



MINUTES
MEETING NO. 017
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, DECEMBER 12, 2016

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, DECEMBER 12, 2016** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, 30TH FLOOR, SUITE 3000, DETROIT, MICHIGAN 48226

ROLL CALL:

CHAIRMAN **ROBERT SMITH** CALLED THE MEETING TO ORDER AT **10:03 A.M.** A QUORUM BEING PRESENT, ATTENDANCE WAS TAKEN BY RECORDING SECRETARY **JANET LENEAR** AND THE FOLLOWING COMMITTEE MEMBERS WERE PRESENT: JOSEPH BOGDAHNS (VIA PHONE), CHAIRMAN ROBERT SMITH, REBECCA SORENSEN (VIA PHONE), GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER AND VICE CHAIRMAN MCCULLOUGH WILLIAMS, III

ALSO PRESENT AT ROLL CALL:

EXECUTIVE DIRECTOR CYNTHIA A. THOMAS, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW, INVESTMENT OFFICER MICHAEL KRUSHENA, RECORDING SECRETARY JANET LENEAR, GENERAL COUNSEL RONALD A. KING (VIA PHONE) AND SPECIAL COUNSEL SEAN GALLAGHER OF CLARK HILL (VIA PHONE)

GUESTS PRESENT AT ROLL CALL:

POLICE AND FIRE/GENERAL TRUSTEE AND FINANCE DIRECTOR JOHN NAGLICK, POLICE AND FIRE PUBLIC RELATIONS ADVISOR BRUCE BABIARZ AND MICHIGAN DEPARTMENT OF TREASURY EXECUTIVE DIRECTOR RONALD ROSE

EXCUSED:

ASSISTANT EXECUTIVE DIRECTOR DAVID CETLINSKI

MOTION #1 – 12-12-16: APPROVAL OF DECEMBER 12, 2016 AGENDA

MOVED BY COMMITTEE MEMBER TUCKER – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE TODAY’S DECEMBER 12, 2016 AGENDA AS PREPARED AND PRESENTED BY THE COMMITTEE’S RECORDING SECRETARY SUBJECT TO THE COMMITTEE’S 2017 MEETING SCHEDULE BEING DISCUSSED AND AGREED UPON (PER CHAIRMAN **SMITH**). THE MOTION PASSED UNANIMOUSLY.

2017 PFRS INVESTMENT COMMITTEE MEETING SCHEDULE

THE COMMITTEE DISCUSSED AND ESTABLISHED THE FOLLOWING 2017 MEETING SCHEDULE:

2017 POLICE AND FIRE INVESTMENT COMMITTEE MEETING SCHEDULE*

<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>LOCATION</u>
MONDAY	FEBRUARY 6, 2017	10:00 A.M.	CONFERENCE ROOM - TELECONFERENCE
MONDAY	MARCH 13, 2017	10:00 A.M.	CONFERENCE ROOM
MONDAY	MAY 22, 2017	10:00 A.M.	CONFERENCE ROOM
MONDAY	JULY 24, 2017	10:00 A.M.	CONFERENCE ROOM - TELECONFERENCE
MONDAY	SEPTEMBER 25, 2017	10:00 A.M.	CONFERENCE ROOM
MONDAY	NOVEMBER 20, 2017	10:00 A.M.	CONFERENCE ROOM
MONDAY	DECEMBER 18, 2017	10:00 A.M.	CONFERENCE ROOM - TELECONFERENCE

RE: PFRS JUNE 30, 2016 AUDITED FINANCIAL STATEMENTS

CHAIRMAN **SMITH** ALSO NOTED THAT PER THE REQUEST OF CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW**, A SPECIAL MEETING (VIA PHONE CONFERENCE) WILL BE HELD ON THURSDAY, DECEMBER 22, 2016 (AT 2:00 P.M.) TO DISCUSS AND APPROVE THE SYSTEM'S JUNE 30, 2016 AUDITED FINANCIAL STATEMENTS AS PRESENTED BY THE SYSTEM'S AUDITOR'S PLANTE MORAN.

TRUSTEE **SEAN P. NEARY** ENTERED THE MEETING AT 10:15 A.M.

MOTION #2 – 12-12-16: APPROVAL OF OCTOBER 17, 2016 MINUTES

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER WILLIAMS: TO APPROVE THE COMMITTEE'S OCTOBER 17, 2016 MINUTES AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

GABRIEL, ROEDER, SMITH & COMPANY

ACTUARIES **KEN ALBERTS** AND **DAVID KAUSCH** DISCUSSED THE SYSTEM'S GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULES OF COMPONENTS I AND II (AS OF JUNE 30, 2016) AT LENGTH AND THEN ASKED THE COMMITTEE TO APPROVE SAME.

MOTION #3 – 12-12-16: APPROVAL OF GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULE OF COMPONENT II (AS OF JUNE 30, 2016)

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER WILLIAMS: THAT THE BOARD APPROVE THE SYSTEM'S GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULE OF COMPONENT II (AS OF JUNE 30, 2016) AS PREPARED AND SUBMITTED BY THE SYSTEM'S ACTUARY, GABRIEL, ROEDER, SMITH & COMPANY. THE MOTION PASSED UNANIMOUSLY.

MOTION #4 – 12-12-16: APPROVAL OF GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULE OF COMPONENT I (AS OF JUNE 30, 2016)

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER DIAZ: THAT THE BOARD APPROVE THE SYSTEM'S GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULE OF COMPONENT I (AS OF JUNE 30, 2016) AS PREPARED AND SUBMITTED BY

MOTION #4 – 12-12-16: APPROVAL OF GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULE OF COMPONENT I (AS OF JUNE 30, 2016) - CONTINUED

THE SYSTEM'S ACTUARY, GABRIEL, ROEDER, SMITH & COMPANY. THE MOTION PASSED UNANIMOUSLY.

CHEIRON

VIA PHONE CONFERENCE, **GENE KALWARSKI** AND **MICHAEL NOBLE** (CHEIRON IS THE CITY'S NEW ACTUARY) INTRODUCED THEMSELVES TO THE COMMITTEE AND DISCUSSED THE PRESENT AND PROJECTED FUTURE ASSETS AND LIABILITIES OF THE SYSTEM AND THE CITY. THE GENTLEMEN THEN PROCEEDED TO DETAIL THE FUNDING MODEL CHEIRON DEVELOPED FOR THE CITY WITH RESPECT TO THE CITY'S COMPONENT II CONTRIBUTIONS DUE THE SYSTEM IN 2024, OUTLINING VARIOUS FINANCING (PRE-DEFINED, AMORTIZATION, LEVEL PRINCIPAL) AND INVESTMENT (BASELINE, HISTORICAL) OPTIONS.

GENERAL COUNSEL **RONALD A. KING** ENTERED THE MEETING DURING THE GENTLEMEN'S PRESENTATION (AT 11:25 A.M.).

~CONCLUDES CHEIRON'S PRESENTATION~

RECESS

THE COMMITTEE RECESSED FOR LUNCH AT 11:45 A.M., DURING WHICH TIME COMMITTEE MEMBER **MARK DIAZ** EXCUSED HIMSELF.

CHAIRMAN **SMITH** RE-CONVENED THE MEETING AT 12:25 P.M. AND INFORMED THE COMMITTEE THAT NEW CHAIR/VICE CHAIR DESIGNATIONS WILL BE MADE AT THE COMMITTEE'S MARCH 13, 2017 MEETING.

WILSHIRE

DAVID LINDBERG AND **CALVIN BORN** PROVIDED THE COMMITTEE WITH A CAPITAL MARKET UPDATE. THEY ALSO DISCUSSED SEPTEMBER 30, 2016 MANAGER PERFORMANCE AND FIXED INCOME.

MESSRS. LINDBERG AND **BORN** ALSO DISCUSSED PAYDEN & RYGEL'S GOVERNMENT BOND MANDATE AND MELLON'S EAFE ADR MANDATE AND ASKED THE COMMITTEE TO ADOPT MOTIONS TERMINATING BOTH.

MOTION #5 – 12-12-16: PAYDEN & RYGEL GOVERNMENT BOND MANDATE

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER TYLER: THAT PER THE RECOMMENDATION OF WILSHIRE, THE SYSTEM'S GENERAL INVESTMENT CONSULTANT, PAYDEN & RYGEL'S GOVERNMENT BOND MANDATE BE TERMINATED AND ALL PROCEEDS BE RE-ALLOCATED TO LOOMIS, PUGH AND BAIRD. THE MOTION PASSED UNANIMOUSLY.

MOTION #6 – 12-12-16: MELLON EAFE ADR MANDATE

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER NEARY: THAT PER THE RECOMMENDATION OF WILSHIRE, THE SYSTEM'S GENERAL INVESTMENT CONSULTANT, MELLON'S EAFE ADR MANDATE BE TERMINATED AND RHUMLINE, SUBJECT TO THE EXECUTION OF AN INVESTMENT MANAGEMENT AGREEMENT SATISFACTORY TO THE SYSTEM AND THE SYSTEM'S GENERAL COUNSEL, BE HIRED TO MANAGE THE MSCI EAFE INDEX STRATEGY. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES WILSHIRE'S PRESENTATION~

HAMILTON LANE

KATIE MOORE, SEAN BARBER AND RYAN COONEY (VIA PHONE CONFERENCE) DISCUSSED THE SYSTEM'S 2017 PRIVATE EQUITY TACTICAL PLAN AT LENGTH, FOCUSING ON STRATEGIC ALLOCATION AND NOTING THAT HAMILTON LANE RECENTLY HIRED GRIDIRON AND PLATINUM EQUITY AS CORE MANAGERS FOR THE SYSTEM.

~CONCLUDES HAMILTON LANE'S PRESENTATION~

COURTLAND PARTNERS

MIKE MURPHY INFORMED THE COMMITTEE THAT **MIKE HUMPHREY** (A CO-FOUNDER AND OWNER OF COURTLAND) PASSED AWAY UNEXPECTEDLY LAST MONTH AND WILL BE DEARLY MISSED. **MR. MURPHY** ASSURED THE COMMITTEE, HOWEVER, THAT HE WILL CONTINUE TO SERVE AS THE SYSTEM'S MAIN CONTACT AND THEN PROCEEDED TO DISCUSS THE SYSTEM'S 2017 REAL ESTATE TACTICAL PLAN AT LENGTH. FOLLOWING HIS DISCUSSION, THE FOLLOWING INVESTMENTS, ALLOCATIONS AND REQUESTS WERE APPROVED:

MOTION #7 – 12-12-16: ABR CHESAPEAKE FUND V, L.P. |

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: THAT PER THE RECOMMENDATION OF COURTLAND, THE SYSTEM’S REAL ESTATE CONSULTANT, UP TO \$25,000,000 BE INVESTED IN ALEX BROWN REALTY’S CHESAPEAKE FUND V, L.P. THE MOTION PASSED UNANIMOUSLY.

MOTION #8 – 12-12-16: VALSTONE OPPORTUNITY FUND VI, LLC

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: THAT PER THE RECOMMENDATION OF COURTLAND, THE SYSTEM’S REAL ESTATE CONSULTANT, UP TO \$25,000,000 BE INVESTED IN VALSTONE PARTNERS’ OPPORTUNITY FUND VI, LLC. THE MOTION PASSED UNANIMOUSLY. |

MOTION #9 – 12-12-16: ARA CORE REALTY FUND

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: THAT PER THE RECOMMENDATION OF COURTLAND, THE SYSTEM’S REAL ESTATE CONSULTANT, AN ADDITIONAL \$10,000,000 ALLOCATION BE MADE TO AMERICAN REALTY ADVISORS’ CORE REALTY FUND. THE MOTION PASSED UNANIMOUSLY.

MOTION #10 – 12-12-16: PFRS 2017 REAL ESTATE TACTICAL PLAN

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: THAT PER THE RECOMMENDATION OF COURTLAND, THE SYSTEM’S REAL ESTATE CONSULTANT, THE SYSTEM’S 2017 REAL ESTATE TACTICAL PLAN BE APPROVED. THE MOTION PASSED UNANIMOUSLY.

MOTION #11 – 12-12-16: MGRA GENESIS VALUE FUND

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER TYLER: THAT PER THE RECOMMENDATION OF COURTLAND, THE SYSTEM’S REAL ESTATE CONSULTANT, A WAIVER OF AUDIT, SIX-MONTH FUND AMENDMENT EXTENSION AND FEE REDUCTION BE APPROVED WITH RESPECT TO THE MGRA GENESIS VALUE FUND. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES COURTLAND’S PRESENTATION~ |

LEGAL REPORT

GENERAL COUNSEL **RONALD A. KING** ASKED THE COMMITTEE TO ENTER INTO CLOSED SESSION TO DISCUSS PENDING LITIGATION.

MOTION #12 – 12-12-16: ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER TUCKER – SECONDED BY COMMITTEE MEMBER WILLIAMS: THAT THE COMMITTEE ENTER INTO CLOSED SESSION TO DISCUSS PENDING LITIGATION. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **3:07 P.M.**

MOTION #13 – 12-12-16: RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER NEARY: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **3:23 P.M.**

~CONCLUDES LEGAL REPORT~

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **3:24 P.M.** UNTIL **THURSDAY, DECEMBER 22, 2016, AT 2:00 P.M.** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, 30TH FLOOR, SUITE 3000, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,

Cynthia A Thomas

EXECUTIVE DIRECTOR

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY

MINUTES REVIEWED BY: RYAN C. BIGELOW, CHIEF INVESTMENT OFFICER