

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

MINUTES
JOINT MEETING
SEPTEMBER 18, 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. Martin Timkovich, Mr. Philip Balkema, Mr. William Butts, Ms. Donijo DeJonge, Mr. William Fabiano, Absent: Mr. Justin Ewald, 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. Scott Hazen, Mr. Craig Waslin and Ms. Greta Nolan of Adams Street Partners, Ms. Joy Perry, Mr. David DiSilva, Mr. Gregory Williams and Ms. Rachel Dickey of Wellington Management Company, Mr. Mike Welker, Mr. Mike Holycross, Mr. Brian Green, and Ms. Mary Nye of Mariner, Mr. Michael Buchanan and Mr. Kevin Gore of Western Asset Management (virtually).

Mr. Balkema made the motion to excuse the absences of Mr. Ewald, Mr. Robbins, and Ms. Jackson. The motion was seconded by Mr. Fabiano and carried.

There were no public comments regarding agenda items.

Mr. Tryc made the motion to approve the minutes of the Joint Meeting of August 21, 2024. The motion was seconded by Mr. Butts and carried.

Mr. Scott Hazen, CFA and Partner, Head of Investor Relations (North America), Mr. Craig Waslin, CFA and Partner, Co-Investments, and Ms. Greta Nolan, Principal, Investor Relations, 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 \$60 billion in assets under management, 430+ ASP general partners worldwide, 45+ years of proprietary data, 13 offices worldwide, and 110+ investment professionals. He noted that since their inception, no client has lost capital in an ASP investment program. Mr. Hazen and Mr. Waslin reviewed their organization, people, and process. Mr. Waslin reviewed ASP’s recent vintage fund performance. He commented on the current state of the private equity market by noting that recent headwinds of interest rates, inflation, and supply chain have abated, but risks persist, such as elevated geopolitical tensions. New deal activity has slowed since peaking in late 2021; however, activity has recently picked up. Regarding valuations, while they are modestly down from the peak, new deal valuations remain elevated, especially for the highest quality companies. Mr. Hazen commented that exit activity is showing early signs of picking up as bid/ask spread is narrowing. GP fundraising has slowed except for the highest quality funds. 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, 2024:

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	16.01%	\$1,336,763	\$4,136,394	\$5,473,157
Non-U.S. Developed	\$1,500,000	\$1,350,750	12.52%	\$546,860	\$2,044,445	\$2,591,305

Emerging Markets	\$500,000	\$449,000	9.66%	\$379,013	\$508,434	\$887,447
Direct Fund	\$500,000	\$480,500	11.66%	\$166,464	\$738,844	\$905,308
2010 Participant Total	\$5,000,000	\$4,482,750	13.95%	\$2,429,101	\$7,428,117	\$9,857,218
ASP 2013 Global Fund	\$5,000,000	\$4,634,201	12.81%	\$4,597,416	\$4,925,354	\$9,522,770
ASP 2015 Global Fund	\$6,500,000	\$5,781,603	19.92%	\$7,723,246	\$5,029,915	\$12,753,161
ASP 2017 Global Fund	\$6,000,000	\$5,119,421	17.54%	\$7,423,712	\$2,081,403	\$9,505,115
ASP 2019 Global Fund	\$5,500,000	\$4,573,406	17.23%	\$5,758,558	\$439,564	\$6,198,122
Grand Total	\$28,000,000	\$24,591,381	15.42%	\$27,932,034	\$19,904,353	\$47,836,387

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	16.01%	\$1,336,763	\$4,136,394	\$5,473,157
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ASP 2017 Global Fund	\$6,000,000	\$5,119,421	17.54%	\$7,423,711	\$2,081,403	\$9,505,114
ASP 2019 Global Fund	\$7,000,000	\$5,820,699	17.23%	\$7,329,079	\$559,446	\$7,888,525
Grand Total	\$29,500,000	\$25,838,674	15.44%	\$29,502,552	\$20,024,235	\$49,526,787

*Since Inception

Mr. Waslin noted that public equity markets exhibited considerable volatility in recent years, making shorter term comparisons to private equity markets less meaningful. He reviewed ASP's diversification of investment commitments as of March 31, 2024. The existing portfolio NAV peaked in 2021/2022 and continues to decline as distributions outpace capital calls and growth on unrealized investments. Mr. Hazen reviewed the 2024 Global Private Equity program and stated that it is a comprehensive private equity solution. Chairman Hawkins asked if ASP has experienced any SEC issues; Mr. Waslin said no. The report was received and filed by Chairman Hawkins.

Ms. Joy Perry, Investment Director, Mr. David DiSilva, Investment Director and Vice President, Mr. Gregory Williams, Senior Managing Director and Ms. Rachel Dickey, Associate Business Development Manager of Wellington Management Company (WMC) presented their firm's annual report to Trustees. Mr. Williams stated that WMC has \$1,251 billion of client assets under management. WMC has 893 investment professionals, with 193 partners all active in the firm. They have 3,029 clients based in 64 countries. Mr. DiSilva provided a review of WMC's people, process, and small cap portfolios. He stated that WMC seeks to consistently outperform the benchmark over 3- to 5-year periods. Their stock selection is conducted by an experienced team of industry experts and the portfolio construction is designed to emphasize stock selection insights. WMC believes that fundamentals of companies in the same industry can vary widely over time, and stock prices will follow. Their dedicated bottom-up research can anticipate fundamental change and identify pricing anomalies. He stated that diversity of investment styles is a key to consistent performance. WMC's Small Cap 2000 portfolio blends investor flexibility with the benefits of diversification. He reviewed WMC's Small Cap 2000 portfolio characteristics and top 10 active positions. Investment returns through July 31, 2024 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>2023</u>	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>Since Inception</u>
Ret. Systems	22.2%	17.7%	4.5%	12.1%	12.2%	11.9%
Russell 2000	16.9%	14.3%	1.9%	8.9%	8.7%	8.3%
	<u>YTD</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Ret. Systems	12.7%	-21.4%	16.5%	29.6%	34.3%	-9.9%
Russell 2000	12.1%	-20.4%	14.8%	20.0%	25.5%	-11.0%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>		
Ret. Systems	21.1%	20.6%	-1.7%	10.3%		
Russell 2000	14.6%	21.3%	-4.4%	4.9%		

Ms. Perry reviewed the Commodities portfolios and commented that WMC actively manages to their Strategic Benchmark, which equally weights energy, precious metals, industrial metals, and agriculture and livestock. She stated that commodities provide the best hedge against inflation and are a good diversifier in a portfolio. They seek to maximize the roll yield around structural and tactical curve opportunities and they focus on fundamental imbalances that drive price to cycle around production costs. They incorporate a perspective on market sentiment and positioning. She stated that WMC seeks to outperform their strategic benchmark, an equal sector-weighted custom commodities index. There are approximately 50 commodities in the opportunity set with maturities ranging between one month and 10 years and they maintain sector allocation flexibility. Their contribution-to-relative-risk approach guides portfolio positioning and collateral is managed to seek to achieve high quality and liquidity. She noted that commodities are a dynamic opportunity set that will evolve over time and that WMC employs a disciplined investment process that converts differentiated research into portfolio positioning. She reviewed the commodities team, commodities universe, investment process, and portfolio construction. Investment returns through July 31, 2024 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	5.8%	5.9%	8.2%	11.2%	1.1%
Custom Benchmark	7.0%	4.3%	7.7%	9.4%	0.3%
Bloomberg Commodity Index	0.9%	-5.2%	3.6%	6.5%	-2.0%
Production-Weighted S&P GSCI	7.2%	0.2%	10.8%	7.6%	-3.0%
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Retirement Systems	3.8%	11.2%	25.5%	7.0%	12.4%
Custom Benchmark	0.2%	11.9%	25.3%	0.4%	12.1%
Bloomberg Commodity Index	-7.9%	16.1%	27.1%	-3.1%	7.7%
Production-Weighted S&P GSCI	-4.3%	26.0%	40.4%	-23.7%	17.6%

*January 31, 2013.

Ms. Perry reviewed performance attribution, positioning, and portfolio characteristics for the portfolios. She reviewed individual position highlights as of July 31, 2024, and noted that valuations are currently at attractive levels and producers are exhibiting a strong discipline. She commented that many commodities are in the middle of their cycle. Chairman Hawkins asked if WMC has experienced any SEC issues; Mr. Williams said no. The report was received and filed by Chairman Hawkins.

Mr. Michael Buchanan, CIO, and Mr. Kevin Gore, Client Service Executive, of Western Asset Management (WAM) spoke to Trustees regarding the recent developments at WAM. Mr. Gore noted that the City of Grand Rapids Retirement Systems have been clients of WAM since 2004 and provided an overview of how WAM has performed over that time period. Mr. Buchanan and Mr. Gore discussed the details surrounding the SEC's Wells Notice to Ken Leech and explained that WAM has been conducting an independent external investigation. He stated it is still ongoing, but so far, the results are encouraging. Mr. Leech has taken a leave of absence from WAM to focus on this issue. At present, the SEC is not seeking an enforcement action against WAM. Mr. Buchanan stated that WAM hopes to have their external investigation completed within the next month. He also stated that if it is determined that any misallocation has occurred, WAM will make all clients whole. WAM has been fully complying with the SEC investigation. The firm will employ additional screening tools across their strategies to ensure compliance with procedures and trade allocations. Mr. Buchanan stated that reaction to this issue has been mixed; there have been outflows, especially on the retail side. Most institutional clients have put WAM on a watch to wait and see what happens. He stated WAM has also had some inflows as well. Mr. Gore stated that the Core Plus strategy is still in good shape. WAM has not received a separate Wells Notice from the SEC. Mr. Buchanan stated that this issue has been challenging for the team at WAM, but they remain focused on ways to improve going forward and maintaining good performance for their clients. Trustees thanked Mr. Gore and Mr. Buchanan for their presentation. Mr. Green stated that Mariner had already put WAM on a watch due to performance issues and staffing issues. He stated that this issue could have a negative impact for WAM and their clients even if they are vindicated. Mr. Green commented that there are a lot of other qualified candidates that offer a Core Plus strategy. Mariner recommends that an interim step be taken by moving the current funds managed by WAM to either the Northern Trust Bloomberg Barclays Aggregated Bond Index Fund or the Baird Core Bond portfolio. Mr. Green reviewed the positives for either move, but noted that while Mariner thinks highly of Baird, consolidating the allocation into their account would be the least preferred alternative as the portfolio is separately managed which would result in the Retirement Systems incurring trading costs to purchase securities that would be then liquidated again if a new firm was selected to complement the Baird allocation. He stated that the Northern Trust Bloomberg Barclays Aggregated Bond Index Fund offers the Retirement Systems the greatest flexibility in conducting the necessary due diligence to select the next fixed income investment manager. Chairman Hawkins asked if it was imperative that Trustees made a decision today; Mr. Green and Mr. Holycross said no. Chairman Hawkins stated that it would be prudent to put WAM on a watch, at least until the next Board meeting in November. Mr. Green and Mr. Holycross stated that a formal letter should be sent from each Retirement System to WAM notifying them that they have been placed on a watch status and that Trustees will revisit this issue at their November 2024 Board meeting, or sooner if necessary, to assess the situation. Following Trustee discussion, Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to place Western Asset Management on a watch status, based upon the information received to date, with this status to be reviewed again no later than the November 20, 2024 Joint Board meeting. The motion was seconded by Mr. Fabiano and carried. Mr. Tryc made the motion on behalf of the General Retirement System to place Western Asset Management on a watch status, based upon the information received to date, with this status to be reviewed again no later than the November 20, 2024 Joint Board meeting. The motion was seconded by Mr. Butts and carried. Mr. Green stated that Mariner will continue to monitor the situation and inform the Trustees if something material happens before the November Board meeting and will likely bring suitable replacement candidates for the WAM portfolios for Trustee consideration at the November Board meeting.

There were no comments on items not on the agenda.

Ms. Korzen noted that the City of Grand Rapids is in the process of a job classification study. When she reviewed the positions within the Retirement Systems office, it was apparent to her that updates are needed for Ms. Balkema's and Ms. Williams' positions as they are doing more duties than what their job descriptions entail. Ms. Williams is currently an Administrative Analyst I. Her duties are more in line with an Accountant II position. Ms. Korzen requested Board approval to upgrade the position to Accountant II. Mr. Timkovich asked if that position would need to be posted; Ms. Korzen did not believe so but will verify that with the Human Resources department. Ms. Balkema's position is a unique position as there is no other classification that resembles what her duties entail. She would recommend keeping the same classification but increase the range from 13 to 14.

This would involve a job classification review and civil service approval. In the interim, she could be placed on acting assignment in a classification that is a range 14 until the process is complete. Ms. Korzen stated that she would like to have this taken care of before she retires as the City has informed her that their job classification study is not anticipated to be completed until around April 2025. Mr. Balkema made the motion to authorize Ms. Korzen to move forward with the job classification changes for Ms. Balkema and Ms. Williams as outlined to Trustees, complying with any and all rules and regulations, and assuming no job postings are necessary. The motion was seconded by Mr. Butts and carried.

Chairman Hawkins next addressed the Executive Director's replacement search and noted that the job has been posted on the MAPERS website. Ms. Korzen stated that while it was posted on their website, it may not have been in a location for many members to see. She asked Michelle at MAPERS to send an email to the administrators providing a link to the posting as well. Ms. Korzen commented that the posting is now on the Retirement Systems' website and the deadline for applications is September 25. Trustees provided Ms. Korzen with a few other suggestions for the posting and she will investigate those ideas. Chairman Hawkins noted that the Board needs to be as thorough as possible with the process and stated that the Subcommittee will meet in October and bring more information to the full Boards at the November 2024 Joint Board meeting.

Chairman Hawkins disclosed that a number of Trustees attended a dinner last evening with representatives from Adams Street Partners, Wellington Management Company, and Mariner. In addition to himself (and his spouse), in attendance were Mr. & Mrs. Tryc, Mr. & Mrs. Timkovich, and Ms. Korzen.

The meeting adjourned at 10:38 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, November 20, 2024, at 8:05 a.m., 233 Fulton Street East, Suite 216, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems