

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

MINUTES
JOINT MEETING
NOVEMBER 15, 2023 – 8:26 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, and Mr. William Fabiano. Absent: Mr. Phillip Mitchell and Mr. Nathaniel Moody.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Anthony Merhige of Harvest Fund Advisors, Mr. Amer Hasan and Mr. Jorge Aseff of Brown Brothers Harriman, and Mr. Stephen DiGirolamo and Mr. Jake McClelland of Wilshire.

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

There were no public comments regarding agenda items.

Dr. Robert W. Lamson, clinical psychologist, provided Trustees with an educational session on PTSD. He stated that he works with the City of Grand Rapids and many other agencies providing pre-employment evaluations and fitness for duty evaluations. He provided Trustees with informative handouts from Mayo Clinic and the National Institute of Mental Health regarding PTSD. The last 10-15 years have seen an uptick in PTSD cases. Dr. Lamson stated that a thorough evaluation provides a number of tests on the patient, a review of his/her personal and medical history, and it is also important to note that the examiner should be free from any bias. He stated there is no clear-cut scientific way to state how much of a person's PTSD is attributed to work and how much is attributed to personal life. However, a thorough medical evaluation should give an idea of how much is attributed to work and how much to personal life. He stated that someone who suffers from PTSD can recover. Trustees thanked Dr. Lamson for his presentation.

Mr. Butts made the motion to approve the minutes of the Joint Meeting of September 20, 2023 and Special Joint Meeting of October 18, 2023. The motion was seconded by Mr. Fabiano and carried.

Mr. Anthony Merhige, Senior Managing Director and Chief Operating Officer, of Harvest Fund Advisors (HFA) presented his firm's annual report to Trustees. Mr. Merhige noted that HFA partnered with Blackstone in 2017 as Blackstone's public midstream infrastructure equities platform. He noted that Blackstone is the largest global alternative asset manager with a 37-year investment record, \$1 trillion in assets under management, and 60+ investing strategies. HFA was founded in 2005, has approximately \$6.3 billion in assets under management, and 13 team members. He reviewed HFA's team and process and commented that HFA is focused on institutions as they have 370 total unique clients. Mr. Merhige provided a summary on both portfolios, noting the following return statistics for the portfolios:

	<u>General Retirement System</u>	<u>Police & Fire Retirement System</u>	<u>Blended Index</u>
YTD	14.10%	14.13%	7.11%
3-year annualized	36.37%	36.58%	29.36%
5-year annualized	6.51%	6.61%	1.49%
<u>Since Inception:</u>			
Cumulative Return	17.16%	17.59%	-14.99%
Annualized Return	1.86%	1.90%	-1.87%

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He reviewed the position detail for the holdings within the portfolios and provided statistics on the portfolio performance relative to the Alerian Midstream Energy Total Return Index (AMNAX). Mr. Merhige noted that critical infrastructure assets are priced at a discount, and they believe midstream offers substantial income with a high potential to revalue. He commented that essential midstream assets are trading at a compelling discount to historical averages. Midstream free cash flow is the best in class when compared to the S&P 500 subsectors. He stated that inflation remains elevated, driven by robust demand coupled with persistent supply shortages. At present, over 60% of midstream cash flow comes from take-or-pay contracts. He stated that existing energy infrastructure will be critical for decades. U.S. natural gas exports have reached records levels amid energy scarcity. Mr. Merhige commented that prior to the invasion of Ukraine, Asian coal-to-gas switching was already set to double liquefied natural gas demand by 2040. The European shift away from Russian natural gas is a substantial new demand source for U.S. liquefied natural gas. The report was received and filed by Chairman Hawkins.

Mr. Amer Hasan, Vice President and Relationship Manager, and Mr. Jorge Aseff, PhD, and Senior Vice President, of Brown Brothers Harriman (BBH) presented their firm's annual report to Trustees. Mr. Hasan noted that BBH is a privately-owned financial services firm founded in 1818 and is owned and managed by 34 general partners. As of the third quarter of 2023, BBH had \$82 billion in assets under management. He reviewed BBH's investment management by client type and fixed income strategy by product. Mr. Hasan provided Trustees with background on BBH's organization, people, and process. Mr. Aseff provided a market update on fixed income by noting that TIPS fell 2.6% in the third quarter and 0.8% for the year, and inflation accruals helped TIPS outperform nominal Treasuries. While inflation has moderated, it remains above the Federal Reserve's comfort level. He stated that real yield valuations and the term structure drive BBH's portfolio positioning. He provided statistics on inflation-indexed fixed income with respect to market themes, real yields, breakeven inflation rates, valuations (real yields), and CPI components. He commented on core inflation as of September 30, 2023, and inflation surveys and labor costs (as of August 31, 2023). Mr. Aseff provided Trustees with an overview on BBH's inflation-indexed securities fund and provided fund characteristics as of September 30, 2023, noting the following return statistics:

	<u>YTD</u>	<u>1yr.</u>	<u>3 yr.*</u>	<u>5 yr.</u>	<u>Since Inception*</u>
BBH Inflation-Indexed Sec. Fund	-0.96%	0.97%	-2.29%	1.83%	1.53%
Bloomberg U.S. TIPS Index	-0.78%	1.25%	-1.98%	2.12%	1.70%

*Returns are annualized.

The report was received and filed by Chairman Hawkins.

Mr. Stephen DiGirolamo and Mr. Jake McClelland presented the quarterly performance report to Trustees. Mr. DiGirolamo commented that the U.S. stock market was down 3.3% for the third quarter of 2023 and up 20.5% for the past 12 months. Large-cap stocks outperformed small-cap stocks by 104 basis points, and growth stocks underperformed value stocks during the third quarter but led meaningfully for the one-year return. The bellwether 10-year U.S. Treasury yield has been on a steep upward trend since its COVID-induced historical lows. The current 10-year yield stands at 4.63% and the 3-month yield is nearly a percent higher at 5.58%, resulting in a level of inversion not seen in decades. The eurozone fell into a mild recession around the start of the new year as real GDP fell during the fourth and first quarters. Recent data suggests that the conditions are not improving and that contraction is spreading. Germany continues to suffer due to a sustained decline in demand for goods and services while weakness is also showing in France. The Bank of England paused interest rate increases as Britain's economy has slowed. The outlook in China is complicated, but with signs of improvement. The U.S. Treasury yield curve was up across the maturity spectrum during the quarter. Credit spreads were little changed. The FOMC increased the overnight rate by 0.25% in July, targeting a range of 5.25% to 5.50%, before again pausing increases in September. Mr. DiGirolamo provided Trustees with Wilshire's September 2023 asset class assumptions, an economic review, and an extensive update on the U.S. equity, non-U.S. equity, U.S. fixed income, and private equity markets. 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 09/30/23**

<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	-2.32	9.18	5.85	5.34	6.05
Policy Index	-2.22	9.78	5.52	4.70	5.19
Police & Fire Retirement System	-2.36	9.43	5.83	5.29	6.04
Policy Index	-2.22	9.78	5.52	4.70	5.19

General Retirement System

Asset Commitments as of 09/30/23:

Domestic Equity	16.4%
Non-U.S. Equity	16.6%
Fixed Income	23.5%
Global Low Volatility	10.0%
Real Estate	4.6%
Private Equity	8.0%
Commodities	5.3%
Midstream Energy	5.4%
TIPS	4.9%
Private Credit	5.0%
Cash Equivalents	0.5%

Asset Allocation to Managers:

NTAM	11.1%
Wellington Management Company	2.1%
PIMCO	3.2%
Neuberger Berman	8.3%
Harding Loevner	8.3%
BlackRock	10.0%
CenterSquare	4.6%
Wellington Commodities	5.3%
Brown Brothers Harriman	4.9%
Harvest Fund Advisors	5.4%
Adams Street Partners	7.0%
Aberdeen Asset Management	1.0%
Grosvenor Capital	3.9%
50 South Capital	1.1%
Baird Advisors	12.1%
Western Asset Management	11.4%
Cash Account	0.5%

Police and Fire Retirement System

Asset Commitments as of 09/30/23:

Domestic Equity	17.7%
Non-U.S. Equity	16.6%
Fixed Income	23.1%
Global Low Volatility	10.0%
Real Estate	4.6%
Private Equity	7.6%
Commodities	5.3%
Midstream Energy	5.4%
TIPS	4.5%
Private Credit	4.5%
Cash Equivalents	0.6%

Asset Allocation to Managers:

NTAM	11.5%
Wellington Management Company	2.6%
PIMCO	3.6%
Neuberger Berman	8.4%
Harding Loevner	8.2%
BlackRock	10.0%
CenterSquare	4.6%
Wellington Commodities	5.3%
Brown Brothers Harriman	4.5%
Harvest Fund Advisors	5.4%
Adams Street Partners	6.7%
Aberdeen Asset Management	0.9%
Grosvenor Capital	3.5%
50 South Capital	1.0%
Baird Advisors	11.9%
Western Asset Management	11.2%
Cash Account	0.6%

Mr. DiGirolamo stated that at Wilshire's next presentation they will bring updated capital market return assumptions and also provide a pacing model for Private Equity and Private Credit. The report was received and filed by the Chairman.

The Executive Director presented the 2024 Board meeting schedule. Mr. Tryc made the motion to accept the 2024 Board meeting schedule as written. The motion was seconded by Mr. Balkema and carried.

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There were no comments on items not on the agenda.

The Executive Director next discussed the annual distribution election for Grosvenor Capital Management (GCM). The annual distribution for 2023 is an amount equal to 5% of the portfolio's net asset value in the fund as of January 1, 2023. Based on the net asset value of the portfolio as of January 1, 2023, the annual distribution amount is \$769,921.50 for each system. She stated that in most of the past years, Wilshire had recommended that these funds be reinvested into the portfolios; Trustees agreed.

Ms. Korzen noted that she, Chairman Hawkins, Mr. Tryc and Mr. Ewald will conduct the due diligence visits to AndCo and Wilshire the week before the December Board meetings; they will report their findings at the Joint Board Meeting.

Chairman Hawkins commented that at the December Joint Board meeting Trustees will discuss the Executive Director's contract renewal.

The meeting adjourned at 10:41 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, December 20, 2023, at 8:05 a.m., 233 Fulton Street East, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems