

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

MINUTES
JOINT MEETING
SEPTEMBER 15, 2021 – 8:05 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. Philip Balkema, Ms. Donijo DeJonge, Mr. Nathaniel Moody, and Mr. Robert Veenstra. Absent: Mr. William Butts and Mr. Phillip Mitchell.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Scott Hazen and Mr. Matt Autrey of Adams Street Partners, Ms. Angelique Richardson and Ms. Joy Perry of Wellington Management Company, Mr. Calvin Born and Mr. Jake McClelland of Wilshire Associates, Inc., and Police Officer Justin Ewald.

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

There were no public comments regarding agenda items.

Mr. Timkovich made the motion to approve the minutes of the Joint Meeting of August 18, 2021. The motion was seconded by Mr. Tryc and carried.

Mr. Scott Hazen, CFA and Partner and Mr. Matt Autrey, Principal, of Adams Street Partners (ASP) presented their firm’s annual report to Trustees. Mr. Hazen noted that ASP is a 100% employee-owned private equity firm. They have over 430 ASP general partners worldwide, over 25,000 companies are tracked, and over 1,800 funds are tracked. ASP has \$45 billion in assets under management, 10 offices worldwide, and over 80 investment professionals. Mr. Hazen and Mr. Autrey reviewed their organization, people, and process. Mr. Autrey reviewed the Private Equity Fund program at ASP and provided Trustees with a review of the City of Grand Rapids General and Police & Fire Retirement Systems’ portfolios as of March 31, 2021:

General Retirement System

<u>ASP 2010 Fund Name</u>	<u>Subscription</u>	<u>Amount Drawn</u>	<u>Net IRR*</u>	<u>M.V. (NAV)</u>	<u>Dist. Rec. (D)</u>	<u>Total Value (NAV+D)</u>
U.S. Fund	\$2,500,000	\$2,202,500	17.47%	\$2,629,573	\$2,654,500	\$5,284,073
Non-U.S. Developed	\$1,500,000	\$1,350,750	13.87%	\$1,112,089	\$1,417,633	\$2,529,722
Emerging Markets	\$500,000	\$449,000	13.78%	\$717,888	\$268,052	\$985,940
Direct Fund	\$500,000	\$480,500	13.32%	\$327,454	\$615,789	\$943,243
2010 Participant Total	\$5,000,000	\$4,482,750	15.67%	\$4,787,004	\$4,955,974	\$9,742,978
ASP 2013 Global Fund	\$5,000,000	\$4,090,000	17.07%	\$7,106,820	\$1,631,285	\$8,738,105
ASP 2015 Global Fund	\$6,500,000	\$4,878,250	31.20%	\$9,331,940	\$1,100,888	\$10,432,828
ASP 2017 Global Fund	\$6,000,000	\$3,666,000	26.50%	\$5,701,020	\$117,545	\$5,818,565
ASP 2019 Global Fund	\$5,500,000	\$841,500	200.11%	\$1,715,039	\$0	\$1,715,039
Grand Total	\$28,000,000	\$29,489,500	19.73%	\$28,641,823	\$7,805,692	\$36,447,515

Police & Fire Retirement System

<u>ASP 2010 Fund Name</u>	<u>Subscription</u>	<u>Amount Drawn</u>	<u>Net IRR*</u>	<u>M.V. (NAV)</u>	<u>Dist. Rec. (D)</u>	<u>Total Value (NAV+D)</u>
U.S. Fund	\$2,500,000	\$2,202,500	17.47%	\$2,629,573	\$2,654,500	\$5,284,073
Non-U.S. Developed	\$1,500,000	\$1,350,750	13.87%	\$1,112,089	\$1,417,633	\$2,529,722
Emerging Markets	\$500,000	\$449,000	13.78%	\$717,888	\$268,052	\$985,940
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ASP 2017 Global Fund	\$6,000,000	\$3,666,000	26.50%	\$5,701,020	\$117,545	\$5,818,565
ASP 2019 Global Fund	\$7,000,000	\$1,071,000	200.11%	\$2,182,784	\$0	\$2,182,784
Grand Total	\$29,500,000	\$18,188,000	19.87%	\$29,109,568	\$7,805,692	\$36,915,260

*Since Inception

Mr. Autrey reviewed the portfolios' performance attribution and contribution to IRR for all partnerships as of March 31, 2021. He reviewed the net asset value, capital calls and distributions for all the funds held within both plans. Mr. Autrey commented that ASP is overweight in sectors going through dislocation, change, and growth. He stated that healthcare expenditures are expected to outpace GDP growth over the next 15 years in almost every OECD country, representing 10.2% of global GDP by 2030. Specialist private equity investors may be able to access the next generation of healthcare companies with leading-edge, innovative solutions that meet the needs of our global population. Rapid technological advances in enterprise digitization are boosting performance and reshaping the global economy. Private equity is particularly well suited to capitalize on this growing opportunity set as the vast majority of software companies remain private enterprises. Mr. Autrey noted that ASP's recent commitments reflect their ability to access scarce capacity and their status as a significant investor often leads to influence through advisory boards. He reviewed a case study on tactical strategies to help mitigate the J-Curve and maximize IRR. Mr. Autrey stated that existing portfolio NAV should peak in 2021/2022, then decline as distributions outpace new calls and growth on unrealized investments. Mr. Autrey reviewed the 2021 Global Fund and stated that it is a comprehensive private equity solution. The Fund offers access to the best-in-class private equity opportunities (they focus on dislocation, innovation, and rapidly growing sectors), they have primary partnerships, co-invest, and have secondary exposure to capitalize on market inefficiencies to mitigate the j-curve. Ms. Korzen asked Mr. Hazen to comment on the extension of the ASP 2010 direct fund partnership agreement; Mr. Hazen commented that the initial term for this portfolio was 10 years; however, ASP reserves the right to extend the portfolio by 2-3 years at its discretion. Mr. Hazen commented that ASP has a 2021 Global Fund available should Trustees be interested since the 2010 portfolio is coming to maturity. The 2021 Global Fund will be open to new investors through early December 2021 and the fund has already begun making commitments. Mr. Born commented that Wilshire plans to address this issue through their Private Equity/Private Credit pacing report at the November meeting. The report was received and filed by Chairman Hawkins.

Ms. Angelique Richardson, CFA, Vice President, and Relationship Manager, and Ms. Joy Perry, Investment Director, of Wellington Management Company (WMC) presented their firm's annual report to Trustees. Ms. Richardson stated that WMC has \$1,388 billion of client assets under management. WMC has 883 investment professionals, with 175 partners all active in the firm. They have 2,319 clients based in 62 countries. Ms. Richardson provided a review of WMC's people, process, and small cap portfolios. Ms. Richardson noted that WMC's investment objective is to outperform the Russell 2000 Index over 3-5 year periods. WMC emphasizes stock selection and their portfolio construction is designed to emphasize stock selection insights. They believe that fundamentals of companies in the same industry can vary widely over time and stock prices will follow. Dedicated bottom-up research can anticipate fundamental change and identify pricing anomalies. WMC believes that there is greater opportunity among stocks than sector and diversification is the only "free lunch." They believe that diversity of investment styles is key to consistent performance. The WMC Small Cap 2000 portfolio blends investor flexibility with benefits of diversification. Investment returns through July 31, 2021 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>2020</u>	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>Since Inception</u>
Ret. Systems	29.6%	54.0%	17.6%	18.3%	16.2%	13.0%
Russell 2000	20.0%	52.0%	11.5%	14.3%	12.3%	9.3%
	<u>YTD</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Ret. Systems	10.5%	34.3%	-9.9%	21.1%	20.6%	-1.7%
Russell 2000	13.3%	25.5%	-11.0%	14.6%	21.3%	-4.4%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>		
Ret. Systems	10.3%	44.3%	19.7%	-1.9%		
Russell 2000	4.9%	38.8%	16.3%	-4.2%		

She reviewed the top performing and bottom performing sectors as well as provided information on the top ten active positions and portfolio characteristics. Ms. Perry reviewed the Commodities portfolios and commented that WMC has been consistently outperforming commodity benchmarks since inception. WMC believes that a diversified commodities portfolio should take advantage of the uncorrelated properties of individual commodities and energy, industrial metals, precious metals, and agricultural and livestock hedging differentiated types of inflation. She noted that WMC believes a commodities portfolio should be actively managed based on a long-term perspective, analyzing supply and demand fundamentals that shape price cycles, and seizing valuation opportunities created by short-term volatility. WMC seeks to outperform their strategic benchmark, an equal sector-weighted customer commodities index. There are approximately 50 commodities in the opportunity set with maturities ranging between one month and ten years. The contribution-to-relative-risk approach guides portfolio positioning. The collateral is managed to achieve high quality and liquidity. She reviewed the commodities team, commodities universe, investment process, and portfolio construction. Investment returns through July 31, 2021 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>YTD</u>	<u>1 yr.</u>	<u>3 yrs.</u>	<u>5 yrs.</u>	<u>Since Inception*</u>
Retirement Systems	20.9%	35.4%	9.2%	7.9%	-1.4%
Custom Benchmark	20.6%	35.6%	7.6%	6.7%	-2.2%
Production-Weighted S&P GSCI	33.5%	54.0%	-1.0%	4.1%	-7.5%
Bloomberg Commodity Index	23.4%	40.3%	5.3%	3.9%	-3.8%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Retirement Systems	7.0%	12.4%	-11.9%	9.9%	15.9%
Custom Benchmark	0.4%	12.1%	-9.7%	10.6%	10.3%
Production-Weighted S&P GSCI	-23.7%	17.6%	-13.8%	5.8%	11.4%
Bloomberg Commodity Index	-3.1%	7.7%	-11.2%	1.7%	11.8%

*January 31, 2013

Ms. Perry reviewed the investment guidelines, performance attribution and positioning for the portfolios and provided views on short- and intermediate-term drivers in the commodities market. She stated that many commodities are in the lower to middle point of their cycles. She noted that an abundance of global stimulus, a weaker U.S. dollar, and pro-growth fiscal policies drive high consumption. The global vaccine deployment should also drive increased spending and mobility. Inventories are the tightest in years coming out of the COVID-19 crisis. Robust Chinese imports are driving elevated demand for grains and metals. She commented that decarbonization is driving cost inflation by elevating the cost of capital on carbon intensive projects and climate change is introducing higher risk of inflationary supply shocks in the grains. Ms. Perry stated that commodity inventories have declined the most since the early 2000s, inventories across key commodities are approaching critically low levels, and implied roll yields support excess returns. She noted that the oil market is experiencing a multi-year deficit; the large deficit is erasing the inventory surplus built in 2020. The grain markets are the tightest in years and Woodwell Research suggests that water

scarcity in the U.S. will drive greater variability in grain yields, increasing price volatility. The COVID-19 cases in South America have impacted copper production. She commented that policymakers no longer fear inflation and fundamentals support the case for higher inflation. Ms. Richardson commented that WMC is offering long-term clients such as the Retirement Systems the option to either be charged a flat fee or a performance-based fee for the Commodities portfolio; she noted she will coordinate this information with Wilshire and Ms. Korzen. The report was received and filed by Chairman Hawkins.

Ms. Korzen commented that she recently received a letter from GCM stating that Trustees need to decide if they wish to take the year-end distribution of 5% of the portfolios as of January 31, 2021 (\$736,257.69 for each System) or have the funds reinvested. She explained the concept of the distribution. Mr. Born commented that it is Wilshire's recommendation that Trustees have the funds reinvested as the cash flow needs for the Systems are presently being met through other means. If Trustees do nothing, the funds will be reinvested. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to have GCM reinvest the 5% year-end distribution as of January 31, 2021 (\$736,257.69). The motion was seconded by Mr. VanderWall and carried. Mr. Tryc made the motion on behalf of the General Retirement System to have GCM reinvest the 5% year-end distribution as of January 31, 2021 (\$736,257.69). The motion was seconded by Mr. Timkovich and carried.

Chairman Hawkins requested to go into closed session to discuss the performance evaluation of the Executive Director. Mr. Balkema made the motion to go into closed session to discuss the performance evaluation for the Executive Director. The motion was seconded by Mr. Tryc and carried. Roll call vote: yeas: 5, nays: 0. Trustees concluded their closed session and re-entered open session. Following Trustee discussion, Mr. Balkema made the motion to approve salary increases of 4% for 2021 and 4% for 2022, and to extend the Executive Director's contract for three years, as discussed during the closed session. The motion was seconded by Mr. VanderWall and carried.

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

Chairman Hawkins noted that Trustee William Butts' father passed away on August 31, 2021. Trustees passed along their condolences for Mr. Butts' loss.

Chairman Hawkins commented that Trustee David Tryc will soon be turning 74; Trustees wished him well.

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, November 17, 2021, at 8:20 a.m., 233 E. Fulton, Suite 216, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems