Cumulative Return	121.34%	121.28%	106.33%
Annualized Return	4.47%	4.47%	4.07%

*Performance is preliminary

The report was received and filed by Chairman Hawkins.

Mr. David Lindberg and Mr. Calvin Born presented the quarterly performance report to Trustees. Mr. Lindberg noted that the U.S. stock market represented by the Wilshire 5000 Total Market Index was up 6.5% for the first quarter of 2021. There was meaningful return dispersion between size and styles as the large-cap value index outperformed growth by 7.8% and small-cap outperformed large-cap 7.7%. Inflation indexes have been on the rise during the past few months, with growth rates meaningfully above 2%. Economic indicators out of the U.K. have been encouraging recently as Prime Minister Boris Johnson announced a “roadmap” for reopening the economy from the U.K.’s third lockdown. Conditions in Germany are more concerning as AstraZeneca’s COVID-19 vaccine has been suspended due to concerns about serious complications. The U.S. Treasury yield curve was up significantly across most maturities during the first quarter, with the long end approaching pre-COVID levels. The FOMC met twice during the quarter with no change to their overnight rate. The Committee’s “dot plot” indicated that a few members are currently supporting a rate hike for next year, although the median forecast remains unchanged at zero increases through 2023. 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 and a coronavirus timeline. 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 RETURNS
PERIODS ENDED 03/31/21**

<u>Plan</u>	<u>QTR.</u>	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>	<u>10 YEARS</u>
General Retirement System	3.67	32.77	8.90	9.03	7.76
Policy Index	4.06	32.32	8.03	8.08	6.73
Police & Fire Retirement System	3.65	33.09	8.88	9.02	7.77
Policy Index	4.06	32.32	8.03	8.08	6.73

General Retirement System

Asset Commitments as of 03/31/21:

Domestic Equity	18.7%
International Equity	19.2%
Fixed Income	21.4%
Global Low Volatility	9.6%
Real Estate	5.0%
Private Equity	6.8%
Commodities	4.5%
Midstream Energy	4.6%
TIPS	5.1%
Private Credit	4.4%
Cash Equivalents	0.7%

Asset Allocation to Managers:

NTAM	12.4%
PIMCO	2.3%
Wellington Management Company	4.1%
Baird Advisors	10.6%
Western Asset Management	11.0%
Cash Account	0.7%
Neuberger Berman	10.0%
Harding Loevner	9.5%
CenterSquare	5.0%
Adams Street Partners	5.5%
Aberdeen Asset Management	1.3%
Wellington Commodities	4.6%
Harvest Fund Advisors	4.7%
Brown Brothers Harriman	5.1%
Grosvenor Capital Management	3.3%
50 South Capital Advisors	1.1%
BlackRock	9.7%

Police and Fire Retirement System

Asset Commitments as of 03/31/21:

Domestic Equity	19.7%
International Equity	19.6%
Fixed Income	21.6%
Global Low Volatility	9.3%
Real Estate	4.8%
Private Equity	6.5%
Commodities	4.6%
Midstream Energy	4.5%
TIPS	4.6%
Private Credit	4.1%
Cash Equivalents	0.5%

Asset Allocation to Managers:

NTAM	12.5%
PIMCO	2.5%
Wellington Management Company	4.8%
Baird Advisors	10.9%
Western Asset Management	10.8%
Cash Account	0.5%
Neuberger Berman	10.0%
Harding Loevner	9.7%
CenterSquare	4.8%
Adams Street Partners	5.3%
Aberdeen Asset Management	1.3%
Wellington Commodities	4.7%
Harvest Fund Advisors	4.6%
Brown Brothers Harriman	4.6%
Grosvenor Capital Management	3.1%
50 South Capital Advisors	1.0%
BlackRock	9.4%

The report was received and filed by the Chairman.

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

Ms. Korzen noted that both Retirement System plans will be receiving distributions of approximately \$1.4 million from the Aberdeen portfolios today and therefore it will likely not be necessary to move cash from other accounts to the cash accounts for July 2021.

The Executive Director commented that due to the easing of restrictions from COVID-19, the June 2021 Board meetings will be able to be conducted in person. Mr. Michaud agreed and stated that he will keep Trustees apprised of any changes.

Mr. Moody asked if someone could address the City Commission on the recent Experience Study and resulting changes for the Police & Fire Retirement System. Ms. Korzen stated that it would be appropriate to have someone from Gabriel, Roeder, Smith and Company to do so as it is their report. Mr. Jim Anderson stated that he would be happy to do so. Mr. Moody asked Ms. Korzen to coordinate this presentation; she agreed.

The meeting adjourned at 9:37 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 16, 2021, at 8:10 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems