

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

MINUTES
JOINT MEETING
NOVEMBER 20, 2024 – 8:05 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, Mr. Drew Robbins, and Ms. Holly Jackson.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Anthony Merhige and Mr. John Simkiss of Harvest Fund Advisors, and Mr. Mike Holycross and Ms. Mary Nye of Mariner.

There were no public comments regarding agenda items.

Mr. Butts made the motion to approve the minutes of the Joint Meeting of September 18, 2024. The motion was seconded by Mr. Tryc and carried.

Mr. Anthony Merhige, Senior Managing Director and COO and Mr. John Simkiss, Senior Managing Director and Portfolio Strategist of Harvest Fund Advisors (Harvest) presented their firm’s annual report to Trustees. Mr. Merhige noted Blackstone is the world’s largest alternative asset manager and they have \$1.1 trillion in assets under management and \$347 billion in net gains for investors. Blackstone offers 70+ investment strategies. Harvest is Blackstone’s public midstream infrastructure equities platform and as of 09/30/24 they have ~\$7.6 billion in assets under management, 16 team members, and 10 investment professionals with a total of 100+ years of investment experience. Harvest was founded in 2005 and joined Blackstone in 2017. Mr. Merhige reviewed Harvest’s people, organization, and process. He noted that Harvest’s focus is on institutions. Mr. Merhige commented on Harvest’s investment process and 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>S&P MLP TR Index</u>
YTD	27.04%	26.85%	27.37%
<u>Since Inception to Date:</u>			
Annualized Return	4.64%	4.67%	1.49%
Cumulative Return	54.63%	54.93%	15.26%

Mr. Simkiss provided a portfolio summary and relevant portfolio metrics. He provided Trustees with Harvest’s outlook by noting that critical infrastructure assets are priced at a discount and AI requires significantly more compute power. Power demand is rapidly growing at a time when supply is limited. He commented that AI/data center power consumption will likely become a cornerstone of the bullish natural gas demand case. Mr. Simkiss stated that increased gas demand will present a compelling opportunity to hold midstream entities for the long-term. He noted that midstream free cash flow is best in class when compared to S&P 500 subsectors. He stated that Harvest’s belief is that midstream offers substantial income

with high potential to revalue, and essential midstream assets are trading at a compelling discount to historical averages. Mr. Simkiss commented that at present, over 60% of midstream cash flow comes from take-or-pay contracts and U.S. natural gas exports have reached record levels amid energy scarcity. Before the invasion of Ukraine, Asian coal-to-gas switching was already set to double LNG demand by 2040 and the European shift away from Russian natural gas is a substantial new demand source for U.S. LNG. He stated that existing energy infrastructure will be critical for decades and natural gas will continue to help decarbonize the U.S. power stack. Mr. Merhige stated that Harvest is aware of the discussions that the Board has had with Mariner with respect to terminating the relationship and noted that this is a positive time to be in this space and the data suggests it will remain that way for quite some time. There continues to be institutionalization in the space and returns continue to rise. He stated that there are no SEC or regulatory issues with Harvest. Mr. Merhige and Mr. Simkiss thanked the Board for the relationship. The report was received and filed by Chairman Hawkins.

Mr. Mike Holycross and Ms. Mary Nye presented the quarterly performance report to Trustees. Ms. Nye commented that the U.S. Federal Reserve shifted its policy stance during the quarter and cut the fed funds rate by 0.50% for the first time in four years to a range of 4.75% - 5.00%. The Fed's September "Dot Plot" showed revised expectations from a single 0.25% rate cut for the remainder of 2024 to a low-end estimate of a 4.25% - 4.50% range. Growth in the U.S. labor market continued in the 3rd quarter, albeit at a slower pace than previous quarters with growth coming in at 527,000 new jobs. U.S. Equity results were sharply higher for the quarter, which also saw a significant broadening of returns across both the style and capitalization spectrum. Large-cap equity benchmarks continue to represent top-heavy concentration among a limited number of stocks. International stocks continued delivering positive results during the 3rd quarter and U.S. Dollar denominated results were further helped by a weakening U.S. Dollar. Fixed Income markets traded higher during the quarter on the back of the Fed's policy shift as Treasury yields fell. High-yield bonds slightly outperformed the Bloomberg U.S. Aggregate Bond Index for the quarter, largely due to higher coupons and partly due to narrowing option-adjusted spreads for the Bloomberg U.S. High-Yield Index. Divergent monetary policies across regions led to increased volatility during the quarter. Ongoing military conflicts in Ukraine and the Middle East, coupled with global economic uncertainty, continue to act as headwinds for international market results, but they received a boost from the weakening U.S. Dollar. Mr. Holycross provided Trustees with a separate report on current economic issues and the emotional issues surrounding investing. 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 09/30/24**

<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	5.97	19.40	4.66	8.23	6.92
Policy Index	6.15	19.59	4.70	7.53	6.11
Police & Fire Retirement System	6.05	19.93	4.79	8.31	6.94
Policy Index	6.15	19.59	4.70	7.53	6.11

General Retirement System

Asset Commitments as of 09/30/24:

Domestic Equity	23.7%
Non-U.S. Equity	22.1%
Fixed Income	28.0%
Real Estate	5.3%
Private Equity	6.1%
Commodities	4.7%
Midstream Energy	4.9%

Asset Allocation to Managers:

NTAM	15.7%
Wellington Management Company	4.5%
PIMCO	3.5%
Neuberger Berman	11.0%
Harding Loevner	11.1%
CenterSquare	5.3%
Wellington Commodities	4.7%

11/20/24

Private Credit	4.6%	Harvest Fund Advisors	4.9%
Cash Equivalents	0.5%	Adams Street Partners	5.6%
		HighVista Strategies	0.5%
		Grosvenor Capital	3.6%
		50 South Capital	1.0%
		Baird Advisors	13.9%
		Western Asset Management	14.1%
		Cash Account	0.5%

Police and Fire Retirement System

<u>Asset Commitments as of 09/30/24:</u>		<u>Asset Allocation to Managers:</u>	
Domestic Equity	25.5%	NTAM	16.2%
Non-U.S. Equity	22.0%	Wellington Management Company	5.2%
Fixed Income	26.7%	PIMCO	4.1%
Real Estate	5.4%	Neuberger Berman	11.0%
Private Equity	5.8%	Harding Loevner	11.0%
Commodities	4.8%	CenterSquare	5.4%
Midstream Energy	5.2%	Wellington Commodities	4.8%
Private Credit	4.1%	Harvest Fund Advisors	5.2%
Cash Equivalents	0.6%	Adams Street Partners	5.3%
		HighVista Strategies	0.5%
		Grosvenor Capital	3.3%
		50 South Capital	0.8%
		Baird Advisors	13.3%
		Western Asset Management	13.4%
		Cash Account	0.6%

The report was received and filed by the Chairman.

Mr. Holycross and Ms. Nye next addressed the Western Asset Management (WAM) issue that was discussed at the September 18, 2024 Board meeting. Mr. Holycross stated that Mariner had already put WAM on a watch due to performance issues and staffing issues. He commented that Mariner still recommends that the relationship with WAM be terminated. It is only a matter of time before investment staff within WAM leave. Mariner has concerns regarding outflows and talent at WAM. Mr. Holycross stated that the WAM account is a fund with daily liquidity. Mariner suggested terminating the relationship with WAM and moving the funds into Northern Trust's Aggregate Bond Index Fund on a temporary basis; this is a commingled fund with daily liquidity as well. He noted that Mariner will prepare a search for a suitable replacement for WAM and noted Mariner's opinion that Trustees should consider an intermediate investment grade bond allocation. He stated that core plus is expensive and provides little downside protection with the high yield component. High yield does not provide significant compensation for the risk taken. He discussed the asset allocation study and asked if Trustees wished to make a decision first on the replacement firm for WAM. Trustees stated no, they would like to see the asset allocation study before a decision is made on a replacement firm. Chairman Hawkins agreed and asked Mariner to present the asset allocation study to Trustees at the December 2024 Joint Board meeting. Following Trustee discussion, Mr. Ewald made the motion on behalf of the Police & Fire Retirement System to terminate the relationship with Western Asset Management and temporarily move the funds into the Northern Trust Aggregate Bond Index Fund. The motion was seconded by Ms. Jackson and carried. Mr. Butts made the motion on behalf of the General Retirement System to terminate the relationship with Western Asset Management and temporarily move the funds into the Northern Trust Aggregate Bond Index Fund. The motion was seconded by Mr. Timkovich and carried.

The Executive Director presented the 2025 Board meeting schedule. Mr. Tryc made the motion to accept the schedule as written. The motion was seconded by Mr. Butts and carried.

Chairman Hawkins next presented the topic of the Executive Director contract and retirement. He explained that the position had been posted through MAPERS, NCPERS and MIGFOA. He noted that the

committee members and the Executive Director had interviewed the candidates on Monday. Following the interviews the committee recommended placing Ms. Lisa Balkema on acting assignment as Executive Director when Ms. Korzen retires next year. Ms. Korzen's contract, which expires at the end of December, can be extended with a salary adjustment at the December meeting.

There were no comments on items not on the agenda.

The meeting adjourned at 9:31 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, December 18, 2024, at 8:05 a.m., 233 Fulton Street East, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems