

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

MINUTES
JOINT MEETING
SEPTEMBER 20, 2023 – 8:05 a.m.
233 Fulton Street East

The meeting was called to order by Chairman Hawkins. Other members present: Mr. David Tryc, Mr. Martin Timkovich, Mr. Philip Balkema, Mr. William Butts, Mr. Phillip Mitchell, Ms. Donijo DeJonge, and Mr. William Fabiano. Absent: Mr. Justin Ewald and Mr. Nathaniel Moody.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Scott Hazen and Mr. Clinton Miller of Adams Street Partners, Ms. Angelique Richardson, Ms. Joy Perry, and Mr. David DiSilva of Wellington Management Company, and Mr. Stephen DiGirolamo and Mr. Jake McClelland of Wilshire Associates, Inc.

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

There were no public comments regarding agenda items.

Ms. DeJonge made the motion to approve the minutes of the Joint Meeting of August 16, 2023. The motion was seconded by Mr. Butts and carried.

Mr. Scott Hazen, CFA and Partner and Mr. Clinton Miller, 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. ASP has \$55 billion in assets under management and 40+ years of proprietary data. He noted that since their inception, no client has lost capital in an ASP investment program. Mr. Hazen and Mr. Miller reviewed their organization, people, and process. Mr. Miller noted that all of ASP’s strategies meaningfully exceed PME. He reviewed ASP’s outlook on the macro environment, valuations, new deal activity, the exit environment, and their positioning. He stated that private equity fundraising remains relatively strong as primary fundamentals are driving secondary market growth. Valuation multiples remain high and there is a robust and evolving secondary market opportunity. Mr. Hazen commented on ASP’s secondary market outlook and approach for 2023 by noting that there is a heavy backlog of seller volume, the undercapitalized market will persist, and the GP role in secondaries will intensify. He stated that ongoing volatility creates opportunities for more informed and targeted buyers. Mr. Hazen 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, 2023:

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	16.66%	\$1,602,692	\$3,967,020	\$5,569,712
Non-U.S. Developed	\$1,500,000	\$1,350,750	12.98%	\$627,369	\$1,981,079	\$2,608,448
Emerging Markets	\$500,000	\$449,000	10.51%	\$450,767	\$457,350	\$908,117
Direct Fund	\$500,000	\$480,500	11.82%	\$160,583	\$738,844	\$899,427
2010 Participant Total	\$5,000,000	\$4,482,750	14.53%	\$2,841,411	\$7,144,293	\$9,985,704
ASP 2013 Global Fund	\$5,000,000	\$4,621,316	14.26%	\$5,382,184	\$4,350,669	\$9,732,853
ASP 2015 Global Fund	\$6,500,000	\$5,689,817	22.95%	\$8,523,036	\$4,123,881	\$12,646,917

ASP 2017 Global Fund	\$6,000,000	\$4,792,008	22.28%	\$7,872,809	\$1,324,096	\$9,196,905
ASP 2019 Global Fund	<u>\$5,500,000</u>	<u>\$4,067,406</u>	<u>31.64%</u>	<u>\$5,211,236</u>	<u>\$439,564</u>	<u>\$5,650,800</u>
Grand Total	\$28,000,000	\$23,653,297	17.30%	\$29,830,676	\$17,382,503	\$47,213,179

*Since Inception

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	16.66%	\$1,602,692	\$3,967,020	\$5,569,712
Non-U.S. Developed	\$1,500,000	\$1,350,750	12.98%	\$627,369	\$1,981,079	\$2,608,448
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ASP 2017 Global Fund	\$6,000,000	\$4,792,008	22.28%	\$7,872,809	\$1,324,096	\$9,196,905
ASP 2019 Global Fund	<u>\$7,000,000</u>	<u>\$5,176,699</u>	<u>31.64%</u>	<u>\$6,632,487</u>	<u>\$559,446</u>	<u>\$7,191,933</u>
Grand Total	\$29,500,000	\$24,762,590	17.39%	\$31,251,927	\$17,502,385	\$48,754,312

*Since Inception

Mr. Miller reviewed the portfolios' diversification of investment commitments and commented that with respect to the General Retirement System portfolio, its NAV peaked in 2021 and has declined due to distributions outpacing capital calls and growth on unrealized investments. With respect to the Police & Fire Retirement System portfolio, its existing NAV is expected to peak in 2021/2022 and then will decline due to distributions outpacing capital calls and growth on unrealized investments. He highlighted ASP's 2023 Global Private Equity Program and noted that it is a comprehensive private equity solution. The report was received and filed by Chairman Hawkins.

Ms. Angelique Richardson, CFA, Vice President and Relationship Manager, Mr. David DiSilva, Investment Director, 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 \$1,201 billion of client assets under management. WMC has 973 investment professionals, with 199 partners all active in the firm. They have over 2,506 clients based in 62 countries. Ms. Richardson provided a review of WMC's people, process, and small cap portfolios. Mr. DiSilva stated that WMC conducts research through fundamental, environmental, social, and corporate governance, quantitative and macro technical issues. He noted that WMC's investment objective is to outperform the Russell 2000 Index over 3-5 year periods. WMC emphasizes stock selection and they believe there is greater opportunity among stocks than sectors. They utilize bottom-up research and attempt to beat the market by exploiting intra-industry dispersion. Investment returns through July 31, 2023 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>2022</u>	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>Since Inception</u>
Ret. Systems	-21.4%	12.2%	14.3%	9.6%	11.7%	11.7%
Russell 2000	-20.4%	7.9%	12.0%	5.1%	8.2%	8.1%
	<u>YTD</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ret. Systems	17.0%	16.5%	29.6%	34.3%	-9.9%	21.1%
Russell 2000	14.7%	14.8%	20.0%	25.5%	-11.0%	14.6%

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Ret. Systems	20.6%	-1.7%	10.3%	44.3%
Russell 2000	21.3%	-4.4%	4.9%	38.8%

He 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's commodities portfolios have been consistently outperforming benchmarks since inception. She reviewed WMC's investment philosophy; WMC believes that roll yield drives medium to long-term returns, spot prices drive short to medium-term returns, investor sentiment drives short-term price extremes, and commodities are a diverse and uncorrelated set of assets. WMC believes in a long-term, fundamental and valuation-driven approach to active commodity management. WMC seeks to outperform their strategic benchmark, an equal sector-weighted customer commodities index. She reviewed WMC's investment guidelines and noted that there are approximately 50 commodities in the opportunity set with maturities ranging from one month to ten years and they have sector allocation flexibility. 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, 2023 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	3.6%	3.1%	17.5%	9.3%	0.6%
Custom Benchmark	2.9%	2.8%	17.5%	8.3%	-0.1%
Production-Weighted S&P GSCI	8.5%	-5.0%	27.8%	5.6%	-3.3%
Bloomberg Commodity Index	4.3%	-7.9%	18.0%	6.5%	-1.6%

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Retirement Systems	11.2%	25.5%	7.0%	12.4%	-11.9%
Custom Benchmark	11.9%	25.3%	0.4%	12.1%	-9.7%
Production-Weighted S&P GSCI	26.0%	40.4%	-23.7%	17.6%	-13.8%
Bloomberg Commodity Index	16.1%	27.1%	-3.1%	7.7%	-11.2%

Ms. Perry reviewed benchmark characteristics, performance attribution and positioning for the portfolios and provided views on short- and intermediate-term drivers in the commodities market. She provided individual position highlights as of July 31, 2023. She stated that in this environment, producers are exhibiting strong discipline and then provided data on commodity valuations and fundamental tightness. Currently, many commodities are in the middle of their cycle and there has been improvement to the roll yield. Ms. Perry reviewed the cyclical risks and structural opportunities within the commodities market. Cyclical risks include: 1) low inventories; 2) cost inflation; and 3) China reopening. Structural opportunities include: 1) underinvestment; 2) decarbonization; and 3) deglobalization. Inventories across key commodities are approaching critically low levels. Energy producers continue to exhibit significant capital discipline. Copper supply and demand balance is very fragile while gold is reflecting policy developments and changes in the macro environment. She noted that corn and soybean inventories remain tight. Fundamentals are supportive for California Carbon Allowances. Ms. Perry provided historical data on the evolution of the global cycle and performance of commodities and the durability of commodity cycles. She stated that the three sources of active management are: 1) commodity selection; 2) contract selection; and 3) sector allocation. The report was received and filed by Chairman Hawkins.

Ms. Korzen provided an update on the RFP process for Investment Consultant service by noting that a total of 10 firms responded. Trustees discussed the RFP responses at length and debated the merits of adopting a discretionary model versus continuing with a non-discretionary model moving forward. Following discussion, Trustees decided to interview AndCo., NEPC, and Wilshire. There will be a special meeting on October 18 for the interviews. If Trustees wish to interview additional candidates, they may do so at a later date. Ms. Korzen will set up the interviews with the three firms. Trustees asked Ms. Korzen to contact the Michigan clients that are being served by the three candidates to get their opinions. Chairman Hawkins asked Trustees to email Ms. Korzen their questions that they would like to ask at the interviews.

Mr. Michaud commented that the plans were well represented at the recent fall MAPERS conference and there were a lot of good sessions during the conference. Chairman Hawkins noted that the recent Baird Advisors conference was also informative.

Chairman Hawkins disclosed that a number of Trustees attended a dinner last evening with Mr. Hazen, Mr. Miller, and Ms. Richardson. In addition to himself and his spouse, in attendance were Mr. & Mrs. Mitchell, Mr. & Mrs. Tryc, and Ms. Korzen.

The meeting adjourned at 10:30 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, November 15, 2023, at 8:15 a.m., 233 Fulton Street East, Suite 216, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems