



**MINUTES**  
**MEETING NO. 011**  
**MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM**  
**INVESTMENT COMMITTEE**  
**MONDAY, JANUARY 25, 2016**

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, JANUARY 25, 2016** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, ONE DETROIT CENTER, 500 WOODWARD AVENUE, 30<sup>TH</sup> FLOOR, SUITE 3000, DETROIT, MICHIGAN 48226

ROLL CALL:

CHAIRMAN **ROBERT SMITH** CALLED THE MEETING TO ORDER AT **10:05 A.M.** A QUORUM BEING PRESENT, ATTENDANCE WAS TAKEN BY RECORDING SECRETARY **JANET LENEAR** AND THE FOLLOWING COMMITTEE MEMBERS WERE PRESENT: JOSEPH BOGDAHN, MARK DIAZ (VIA PHONE CONFERENCE), SEAN NEARY, ROBERT SMITH (CHAIRMAN), REBECCA SORENSEN, GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER AND MCCULLOUGH WILLIAMS, III (VICE CHAIRMAN)

ALSO PRESENT AT ROLL CALL:

EXECUTIVE DIRECTOR CYNTHIA A. THOMAS, ASSISTANT EXECUTIVE DIRECTOR DAVID CETLINSKI, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW, INVESTMENT OFFICER MICHAEL KRUSHENA AND GENERAL COUNSEL RONALD A. KING

**MOTION #1: APPROVAL OF JANUARY 25, 2016 AGENDA**

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER NEARY: TO APPROVE TODAY’S JANUARY 25, 2016 AGENDA AS PREPARED AND PRESENTED BY THE COMMITTEE’S RECORDING SECRETARY SUBJECT TO CHIEF INFORMATION OFFICER **DENNIS LINET** DISCUSSING CYBER SECURITY AT THE CONCLUSION OF TODAY’S MEETING. THE MOTION PASSED UNANIMOUSLY.

FUTURE AGENDA ITEMS/DISCUSSION

CHAIRMAN **SMITH** ASKED THAT POLICE AND FIRE'S INVESTMENT COMMITTEE SCHEDULE A DATE TO MEET WITH GRS' INVESTMENT COMMITTEE FOR THE PURPOSE OF DISCUSSING VARIOUS TOPICS OF IMPORTANCE TO BOTH SYSTEMS - FROM INVESTMENT AND ADMINISTRATIVE STANDPOINTS.

**MOTION #2: APPROVAL OF NOVEMBER 16, 2015 MINUTES**

MOVED BY COMMITTEE MEMBER TROZAK - SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE THE COMMITTEE'S NOVEMBER 16, 2015 MINUTES AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

CHIEF INVESTMENT OFFICER'S REPORT

CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** ADDRESSED THE FOLLOWING MATTERS:

BLACK AND BLUE REPORT/REBALANCE: **MR. BIGELOW** PROVIDED EACH COMMITTEE AND ADMINISTRATIVE STAFF MEMBER WITH A COPY OF THE SYSTEM'S DECEMBER 31, 2015 BLACK AND BLUE REPORT AND DISCUSSED SAME AT LENGTH (NOTING THAT THE SYSTEM IS NOW A UNITIZED PLAN). HE ALSO PROVIDED THE COMMITTEE WITH A REBALANCE UPDATE (NOTING THAT HEDGE FUND AND GLOBAL LOW VOLATILITY MANDATES WERE FUNDED).

GUGGENHEIM PARTNERS: **MR. BIGELOW** RECOMMENDED THAT THE COMMITTEE APPROVE GUGGENHEIM'S RECOMMENDATION TO TRANSITION TO GUGGENHEIM'S GLOBAL HIGH YIELD FUND.

**MOTION #3: GUGGEMHEIM GLOBAL HIGH YIELD FUND**

MOVED BY COMMITTEE MEMBER NEARY - SECONDED BY COMMITTEE MEMBER SORENSEN: THAT THE COMMITTEE APPROVE THE SYSTEM'S TRANSITION TO GUGGENHEIM'S GLOBAL HIGH YIELD FUND, AS RECOMMENDED BY THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND WILSHIRE, THE SYSTEM'S CONSULTANT. THE MOTION PASSED UNANIMOUSLY

CHIEF INVESTMENT OFFICER'S REPORT - CONTINUED

VALSTONE: VALSTONE IS REQUESTING ADDITIONAL TWELVE-MONTH EXTENSIONS FOR FUNDS II AND III. **MR. BIGELOW** HAS ASKED THE GENERAL PARTNER TO CONSIDER ALTERNATIVE OPTIONS AND REPORT BACK TO HIM, SO NO ACTION BY THE COMMITTEE IS REQUIRED AT THIS TIME.

ALPHA PARTNERS: **NAPOLEON RODGERS**, CO-FOUNDER OF ALPHA, RECENTLY PASSED AWAY AND ALPHA HAS BEEN ON THE SYSTEM'S "WATCH LIST" DUE TO ORGANIZATIONAL CONCERNS SINCE OCTOBER OF 2012. **MR. BIGELOW** NOTED THAT **DAWNA J. RODGERS** (PRESIDENT AND PORTFOLIO MANAGER) IS SCHEDULED TO APPEAR BEFORE THE POLICE AND FIRE BOARD ON JANUARY 28, 2016 TO DISCUSS ALPHA'S INVESTMENT STRATEGY AND PLANS TO RAISE CAPITAL GOING FORWARD; **MR. BIGELOW** SUGGESTED THAT ALPHA BE AFFORDED A FEW ADDITIONAL MONTHS TO RAISE CAPITAL, ASKING THAT THE COMMITTEE TAKE NO ACTION AT THIS TIME.

FOLLOWING FURTHER DISCUSSION OF THIS MATTER, COMMITTEE MEMBER **BOGDAHN** MADE THE MOTION WHICH FOLLOWS:

**MOTION #4: ALPHA PARTNERS**

MOVED BY COMMITTEE MEMBER BOGDAHN – SUPPORTED BY COMMITTEE MEMBER SORENSEN: THAT THE SYSTEM'S INVESTMENT MANAGEMENT AGREEMENT WITH ALPHA PARTNERS BE TERMINATED EFFECTIVE THE FIRST AVAILABLE DATE WITHIN THE SYSTEM'S INVESTMENT MANAGEMENT AGREEMENT WITH ALPHA PARTNERS.

YEAS – COMMITTEE MEMBERS BOGDAHN, NEARY, SMITH, SORENSEN, TROZAK, TUCKER AND TYLER – 7

NAYS – COMMITTEE MEMBER DIAZ – 1

ABSTENTIONS – COMMITTEE MEMBER WILLIAMS – 1

~CONCLUDES CHIEF INVESTMENT OFFICER'S REPORT~

EXECUTIVE DIRECTOR'S REPORT

EXECUTIVE DIRECTOR **CYNTHIA A. THOMAS** ADDRESSED THE FOLLOWING MATTERS:

EXECUTIVE DIRECTOR'S REPORT - CONTINUED

CEM BENCHMARKING: SPECIALIZES IN BENCHMARKING COST AND PERFORMANCE OF PENSION FUNDS. **MS. THOMAS** WILL PETITION BOTH BOARDS TO APPROVE THE HIRING OF CEM BENCHMARKING TO PERFORM AN INVESTMENT COST EFFECTIVENESS ANALYSIS OF THE SYSTEMS.

**MS. THOMAS** TEMPORARILY SUSPENDED HER REPORT TO ALLOW ASSISTANT EXECUTIVE DIRECTOR **DAVID CETLINSKI** TO PROVIDE AN AUDIT UPDATE.

ASSISTANT EXECUTIVE DIRECTOR'S REPORT

ASSISTANT EXECUTIVE DIRECTOR **DAVID CETLINSKI** INFORMED THE COMMITTEE THAT THE SYSTEM'S AUDIT SHOULD BE COMPLETE IN EARLY/MID MARCH OF THIS YEAR.

~CONCLUDES ASSISTANT EXECUTIVE DIRECTOR'S REPORT~

EXECUTIVE DIRECTOR'S REPORT - CONTINUED

MCLAGAN: PROVIDES COMPENSATION SURVEYS FOR EXECUTIVE-LEVEL POSITIONS. **MS. THOMAS** WILL PETITION BOTH BOARDS TO HIRE MCLAGAN TO PROVIDE COMPENSATION SURVEYS FOR CERTAIN RETIREMENT SYSTEM EXECUTIVE-LEVEL POSITIONS.

~CONCLUDES EXECUTIVE DIRECTOR'S REPORT~

LEGAL REPORT

GENERAL COUNSEL **RONALD A. KING** PROVIDED THE COMMITTEE WITH A STATUS UPDATE REGARDING CHAPTER 9 COMPLIANCE; IRS DETERMINATION LETTER APPLICATION; RIVERS CASINO; AND GOLDMAN SACHS SECURITIES LITIGATION. HE THEN ASKED THE COMMITTEE TO ENTER INTO CLOSED SESSION FOR THE PURPOSE OF DISCUSSING PENDING LITIGATION.

LEGAL REPORT - CONTINUED

**MOTION #5: ENTERING INTO CLOSED SESSION**

MOTION BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER TYLER: TO ENTER INTO CLOSED SESSION FOR THE PURPOSE OF DISCUSSING PENDING LITIGATION. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **11:14 A.M.**

**MOTION #6: RETURNING TO OPEN SESSION**

MOTION BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: TO RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **11:30 A.M.**

RECESS

THE COMMITTEE RECESSED FROM 11:30 A.M. UNTIL 11:38 A.M.

COURTLAND PARTNERS

**MIKE MURPHY** DISCUSSED THE SYSTEM'S FISCAL YEAR 2016 REAL ESTATE TACTICAL PLAN (DUE DILIGENCE WAS PERFORMED WITH RESPECT TO CORE AND VALUE-ADDED INVESTMENT MANAGERS) AND REAL ESTATE POLICY STATEMENT, NOTING THAT THE REAL ESTATE POLICY STATEMENT WAS REVISED TO REFLECT NO STATED LIMIT ON THE SYSTEM'S REAL ESTATE POLICY.

**MR. MURPHY** THEN DISCUSSED HARRISON STREET; JAMESTOWN AND EQUUS WITH RESPECT TO THE SYSTEM'S SEARCH FOR CORE, CORE PLUS AND VALUE-ADDED INVESTMENT MANAGERS.

**MOTION #7: HARRISON STREET**

MOTION BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT BASED UPON THE RECOMMENDATION OF THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND COURTLAND PARTNERS, THE SYSTEM'S REAL ESTATE CONSULTANT, HARRISON STREET BE HIRED AS A CORE (CORE PROPERTY FUND) INVESTMENT MANAGER WITH AN INITIAL ALLOCATION OF \$20,000,000.00 SUBJECT TO THE EXECUTION OF AN INVESTMENT MANAGEMENT AGREEMENT SATISFACTORY TO THE

COURTLAND PARTNERS - CONTINUED

**MOTION #7: HARRISON STREET - CONTINUED**

SYSTEM AND THE SYSTEM'S GENERAL COUNSEL. THE MOTION PASSED UNANIMOUSLY.

**MOTION #8: JAMESTOWN**

MOTION BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT BASED UPON THE RECOMMENDATION OF THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND COURTLAND PARTNERS, THE SYSTEM'S REAL ESTATE CONSULTANT, JAMESTOWN BE HIRED AS A CORE PLUS (PREMIER PROPERTY FUND) INVESTMENT MANAGER WITH AN INITIAL ALLOCATION OF \$20,000,000.00 SUBJECT TO THE EXECUTION OF AN INVESTMENT MANAGEMENT AGREEMENT SATISFACTORY TO THE SYSTEM AND THE SYSTEM'S GENERAL COUNSEL. THE MOTION PASSED UNANIMOUSLY.

**MOTION #9: EQUUS CAPITAL PARTNERS, LTD.**

MOTION BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT BASED UPON THE RECOMMENDATION OF THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND COURTLAND PARTNERS, THE SYSTEM'S REAL ESTATE CONSULTANT, EQUUS CAPITAL PARTNERS, LTD. BE HIRED AS A VALUE-ADDED (INVESTMENT PARTNERSHIP X) INVESTMENT MANAGER WITH AN INITIAL ALLOCATION OF \$25,000,000.00 SUBJECT TO THE EXECUTION OF AN INVESTMENT MANAGEMENT AGREEMENT SATISFACTORY TO THE SYSTEM AND THE SYSTEM'S GENERAL COUNSEL. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES COURTLAND'S PRESENTATION~

RECESS

THE COMMITTEE RECESSED FOR LUNCH FROM 12:37 P.M. UNTIL 1:15 P.M.

WILSHIRE ASSOCIATES

**J.M. RUSCETTI** AND **DAVID LINBERG** PROVIDED THE COMMITTEE WITH A CAPITAL MARKETS/PERFORMANCE UPDATE AND THEN DISCUSSED THE

WILSHIRE ASSOCIATES - CONTINUED

QUALIFICATIONS OF THREE FIRMS WITH RESPECT TO THE SYSTEM'S SEARCH FOR A PRIVATE EQUITY INVESTMENT MANAGER.

**MOTION #10: HAMILTON LANE**

MOTION BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT BASED UPON THE RECOMMENDATION OF THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND WILSHIRE ASSOCIATES, THE SYSTEM'S GENERAL INVESTMENT CONSULTANT, HAMILTON LANE BE HIRED AS A PRIVATE EQUITY INVESTMENT MANAGER SUBJECT TO AN ON-SITE VISIT, LEGAL DOCUMENT REVIEW, FEE NEGOTIATIONS, PORTFOLIO CONSTRUCTION AND GUIDELINE REVIEW. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES WILSHIRE'S PRESENTATION~ |

LAZARD ASSET MANAGEMENT

**EDWARD KEATING** (CHIEF PORTFOLIO MANAGER) EDUCATED THE COMMITTEE ON EMERGING MARKETS (THOSE COUNTRIES THAT HAVE SOME CHARACTERISTICS OF DEVELOPED MARKETS BUT DO NOT MEET STANDARDS TO BE DEVELOPED MARKETS, INCLUDING COUNTRIES THAT MAY BE DEVELOPED MARKETS IN THE FUTURE OR WERE IN THE PAST); NOTING DEMOGRAPHICS; PERFORMANCE; VOLATILITY; INDICES; RETURNS AND GROWTH EXPECTATIONS.

~CONCLUDES LAZARD ASSET MANAGEMENT'S EDUCATION SESSION~

MARCH 7, 2016 MEETING

CHAIRMAN **SMITH** DIRECTED THAT THE COMMITTEE'S **MARCH 7, 2016** MEETING BE RE-SCHEDULED TO **MARCH 14, 2016**. APPROPRIATE NOTICES WILL BE PLACED ON-LINE, WITHIN THE OFFICES OF THE RETIREMENT SYSTEMS, AND ON THE FIRST-FLOOR BULLETIN BOARD OF THE COLEMAN A. YOUNG MUNICIPAL CENTER.

FUNDING PLAN/CITY AND STATE

COMMITTEE MEMBER **NEARY** INQUIRED AS TO THE CITY'S AND STATE'S FUNDING PLANS AND CHAIRMAN **SMITH** ASKED THAT PFRS/GRS TRUSTEE **JOHN NAGLICK** AND EXECUTIVE DIRECTOR OF THE STATE OF MICHIGAN

FUNDING PLAN/CITY AND STATE - CONTINUED

DEPARTMENT OF TREASURY, **RONALD ROSE**, BE REQUESTED TO ATTEND THE COMMITTEE'S MARCH 14, 2016 MEETING TO ADDRESS SAME.

CHIEF INFORMATION OFFICER'S REPORT

CHIEF INFORMATION OFFICER **DENNIS LINET** AND ASSISTANT **DOUG DAVIS** DISCUSSED CYBER TERRORISM, FOCUSING ON THE SYSTEMS' LAYERED SECURITY TO PROTECT THE E-ASSETS; E-MAILS; COMPUTERS; INTERNET AND CLIENT INFORMATION OF THE SYSTEMS.

**MR. LINET** NOTED THAT BACKUPS ARE DONE DAILY TO THE DATA DOMAIN DEVICE; WEEKLY BACKUP TAPES ARE STORED OFFSITE AT IRON MOUNTAIN; SQL DATA BASE BACKUPS ARE DONE NIGHTLY; CLIENT "SNAPSHOTS" ARE TAKEN TWICE DAILY; VEEAM FULL BACKUPS TO THE DATA DOMAIN DEVICE OCCUR NIGHTLY; RESOURCES ARE BEING ADDED TO ALLOW VEEAM REPLICATION EVERY 4 HOURS, WHICH WILL ALLOW FILE OR SYSTEM-LEVEL RECOVERY IN MINUTES; SAN "REPLAYS" ARE TAKEN ON VOLUMES INSTEAD OF DRIVES; AND OFFSITE REPLICATION OF BACKUPS TO IRON MOUNTAIN TO ALLOW FOR QUICKER RECOVERY IN THE EVENT OF A SITE DISASTER ARE BEING EXPLORED.

~CONCLUDES CHIEF INFORMATION OFFICER'S REPORT~

JOINT INVESTMENT COMMITTEE MEETING

A MEETING OF THE PFRS/GRS INVESTMENT COMMITTEES WILL BE HELD MONDAY, **OCTOBER 17, 2016**, AT 10:00 A.M., AT THE OFFICES OF CLARK HILL TO DISCUSS THE MATTERS RAISED ON PAGE 2 OF THESE PROCEEDINGS (UNDER "FUTURE AGENDA ITEMS/DISCUSSIONS").

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **3:15 P.M.** UNTIL **MONDAY, MARCH 14, 2016**, AT **10:00 A.M.**, IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, 30<sup>TH</sup> FLOOR, SUITE 3000, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,



ADJOURNMENT - CONTINUED

A handwritten signature in black ink, appearing to read "David Cetlinski". The signature is written in a cursive, flowing style.

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DAVID CETLINSKI, ASSISTANT EXECUTIVE DIRECTOR

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY

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