

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

MINUTES  
JOINT MEETING  
SEPTEMBER 16, 2020 – 8:08 a.m.  
VIA ONLINE CONFERENCE

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

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, Ms. Claire Lewis, and Ms. Joy Perry of Wellington Management Company, Mr. David Lindberg and Mr. Calvin Born of Wilshire Associates, Inc., Ms. Molly Clarin, Chief Financial Officer for the City of Grand Rapids, Mr. Scott Saindon, Deputy Chief Financial Officer for the City of Grand Rapids, and Ms. Lisa Balkema, Retirement Services Specialist.

There were no public comments regarding agenda items.

Mr. Timkovich made the motion to approve the minutes of the Joint Meeting of August 19, 2020. The motion was seconded by Mr. Balkema 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 offices in Chicago, London, Menlo Park, New York, Boston, Singapore, Munich, Beijing, Tokyo, and Seoul. ASP has \$41 billion in assets under management and 45+ years of experience. Mr. Hazen and Mr. Autrey reviewed their organization, people, and process and commented that ASP has a disciplined and coordinated investment process, with top-down and bottom-up analysis, and they have consistently outperformed through market cycles. Mr. Hazen noted that no client has lost capital in an ASP investment program since their inception. Mr. Autrey noted that ASP is developing a granular understanding of their exposure to COVID-related business disruptions and some of venture capital’s greatest outcomes have been created during difficult market environments. 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, 2020:

<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	\$5,000,000	\$4,405,000	13.32%	\$3,636,542	\$4,178,902	\$7,815,444
Non-U.S. Developed	\$3,000,000	\$2,626,500	10.97%	\$1,774,300	\$2,314,854	\$4,089,154
Emerging Markets	\$1,000,000	\$898,000	9.79%	\$1,138,660	\$318,738	\$1,457,398
Direct Fund	<u>\$1,000,000</u>	<u>\$949,000</u>	<u>11.58%</u>	<u>\$471,820</u>	<u>\$1,146,824</u>	<u>\$1,618,644</u>
2010 Participant Total	\$10,000,000	\$8,878,500	12.11%	\$7,021,322	\$7,959,318	\$14,980,640
ASP 2013 Global Fund	\$10,000,000	\$8,180,000	9.86%	\$9,701,440	\$2,033,160	\$11,734,600
ASP 2015 Global Fund	\$13,000,000	\$8,489,000	17.70%	\$10,158,566	\$1,694,162	\$11,852,728
ASP 2017 Global Fund	\$12,000,000	\$6,426,000	2.25%	\$6,350,178	\$235,090	\$6,585,268
ASP 2019 Global Fund-G	\$5,500,000	\$156,750	9.39%	\$171,467	\$0	\$171,467
ASP 2019 Global Fund-PF	<u>\$7,000,000</u>	<u>\$199,500</u>	<u>9.39%</u>	<u>\$218,233</u>	<u>\$0</u>	<u>\$218,233</u>
Grand Total	\$47,500,000	\$32,329,750	11.74%**	\$33,621,206	\$11,921,730	\$45,542,936

09/16/20

\*Since Inception

\*\*11.75% for Police & Fire

Mr. Autrey reviewed the portfolios' performance attribution and contribution to IRR for all partnerships as of March 31, 2020. He reviewed the net asset value, capital calls and distributions for all of the funds held within both plans. Mr. Autrey provided ASPs outlook for 2020 and stated that ASP feels they are positioned well for what is going on in the marketplace. The report was received and filed by Chairman Hawkins.

Ms. Angelique Richardson, CFA, Vice President, and Relationship Manager, Ms. Claire Lewis, Investment Specialist, 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 \$1,121 billion of client assets under management. WMC has 847 investment professionals, with 172 partners all active in the firm. They have over 2,295 clients based in more than 60 countries. Ms. Richardson provided a review of WMC's people, process, and small cap portfolios. She commented that Mr. Brendan Swords, WMC's current CEO, will step down in June 2021 and Ms. Jean Hynes (currently managing partner) will take over as CEO on June 30, 2021. They are confident this will be a good transition due to Ms. Hynes' experience. WMC will appoint a 3<sup>rd</sup> managing partner next year after the transition. Ms. Lewis noted that WMC's small cap 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 for the small cap portfolios through July 31, 2020 for the General and Police & Fire Retirement Systems' portfolios were reported as follows:

	<u>2019</u>	<u>1 Yr.</u>	<u>3 Yrs.</u>	<u>5 Yrs.</u>	<u>10 Yrs.</u>	<u>Since Inception</u>
Ret. Systems	34.3%	0.6%	6.9%	8.9%	13.9%	11.3%
Russell 2000	25.5%	-4.6%	2.7%	5.1%	10.1%	7.5%
	<u>YTD</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Ret. Systems	-7.0%	-9.9%	21.1%	20.6%	-1.7%	10.3%
Russell 2000	-10.6%	-11.0%	14.6%	21.3%	-4.4%	4.9%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>		
Ret. Systems	44.3%	19.7%	-1.9%	36.3%		
Russell 2000	38.8%	16.3%	-4.2%	26.9%		

She reviewed the top performing and bottom performing sectors as well as provided information on the top ten active positions and portfolio characteristics. Ms. Lewis commented that WMC's outlook for 2020 depends on the industry. Ms. Perry reviewed the Commodities portfolios and commented that WMC believes in a long-term, fundamental and valuation-driven approach to active commodity management. WMC seeks to outperform its 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 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 for the commodities portfolios through July 31, 2020 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	-4.5%	-1.1%	1.4%	0.6%	-5.4%
Strategic Benchmark	-10.8%	-7.4%	-0.7%	-0.7%	-6.4%
Production-Weighted S&P GSCI	-33.9%	-31.2%	-8.9%	-9.2%	-13.5%
Bloomberg Commodity Index	-14.8%	-12.1%	-5.1%	-4.5%	-8.6%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Retirement Systems	12.4%	-11.9%	9.9%	15.9%	-25.9%
Strategic Benchmark	12.1%	-9.7%	10.6%	10.3%	-23.6%
Production-Weighted S&P GSCI	17.6%	-13.8%	5.8%	11.4%	-32.9%
Bloomberg Commodity Index	7.7%	-11.2%	1.7%	11.8%	-24.7%

09/16/20

Ms. Perry reviewed performance attribution and positioning for the portfolios and provided views on short- and intermediate-term drivers in the commodities market. She stated that aggregate commodity valuations are around the mid-point of the cycle and many commodities are in the lower to middle point of their cycles. The oil market is facing a deficit in the second half of 2020 and ethanol production has collapsed on falling oil prices and lower demand. She noted that ethanol represents approximately 40% of corn demand, therefore the current environment is challenging for corn fundamentals. Base metals have experienced mining disruptions, the copper supply has tightened due to COVID-19 supply disruptions, and copper demand is recovering in China. Metal inventories remain low. She provided a look back at the challenging decade and noted that the 2010s were characterized by: 1) consistently low or falling inflation; 2) China's economic transition from investment to consumption led; 3) breakthroughs in technology unlocking energy supplies in the U.S.; 4) cheap capital and a strong U.S. dollar putting downward pressure on production costs; and 5) the roll yield being a major headwind for the asset class. Ms. Perry noted that commodities have experienced their worst decade in the past century. U.S. oil production surged on the back of shale growth in the last decade, and Brazil has surpassed the U.S. as the world's largest soybean producer. She commented that commodities consistently offer diversification when inflation rises and reviewed the commodities market benchmark characteristics and sources of WMC's active management and investment guidelines. The report was received and filed by Chairman Hawkins.

Mr. Lindberg and Mr. Born next presented a report on the index that is currently being utilized for the Midstream Energy Infrastructure as it is no longer representative of the universe that Harvest Fund Advisors is invested in since there has been a benchmark shift. Mr. Lindberg noted that in recent years, the Master Limited Partnership (MLP) industry has experienced significant M&A activity and corporate consolidation, and a general movement towards C-Corporation (C-Corp) structures. Several years ago, the C-Corps made up just 38% of the investible universe in the space, while today, they make up nearly 70%; this continued movement is expected in the future. Currently, there are two major benchmarks to utilize for investments in the MLP space: the Alerian MLP Index (AMZ) and the S&P MLP Index (SPMLP). He noted that both indices have very low allocations to C-Corps. Alerian announced the launch of two new indices to address the structural differences: Alerian Midstream Energy Index (AMNA) and Alerian U.S. Midstream Energy Index (AMUS). The AMNA is a broad composite of North American energy infrastructure companies that include MLPs, C-Corps and Canadian companies. The AMUS is a broad composite of U.S. only energy infrastructure companies that include MLPs and C-Corps. Wilshire recommends that the boards adopt the Alerian Midstream Energy Index (AMNA) for the asset class benchmark, as well as the underlying benchmark for Harvest Fund Advisors as of October 1, 2020. The two new benchmarks launched by Alerian provide broader, less concentrated benchmarks than the current Alerian MLP Index and the S&P MLP Index. Mr. Born provided a comparison of returns as of June 30, 2020 utilizing the Alerian MLP Index, S&P MLP Index, Alerian U.S. Midstream Energy Index, and the Alerian Midstream Energy Index. He stated that according to the CFA Institute, a valid benchmark should possess the following seven characteristics, aligning the benchmark's style and risk with the asset class or manager: 1) specified in advance; 2) appropriate; 3) measurable; 4) unambiguous; 5) reflective of the current investment options; 6) accountable; and 7) investable. Following Trustee discussion, Mr. Timkovich made the motion on behalf of the General Retirement System to adopt the Alerian Midstream Energy Index (AMNA) for the asset class benchmark and for Harvest Fund Advisors as of October 1, 2020. The motion was seconded by Mr. Tryc and carried. Mr. Balkema made the motion on behalf of the Police & Fire Retirement System to adopt the Alerian Midstream Energy Index (AMNA) for the asset class benchmark and for Harvest Fund Advisors as of October 1, 2020. The motion was seconded by Mr. Veenstra and carried.

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 December 31, 2019 (\$729,563.98 for each System) or have the funds reinvested. She explained the concept of the distribution. Mr. Lindberg 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. Timkovich asked if continuously reinvesting the distributions with GCM will cause them to be overfunded or impede the Systems' ability to invest in additional Private Credit firms once the 50 South Capital account has been fulfilled. Mr. Lindberg stated Wilshire will continue to monitor this situation, but for now, Private Credit is underfunded so there is no issue regarding overfunding. Following Trustee discussion, Mr. Timkovich made the motion on behalf of the General Retirement System to have GCM reinvest the 5% year-end distribution from December 31, 2019 (\$729,563.98). The motion was seconded by Mr. Tryc and carried. Mr. VanderWall made

the motion on behalf of the Police & Fire Retirement System to have GCM reinvest the 5% year-end distribution from December 31, 2019 (\$729,563.98). The motion was seconded by Mr. Balkema and carried.

Ms. Korzen commented that she has received a proposal from the Retirement Systems' IT firm, Quixotic Computing, to replace the server. The current server is 5 years old and the cost to replace it will be \$2,289.85. Additionally, two computers need to be replaced this year (none were replaced last year due to a delay in the ability to purchase the same anti-virus protection that is currently used) at a cost of \$1,723.84 for the pair. She noted there will be some additional labor costs involved to complete the server and computer updates, so the total for all three replacements would be approximately \$5,000. Chairman Hawkins confirmed that these costs will be split evenly between both Systems; Ms. Korzen said yes. Mr. Timkovich made the motion on behalf of the General Retirement System to replace the current server and the two additional computers in the Retirement Systems Office per the proposal. The motion was seconded by Mr. Butts and carried. Mr. Veenstra made the motion on behalf of the Police & Fire Retirement System to replace the current server and the two additional computers in the Retirement Systems Office as outlined in the proposal. The motion was seconded by Mr. Balkema and carried.

The Executive Director next commented that Northern Trust has informed her that they will now have the ability to lend securities from the Midstream Energy portfolios. The anticipated gross annual revenue is \$2,800. She stated this is provided for in the current Securities Lending contract but wished to make Trustees aware that it will take place. Wilshire agreed that this would be prudent.

Mr. Michaud commented that the Retirement Systems will not be granted lead plaintiff status regarding the pending litigation against Bayer that was discussed at the August 2020 Joint Board meeting. He commented that although both plans have sustained significant losses due to this investment, there were other investors with larger losses. No further action needs to be taken.

Chairman Hawkins stated that he recently sent out the performance evaluation for the Executive Director. He asked that Trustees return their evaluations by the end of this month and then he will meet with the Vice Chairmen in October and report back to the boards at the November 2020 Joint Board meeting.

The meeting adjourned at 10:14 a.m.

The next Joint Meeting of the General and Police & Fire Retirement System Boards will be held Wednesday, November 18, 2020, at 8:15 a.m., 233 E. Fulton, Suite 216, Grand Rapids, Michigan.

Peggy Korzen  
Executive Director  
General and Police & Fire Retirement Systems