

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

MINUTES
JOINT MEETING
JANUARY 20, 2021 – 8:09 a.m.
VIA ONLINE CONFERENCE

The meeting was called to order by Chairman Hawkins, Kent County, MI. Other members present: Mr. David Tryc, Kent County, MI, Mr. Craig VanderWall, Kent County, MI, Mr. Martin Timkovich, Kent County, MI, Mr. Philip Balkema, Kent County, MI, Mr. William Butts, Kent County, MI, Mr. Phillip Mitchell, Kent County, MI, Ms. Donijo DeJonge, Kent County, MI, Mr. Nathaniel Moody, Kent County, MI, and Mr. Robert Veenstra, Kent County, MI.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Kent County, MI, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Lawrence Fumarolo of The Northern Trust Company, Mr. William “Mac” Nickey and Ms. Lindsey Grande of Northern Trust Asset Management, Mr. Robert Morgan, and Ms. Julie Canna, of 50 South Capital, Mr. David Lindberg and Mr. Calvin Born of Wilshire Associates, Inc., Mr. Scott Saindon, Fiscal Services Manager for the City of Grand Rapids, and Ms. Lisa Balkema, Retirement Services Specialist, Mecosta County, MI.

There were no public comments regarding agenda items.

Mr. Butts made the motion to approve the minutes of the Joint Meeting of December 16, 2020. The motion was seconded by Mr. Tryc and carried.

Mr. Lawrence Fumarolo, Vice President Corporate & Institutional Services, Taft-Hartley Group, of The Northern Trust Company (NT) presented his firm’s annual update to Trustees. Mr. Fumarolo noted that NT has \$10.1 trillion in assets under custody and \$13.1 trillion in assets under administration. He stated that NT has a strong capital position, high quality, a liquid balance sheet and superior credit ratings. NT has 25 global locations, clients in 53 countries, and 25,000+ staff worldwide. They are well-positioned for continued investment in their business, across all market cycles. NT places technology at the core of their business strategy. He reviewed the retirement systems’ custody account structures and provided an update on benefit payments and recent enhancements to the program. Mr. Fumarolo commented on the securities lending program with NT and stated that the program is designed to enhance the return of an overall investment program without interfering with the investment strategy. He noted that cumulative net earnings through the program since 2007 were \$1,068,225 for the General Retirement System and \$1,005,351 for the Police & Fire Retirement System. Ms. Korzen asked Mr. Fumarolo about the recent layoffs at NT. Mr. Fumarolo responded that NT recently laid off approximately 500 employees; the layoffs were done strategically and no one in the public funds area was impacted. There will be no impact to the servicing of the Retirement Systems. The report was received and filed by Chairman Hawkins.

Mr. William “Mac” Nickey, Director, Public Funds & Taft-Hartley, and Ms. Lindsey Grande, Senior Associate Relationship Manager, Public Funds & Taft-Hartley, of Northern Trust Asset Management (NTAM) presented their firm’s annual report to Trustees. Mr. Nickey commented that this will be his last presentation to Trustees as he will be moving to the insurance side of NT’s business. Ms. Grande has been working with him for quite some time and will be taking over the account relationship. Ms. Grande reviewed statistics on the Northern Trust Corporation and noted that NTAM has \$1.0 trillion in assets under management as of September 30, 2020 and they are the world’s 18th largest asset manager. She reviewed NTAM’s organization, people, and process. She commented that NTAM’s capital market assumptions include that slow global growth can be

positive for stocks and high yield bonds. She reviewed the following returns for the period ending November 30, 2020:

	<u>3 mo.</u>	<u>YTD</u>	<u>1 yr.</u>	<u>3 yr.</u>	<u>5 yr.</u>	<u>10 yr.</u>
NT S&P 500 Index Fund	3.89%	14.04%	17.48%	13.21%	14.03%	14.26%
S&P 500	3.89%	14.02%	17.46%	13.17%	13.99%	14.19%

Ms. Grande discussed market insights and commented on six notable five-year themes: 1) retooling global growth; 2) massive monetary toolkit; 3) stuckflation tested; 4) one-world, two systems; 5) reimagining capitalism; and 6) staying focused on climate risk. Ms. Grande reviewed NTAM's lending performance and numerous characteristics as of November 30, 2020. Chairman Hawkins thanked Mr. Nickey for his service to the Boards and wished him well in his future endeavors. The report was received and filed by Chairman Hawkins.

Mr. Robert Morgan, Managing Director, and Ms. Julie Canna, Senior Vice President, of 50 South Capital (50 South), presented their firm's annual update to Trustees. Mr. Morgan stated that 50 South is a global alternatives firm that provides differentiated solutions and unique access to private equity, private credit, and hedge fund investment opportunities. 50 South has \$10.0 billion in assets as of 09/30/20. They have an experienced team with a 20-year history. Mr. Morgan noted that 50 South focuses on small to mid-sized managers, they have a reputation of finding talent early and they are connected to the global network and resources of Northern Trust. He reviewed 50 South's objectives of the fund and stated that their strategy focuses on providing senior secured loans to sponsor backed companies. 50 South focuses on four areas to differentiate their product: 1) attractive risk profile with quarterly income; 2) differentiated manager access; 3) unique structure and diversified loan portfolio; and 4) below market all-in fees. Mr. Morgan reviewed their manager selection by noting that the managers they select must: 1) have invested through the recession; 2) be among the market leaders; 3) be a lead/co-lead agent or maintain significant influence in the credit facility; and 4) be additive to the fund's structure. He commented that their strategy and separate accounts accessed charge no carried interest and have lower all-in fees when compared to direct senior credit funds; 50 South charges 85 basis points for management of the portfolio. He stated the portfolio is already 87.8% called as of September 30, 2020, has a gross levered yield of 10.53%, and the average senior loan-to-value is 45.7%. Mr. Morgan reviewed 50 South's portfolio construction that encompasses the core U.S. middle market, U.S. lower middle market, European middle market and sponsor backed liquid credit. He provided a funding update on each market and noted that the portfolio is generating an attractive gross yield of 10.5% from a well-diversified pool of senior loans and paying out interest income to investors of approximately 16% of called capital in 2020. He stated that he expects the fund to yield approximately 13-14% in 2021 and he also expects the fund to be paying back principal in 2022. Mr. Morgan provided Trustees with an overview of each market that they are invested in. The report was received and filed by Chairman Hawkins.

There were no comments on items not on the agenda.

Ms. Korzen noted that she received communication from Neuberger Berman that Mr. Benjamin Segal will be retiring soon. She has no additional information at this time, but Wilshire noted that they will follow up on this issue and report their findings to the Board.

Chairman Hawkins asked Mr. Lindberg to provide Trustees with an update on Wilshire's new ownership. Mr. Lindberg stated that as of January 8, 2021, Wilshire has a new ownership structure and it is going well. They have a new CEO and four new executives. The operational structure will not change at Wilshire, nor will the team that services the Retirement Systems. Mr. Michaud stated he did not have any concerns at this time.

Chairman Hawkins next addressed the topic of the Executive Director's performance evaluation and review process. Since the Board meetings are being conducted online through March 2021, he proposed conducting this process in a closed session at the May 2021 Joint Board meeting. He noted that her contract provides for a minimum 2% salary increase for a satisfactory review and asked Trustees to consider approving

the 2% salary increase now, retroactive to January 1, 2021 and in May they can discuss the results of her performance evaluation and goals and decide at that time if an additional salary increase is appropriate. Mr. Balkema made the motion to approve a 2% salary increase for the Executive Director, retroactive to January 1, 2021. The motion was seconded by Mr. Tryc and carried.

The meeting adjourned at 9:10 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, February 17, 2021, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems