

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

MINUTES
JOINT MEETING
MAY 15, 2024 – 8:16 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, and Ms. Holly Jackson. Absent: Mr. Drew Robbins.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Jeffrey Simmons and Mr. Donald Smiley of Baird Advisors, and Mr. Michael Holycross, Mr. Brian Green, and Ms. Mary Nye of Mariner.

Mr. Tryc made the motion to excuse the absence of Mr. Robbins. The motion was seconded by Mr. Butts and carried.

There were no public comments regarding agenda items.

Mr. Butts made the motion to approve the minutes of the Joint Meeting of March 20, 2024. The motion was seconded by Mr. Balkema and carried.

Mr. Jeffrey Simmons, Managing Director and Senior Portfolio Manager and Mr. Donald Smiley, Vice President, Client Services, of Baird Advisors (Baird) presented their firm's annual report to Trustees. Mr. Simmons noted that Baird was founded in 1919 in Milwaukee and has total assets under management of \$136.5 billion as of 03/31/24. They have a disciplined, research-driven approach. Baird has 5,100 associates, of which more than 80% are shareholders. Mr. Simmons reviewed their investment philosophy and process, which is twofold: 1) to structure portfolios to achieve the return of the benchmark for each client; 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 supported by external resources drives their investment process. Mr. Simmons commented that Baird holds all cash bonds, no derivatives, 100% U.S. dollar-denominated securities with no leverage in the portfolio. He reviewed Baird's mortgage and asset-backed securities strategy. He highlighted the risk controls for the portfolio and stated that the goal of the portfolio is to be duration neutral to the benchmark. He reviewed Baird's philosophy on holding various securities such as U.S. Treasury and Government Agency securities, credit securities, mortgage-backed and asset backed securities. Mr. Smiley noted that the bond market still presents good value to investors and the Fed is primed to pivot; the market has now priced in 2-3 rate cuts by year end 2024. The yield curve has normalized from record inversion and the economy is experiencing approximately a 2% long-term growth trend with 2-3% inflation. Uncertainty remains with respect to Russia, Ukraine, the Middle East, China, and the upcoming election year in the U.S. He stated that interest rates are volatile with a downward bias and spreads are volatile with an upward bias. Treasury yields rebounded in the first quarter of 2024 and volatility reflects the changing market expectations. Spreads tightened in the first quarter of 2024 on strong demand and fixed income flows were very strong as well in the quarter. Mr. Smiley commented that the Fed's balance sheet is shrinking, and they are likely to slow the pace of runoff. While significant progress has been made on inflation, challenges still remain. Wage gains have not kept up with the cost of necessities,

the U.S. growth is returning to a long-term 2% trend, and the slow labor force and productivity growth are limiting potential GDP. He stated that the resilient consumer is in pretty good shape, but we are seeing signs of softening and debt service is rising significantly. Mr. Simmons commented on Baird’s approach to inclusion and diversity and ESG integration. He noted that Baird: 1) seeks to invest in companies that are leaders in their industries and are focused on long-term sustainability; 2) considers reputational risks associated with very severe controversies in areas such as environment, customers, human rights, labor rights, and governance; 3) analyzes the long-term ESG track record of companies with particular attention to recent actions; and 4) assesses a company’s ESG performance relative to its peers. Baird engages with management teams, enhancing their clarity on each issuer’s awareness of sector-specific ESG trends, encouraging a commitment to ESG-related targets and uniform disclosure requirements. 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 as of March 31, 2024:

	<u>General Retirement System</u>	<u>Police & Fire Retirement System</u>	<u>Bloomberg U.S. Aggregate Index</u>
March 2024	0.98%	0.97%	0.92%
Year-to-Date	-0.53%	-0.53%	-0.78%
1-Year	2.51%	2.57%	1.70%
3-Year	-2.09%	-2.10%	-2.46%
5-Year	0.83%	0.82%	0.36%
7-Year	1.51%	1.51%	1.06%
10-Year	2.04%	2.05%	1.54%
<u>Since Inception</u>			
Cumulative Return	105.78%	105.73%	90.00%
Annualized Return	3.48%	3.48%	3.09%

The report was received and filed by Chairman Hawkins.

Mr. Michael Holycross, Mr. Brian Green, and Ms. Mary Nye presented Mariner’s quarterly performance report to Trustees. Mr. Green reviewed how Mariner’s reports are designed. He also noted that their reports are customizable and welcomed any feedback to make the statements more useful to the Retirement Systems. Mr. Holycross commented that the Federal Reserve held rates steady during the first quarter. The Fed’s prolonged pause in its rate-hiking cycle and the insertion of the word “any” in its December press release gave the market hope that the Fed may be ready to pivot its stance and begin reducing rates to a less restrictive level in 2024. Growth in the U.S. labor market continued in March. U.S. equities moved broadly higher during the first quarter based on expectations of a more favorable interest rate environment in the coming year. International stocks experienced robust growth to begin the year, and GDP growth across regions remains mixed as many regions are dealing with local headwinds and tailwinds as much of the world continues to navigate sticky inflation with varying degrees of success. High yield bonds outperformed investment-grade issues for the quarter, largely due to narrowing credit spreads and higher coupons. Global bonds lagged the domestic bond market with the U.S. aggregate index beating the global aggregate ex-U.S. index by 2.4%. 2024 opened with strong results in domestic and international equity markets. Central banks remained vigilant in their stances to bring inflation under control. Policy rates remained relatively stable across most developed markets as central banks continued their tight policy stance. Ongoing military conflicts coupled with economic uncertainty around the globe continue to act as headwinds in international markets. Domestic equity markets carried their momentum from late 2023 into the first quarter of 2024 and international developed and emerging market equities also posted solid results. Most broad fixed income indexes fell slightly during the first quarter of 2024. Mr. Green provided information on the major market index performance as of March 31, 2024 as well as domestic equity style index performance and GICS sector performance. He also reviewed the international and regional market

index performance as of March 31, 2024 and domestic bond sector and broad global bond market performance. 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 03/31/24**

<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	3.62%	10.75%	4.99%	7.53%	6.35%
Policy Index	3.63%	11.12%	4.68%	6.75%	5.59%
Police & Fire Retirement System	3.77%	11.19%	5.05%	7.57%	6.37%
Policy Index	3.63%	11.12%	4.68%	6.75%	5.59%

General Retirement System

Asset Commitments as of 03/31/24:

Domestic Equity	17.5%
Non-U.S. Equity	17.5%
Fixed Income	23.1%
Global Low Volatility	10.1%
Real Estate	4.9%
Private Equity	6.8%
Commodities	4.9%
Midstream Energy	5.4%
TIPS	4.7%
Private Credit	4.7%
Cash Equivalents	0.5%

Asset Allocation to Managers:

NTAM	11.7%
Wellington Management Company	2.2%
PIMCO	3.6%
Neuberger Berman	8.8%
Harding Loevner	8.7%
BlackRock	10.1%
CenterSquare	4.9%
Wellington Commodities	4.9%
Brown Brothers Harriman	4.7%
Harvest Fund Advisors	5.4%
Adams Street Partners	6.1%
HighVista Strategies	0.7%
Grosvenor Capital	3.7%
50 South Capital	1.0%
Baird Advisors	11.8%
Western Asset Management	11.3%
Cash Account	0.5%

Police and Fire Retirement System

Asset Commitments as of 03/31/24:

Domestic Equity	19.2%
Non-U.S. Equity	17.4%
Fixed Income	22.6%
Global Low Volatility	10.3%
Real Estate	4.9%
Private Equity	6.4%
Commodities	4.9%
Midstream Energy	5.4%
TIPS	4.3%
Private Credit	4.2%
Cash Equivalents	0.5%

Asset Allocation to Managers:

NTAM	12.2%
Wellington Management Company	2.9%
PIMCO	4.1%
Neuberger Berman	8.8%
Harding Loevner	8.6%
BlackRock	10.3%
CenterSquare	4.9%
Wellington Commodities	4.9%
Brown Brothers Harriman	4.3%
Harvest Fund Advisors	5.4%
Adams Street Partners	5.8%
HighVista Strategies	0.6%
Grosvenor Capital	3.3%
50 South Capital	0.9%
Baird Advisors	11.6%

05/15/24

Western Asset Management	11.0%
Cash Account	0.5%

The reports were received and filed by the Chairman.

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

Ms. Korzen informed Trustees that Northern Trust had sent information regarding how proxies are handled and noted that if Trustees wish to change the default from having the managers handle the proxies, they are free to do so. She recommended, and Mariner agreed, to continue to have Northern Trust Asset Management handle proxy voting. Trustees concurred.

Chairman Hawkins noted that at the June 12, 2024 Joint Board meeting Trustees will discuss the Executive Director's upcoming retirement and address the process for filling her position.

Chairman Hawkins thanked Mariner for their educational piece on their quarterly performance statements and commented that he would like future pertinent education for Trustees.

Chairman Hawkins commented that the following Trustees (and their spouse) and staff attended a dinner last night with Mr. Simmons and Mr. Smiley of Baird Advisors: Chairman Hawkins, Mr. Tryc, Mr. Timkovich, Ms. Jackson, Mr. Ewald, and Ms. Korzen.

The meeting adjourned at 9:35 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, June 12, 2024, at 8:05 a.m., 233 Fulton Street East, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems