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

MINUTES
JOINT MEETING
NOVEMBER 15, 2017 – 8:34 a.m.
300 Monroe Avenue NW

The meeting was called to order by Chairman Hawkins. Other members present: Mr. David Tryc, Mr. Craig VanderWall, Mr. Martin Timkovich, Mr. Thomas VanderPloeg, Mr. Philip Balkema, Mr. William Butts, and Mr. Jon O'Connor. Absent: Mr. Phillip Mitchell.

Also present: Ms. Peggy Korzen, Executive Director of the Retirement Systems, Mr. Thomas Michaud, Legal Advisor to the Boards, Mr. Marlin Pease, Mr. Alex Ford, and Mr. David Lindberg of Wilshire Associates, Inc., Mr. John Ackler of Brown Brothers Harriman, Mr. Nicholas Gaspari of Harvest Fund Advisors, and Ms. Sara VanderWerff, City Comptroller.

Mr. O'Connor made the motion to excuse the absence of Mr. Mitchell. The motion was seconded by Mr. Tryc and carried.

There were no public comments regarding agenda items.

Mr. VanderWall made the motion to approve the minutes of the Joint Meeting of September 20, 2017. The motion was seconded by Mr. O'Connor and carried.

Mr. Marlin Pease, Mr. Alex Ford, and Mr. David Lindberg presented the quarterly performance report to Trustees. Mr. Lindberg commented that the U.S. stock market was up 4.6% for the third quarter of 2017 and economic releases during the past three months have been solid with growth in both the economy and labor market. On September 20th, the Fed confirmed they would begin their balance sheet normalization program. This slow but steady pace would mirror the Fed's approach to post-2008 conditions. Equity markets outside of the U.S. produced very strong returns during the third quarter of 2017, in both developed and emerging markets. Emerging markets continue to lead all global equities. Despite rising political tensions in North Korea, emerging market equity is positive for 2017 largely due to an improving economic outlook across most emerging countries. The U.S. Treasury yield curve continued to flatten during the quarter with short to intermediate term rates rising more than long-term yields. Mr. Lindberg provided Trustees with Wilshire's September 2017 asset class assumptions, an economic review, and an extensive update on the U.S. equity market, non-U.S. equity market, U.S. fixed income market, and private equity market. 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 09/30/17

Index	QTR.	1 YEAR	3 YEARS	5 YEARS	10 YEARS
S&P 500	**4.48**	**18.61**	**10.81**	**14.23**	**7.43**
RUSSELL 2000	**5.67**	**20.74**	**12.18**	**13.79**	**7.85**
NAREIT GLOBAL RE INDEX	**1.61**	**0.57**	**5.87**	**6.73**	**N/A**

MSCI ACWI X-US	**6.16**	**19.61**	**4.70**	**6.97**	**1.28**
BLOOMBERG AGGREGATE	**0.85**	**0.07**	**2.71**	**2.06**	**4.27**
BLOOMBERG COMMODITY	**2.52**	**-0.29**	**-10.41**	**N/A**	**N/A**
91 DAY T-BILLS	**0.26**	**0.66**	**0.32**	**0.22**	**0.47**

General Retirement System

Asset Commitments as of 09/30/17:	
Domestic Equity	26.2%
Fixed Income	24.0%
Cash Equivalents	0.2%
Real Estate	4.7%
Private Equity	3.3%
Non-U.S. Equity	24.1%
Commodities	3.6%
MLPs	4.6%
TIPS	9.3%

Asset Allocation to Managers:	
NTAM	16.3%
PIMCO	3.2%
Wellington Management Company	6.8%
Baird Advisors	11.8%
Western Asset Management	12.1%
Cash Account	0.2%
Neuberger Berman	15.9%
Harding Loevner	8.1%
CBRE Clarion	4.7%
Adams Street Partners	2.1%
Aberdeen Asset Management	1.1%
Wellington Commodities	3.6%
Harvest Fund Advisors	4.6%
Brown Brothers Harriman	9.3%

Police and Fire Retirement System

Asset Commitments as of 09/30/17:	
Domestic Equity	26.2%
Fixed Income	23.5%
Cash Equivalents	0.9%
Real Estate	4.6%
Private Equity	3.3%
Non-U.S. Equity	24.3%
Commodities	3.5%
MLPs	4.6%
TIPS	9.1%

Asset Allocation to Managers:	
NTAM	16.3%
PIMCO	3.1%
Wellington Management Company	6.8%
Baird Advisors	11.6%
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CBRE Clarion	4.6%
Adams Street Partners	2.1%
Aberdeen Asset Management	1.1%
Wellington Commodities	3.5%
Harvest Fund Advisors	4.6%
Brown Brothers Harriman	9.1%

Mr. Lindberg suggested that due to the present overweight to domestic equities, Trustees may wish to rebalance the portfolios and shift part of the target allocation overage to the fixed income component. He will follow up with Ms. Korzen regarding this issue. Chairman Hawkins asked what Wilshire's recommendation is regarding the CBRE Clarion portfolio due to their subpar performance; Mr. Ford stated that although their performance has been disappointing, it is somewhat expected given the volatility in that asset class. Wilshire recommended being patient with CBRE as their returns were somewhat expected and they anticipate an improvement in performance in the near-term. The report was received and filed by the Chairman.

Mr. Marlin Pease, Mr. Alex Ford, and Mr. David Lindberg presented an asset allocation analysis report to Trustees. Mr. Lindberg reviewed the efficient frontier and its constraints on the various asset classes. He provided a policy comparison between the current portfolios for the Retirement Systems and three alternate portfolios and reviewed each portfolio's capital and risk allocations. He noted that Wilshire's asset class return, risk and correlation assumptions are developed based on 10-year forward looking expectations, adjusted to incorporate recent trends. Wilshire's return expectations represent a passive investment in the asset class (beta) rather than reflecting value added from active management (alpha). Mr. Pease stated that concentrated factor exposures can present portfolio vulnerability in certain economic regimes and he reviewed the distribution of short-term and long-term returns. Mr. Lindberg commented that this report was not meant to invoke a decision today, but to begin looking at the asset allocation; this is merely phase one of this process and the report addresses assets only (not cash flows, liquidity issues, or liabilities). The report was received and filed by the Chairman.

Mr. Marlin Pease, Mr. Alex Ford, and Mr. David Lindberg presented a follow-up report on Neuberger Berman's (NB) CIT proposal to Trustees. Mr. Ford commented that at the August 2017 Joint Board meeting, Wilshire presented an analysis of the international equity structure with the goal to address the emerging markets underweight in the portfolios. Wilshire has been communicating with NB to create a solution and at the September 2017 Joint Board meeting, discussed NB's proposal for the City of Grand Rapids Retirement Systems to become a seed investor in a newly constructed Commingled Investment Trust (CIT), which would simultaneously reduce fees and increase the emerging markets exposure. Wilshire reviewed operational controls and other early investor protections with NB following the September meeting; the target CIT launch date is January 2018. He stated that Wilshire compared several highly-ranked strategies as part of the review of NB's proposal and reviewed the data with Trustees. NB has proposed an all-in fee capped at 55 basis points for the CIT fund format. The Retirement Systems are currently invested in a mutual fund format; the expense ratio for this vehicle had been 86 basis points but was reduced to 78 basis points by switching into the R6 share class. Mr. Pease noted that switching from the R6 mutual fund share class into the proposed CIT would provide approximately $304,000 in annual savings. He provided Trustees with comparative performance numbers between NB and seven similar firms, as well as up/down performance data on NB and the other seven firms. Mr. Lindberg commented on risk v. return statistics, rolling excess return and risk information, and rolling correlation between NB and the seven firms to Harding Loevner. Mr. VanderWall asked if there are any timing issues to be aware of; Mr. Lindberg stated no, the important aspect is to gain additional exposure to the emerging markets. Mr. Michaud asked if the other comparable firms listed in this report are based on CIT products; Mr. Lindberg stated no, the other firms' products are either separately managed accounts or commingled funds. Chairman Hawkins asked Mr. Lindberg to forward copies of the proposed CIT contracts to Mr. Michaud for his review; Mr. Lindberg agreed. Mr. Michaud will review the contracts and report back to Trustees at the December 20, 2017 Joint Board meeting with his recommendation. The report was received and filed by the Chairman.

Mr. John Ackler, CFA and Senior Vice President and Fixed Income Product Specialist, of Brown Brothers Harriman (BBH) presented his firm's annual report to Trustees. Mr. Ackler noted that BBH was founded in 1818; is owned and managed by 34 general partners; has approximately 5,700 employees in 18 locations globally, with all investment professionals located in New York. He noted that next year, BBH will be celebrating its bicentennial. As of the third quarter of 2017, BBH had $64 billion in assets under management, of which $43 billion was under investment management. He reviewed BBH's investment management by client type and fixed income strategy by product. Mr. Ackler provided Trustees with background on BBH's organization, people, and process. He addressed the question of why investors should remain in TIPS by providing a market update and commenting that: 1) breakeven inflation rates rose approximately 10 basis points in the third quarter, but remain 10-20 basis points lower YTD; 2) real yields fell 5-10 basis points across the curve in the third quarter as geopolitical risks heightened; 3) after five consecutive weak reports, August's CPI release rebounded; and 4) the Fed hiked interest rates twice thus far in 2017, and they expect a third hike by year-end. Mr. Ackler noted that while wage growth has been modest following the 2008-09 recession, continued job growth in the U.S. should lead to accelerated wage growth and there is monetary policy uncertainty as well as policy uncertainty. Globally, real estate rates remain very low and BBH remains concentrated in securities with favorable roll-down characteristics that are in its proprietary analysis. Mr. Ackler provided Trustees with various statistical data pertaining to the TIPS market. He commented that BBH's inflation-indexed securities investment process focuses on three primary strategy categories: 1) fundamental strategies; 2) non-directional strategies; and 3) opportunistic strategies. These three strategies help BBH identify value and create excess return. Mr. Ackler provided Trustees with an overview on BBH's inflation-indexed securities fund and provided fund characteristics as of September 30, 2017 and noted the following return statistics:

	3 mo.*	YTD*	1yr.	3 yr.	5 yr.	Since Inception
BBH Inflation Linked Index Fund	0.74%	1.49%	-0.81%	1.74%	0.08%	3.12%
Bloomberg Barclays U.S. TIPS Index	0.86%	1.72%	-0.73%	1.62%	-0.03%	2.99%

*Returns are not annualized.

He noted that since inception performance – 04/01/15, the annualized return was 1.13% v. the Barclays Capital U.S. TIPS Index return of 1.06%. He stated that BBH believes U.S. TIPS are an effective hedge against unanticipated high inflation and market inefficiencies and regular seasonal patterns inherent in the inflation-linked markets provide ample active management opportunities. BBH is committed to bottom-up fundamental research, a team based approach, and strict process discipline. They typically limit each strategy to no more than ½ year of relative exposure while their aggregate strategy exposures are typically limited to 1 ½ years of gross relative exposure. Mr. Ackler commented that BBH's investment process starts with idea generation, progresses to the vetting process, and finishes with the implementation state. BBH's objective is to provide its clients with the risk return and inflation protection characteristics of TIPS to outperform the market by at least 50 basis points over the long-term. To help mitigate risk, BBH reviews daily risk reports, conducts weekly portfolio meetings, and monthly performance reviews. The report was received and filed by Chairman Hawkins.

Mr. Nicholas Gaspari, Managing Director, of Harvest Fund Advisors (HFA) presented his firm's annual report to Trustees. Mr. Gaspari noted that very recently, HFA has partnered with Blackstone and stated that there will be no real change to the way that HFA conducts its business; he viewed the acquisition by Blackstone as a positive measure. Mr. Gaspari noted that HFA has 19 employees and total assets under management of $11.0 billion, of which $10.4 billion is in its MLP Alpha Strategy. He reviewed the management team and investor base, noting HFA serves 700+ total unique institutional clients. Mr. Gaspari commented on HFA's investment process and provided a summary on both portfolios and noted the following return statistics for the portfolios:

	General Retirement System	**Police & Fire Retirement System**	**S&P MLP Index**
Last 3 Months	-2.36%	-2.36%	-2.46%
YTD	-5.30%	-5.31%	-5.31%
Since Inception:			
Annualized Return	-8.73%	-8.75%	-11.08%
Cumulative Return	-21.15%	-21.20%	-26.33%

He reviewed the position detail for the holdings within the portfolios and provided background on the best and worst performers. Mr. Gaspari commented that natural gas and crude oil differentials drive infrastructure build-out, advancing technology and a changing global energy landscape are driving the need for additional U.S. infrastructure, tripling the market cap of the MLP sector through 2035, and the dislocation between cash flow growth and unit performance is pronounced. He stated that energy infrastructure trades at a 50% discount to August 2014 while equities and utilities trade at wide premiums, while yield spreads to the 10-year Treasury do not adequately reflect the growth component of MLP total returns. HFA believes that MLP equity yields will be re-priced over time to match the quality of their cash flows and investing in energy infrastructure is the least carbon intensive way to participate in the growing U.S. energy and manufacturing sectors. Mr. Gaspari stated that the HFA portfolio: 1) is long-only; 2) does not use leverage; 3) does not engage in principal transactions; 4) may hold MLPs; 5) has more than 20 holdings; 6) cannot have a position that exceeds 20% security allocation limit; and 7) may hold Energy C-Corporations. The report was received and filed by Chairman Hawkins.

The Executive Director next addressed the 2018 Board meeting schedule. Ms. Korzen commented that due to an early Thanksgiving in 2018, the November Board meetings will be held November 14, rather than the third Wednesday in November. She noted that due to a conflict with the annual NCPERS Conference, the May meeting should be held either May 9 or May 23. She asked Mr. Lindberg if May 9 would give Wilshire enough time to prepare first quarter investment reports; he stated that should not be a problem. Following Trustees discussion, Mr. O'Connor made the motion to approve the 2018 Board meeting schedule as presented, with the amendment to move the May meeting from May 16 to May 9. The motion was seconded by Mr. VanderWall and carried.

There were no comments on items not on the agenda.

Chairman Hawkins disclosed that a number of Trustees attended a dinner last evening with Mr. Pease and Mr. Lindberg. In addition to himself and his spouse, in attendance were Mr. & Mrs. Tryc, Mr. & Mrs. Timkovich, Mr. & Mrs. VanderWall, Mr. VanderPloeg and guest, Mr. & Mrs. Butts, and Ms. Korzen.

The meeting adjourned at 10:47 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, December 20, 2017, at 8:05 a.m., 233 East Fulton, Grand Rapids, Michigan.

Peggy Korzen
Executive Director
General and Police & Fire Retirement Systems