



MINUTES
MEETING NO. 012
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, MARCH 14, 2016

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, MARCH 14, 2016** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, ONE DETROIT CENTER, 500 WOODWARD AVENUE, 30TH FLOOR, SUITE 3000, DETROIT, MICHIGAN 48226

ROLL CALL:

CHAIRMAN **ROBERT SMITH** CALLED THE MEETING TO ORDER AT **10:02 A.M.** A QUORUM BEING PRESENT, ATTENDANCE WAS TAKEN BY RECORDING SECRETARY **JANET LENEAR** AND THE FOLLOWING COMMITTEE MEMBERS WERE PRESENT: JOSEPH BOGDAHN, ROBERT SMITH (CHAIRMAN), REBECCA SORENSEN, GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER AND MCCULLOUGH WILLIAMS, III (VICE CHAIRMAN)

STAFF 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

VISITORS PRESENT AT ROLL CALL:

POLICE AND FIRE PUBLIC RELATIONS ADVISOR BRUCE BABIARZ; SPECIAL LEGAL COUNSEL SEAN GALLAGHER (CLARK HILL, PLC); STEVEN HOWELL, COUNSEL FOR FINANCIAL REVIEW COMMISSION (DICKINSON WRIGHT, PLLC); POLICE AND FIRE TRUSTEE AND CHAIRPERSON JEFFREY PEGG; AND JOHN NAGLICK, THE CITY'S DEPUTY CHIEF FINANCIAL OFFICER. MR. NAGLICK IS ALSO A TRUSTEE OF BOTH THE POLICE AND FIRE AND GENERAL RETIREMENT SYSTEMS.

ELECTION OF OFFICERS AND TERM DESIGNATION

CHAIRMAN **SMITH** DIRECTED THAT THE MATTER OF ELECTING OFFICERS AND TERM DESIGNATION BE ADDRESSED AT THE COMMITTEE'S OCTOBER OR NOVEMBER MEETING (2016).

MOTION #1 – MARCH 14, 2016: APPROVAL OF MARCH 14, 2016 AGENDA

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE TODAY'S MARCH 14, 2016 AGENDA AS PREPARED AND PRESENTED BY THE COMMITTEE'S RECORDING SECRETARY, SUBJECT TO EXECUTIVE DIRECTOR **CYNTHIA A. THOMAS** PROVIDING THE COMMITTEE WITH UPDATES REGARDING EXECUTIVE COMPENSATION; BENCHMARKING (STREAMLINING OPERATIONS AND GAUGING COST EFFECTIVENESS AND EFFICIENCY OF THE SYSTEMS); AND IT'S PENDING PROJECTS. THE MOTION PASSED UNANIMOUSLY.

MOTION #2 – MARCH 14, 2016: APPROVAL OF JANUARY 25, 2016 MINUTES

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE THE COMMITTEE'S JANUARY 25, 2016 MINUTES AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

GABRIEL, ROEDER, SMITH & COMPANY

KENNETH ALBERTS AND **JUDITH KERMANS** DISCUSSED, AT LENGTH, GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULES FOR COMPONENTS I (HYBRID PLAN) AND II (LEGACY PLAN) AS OF JUNE 30, 2015, ADDRESSING:

ACTUARIAL ASSUMPTIONS

DAVID KAUSCH (OF GABRIEL, ROEDER, SMITH & COMPANY) JOINED **MR. ALBERTS** AND **MS. KERMANS** AT 10:14 A.M.

FINANCIAL STATEMENTS

CHANGES TO PLAN PROVISIONS

COMMITTEE MEMBER **SEAN P. NEARY** ENTERED THE MEETING AT 10:25 A.M.

GABRIEL, ROEDER, SMITH & COMPANY - CONTINUED

FUNDING METHODS

PENSION LIABILITIES

MOTION #3 – MARCH 14, 2016: APPROVAL OF GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULES OF COMPONENTS I AND II (AS OF JUNE 30, 2015)

MOVED BY COMMITTEE MEMBER SORENSEN – SECONDED BY COMMITTEE MEMBER BOGDAHN: THAT THE COMMITTEE APPROVE THE SYSTEM'S GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULES OF COMPONENTS I AND II (AS OF JUNE 30, 2015) AS PREPARED AND SUBMITTED BY THE SYSTEM'S ACTUARY, GABRIEL, ROEDER, SMITH & COMPANY. THE MOTION PASSED UNANIMOUSLY.

MOTION #4 – MARCH 14, 2016: ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER BOGDAHN: THAT PURSUANT TO THE OPEN MEETINGS ACT, MCL 15.268, INCLUDING SUB-SECTION (H) (TO CONSIDER MATERIAL EXEMPT FROM DISCLOSURE BY STATE OR FEDERAL STATUTE); AND THE FREEDOM OF INFORMATION ACT, MCL 15.243 (1), INCLUDING SUB-SECTIONS (G) (INFORMATION OR RECORDS SUBJECT TO THE ATTORNEY/CLIENT PRIVILEGE) AND (H) (INFORMATION OR RECORDS SUBJECT TO OTHER PRIVILEGE RECOGNIZED BY STATUTE OR COURT RULE); THE COMMITTEE'S DISCUSSION WITH THE SYSTEM'S ACTUARY AND GENERAL COUNSEL WITH RESPECT TO THE SYSTEM'S FUNDING POLICY PROCEED IN CLOSED SESSION. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **11:21 A.M.**

COMMITTEE MEMBER **MARK DIAZ** ENTERED THE MEETING AT 11:30 A.M.

MOTION #5 – MARCH 14, 2016: RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **12:07 P.M.**

RECESS

THE COMMITTEE RECESSED FOR LUNCH FROM 12:07 P.M. UNTIL 12:45 P.M.

PLANTE MORAN

BETH BIALY, SPENCER TAWA, MICHELLE WATTERWORTH AND MANJU PAITNAIK DISCUSSED THE SYSTEM'S FINANCIAL STATEMENTS (WITH SUPPLEMENTAL INFORMATION) AS OF JUNE 30, 2015; AND THE SYSTEM'S SCHEDULE OF PENSION AMOUNTS AS OF JUNE 30, 2014.

MOTION #6 – MARCH 14, 2016: ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER BOGDAHNS – SECONDED BY COMMITTEE MEMBER TYLER: THAT PURSUANT TO THE OPEN MEETINGS ACT, MCL 15.268, INCLUDING SUB-SECTION (H) (TO CONSIDER MATERIAL EXEMPT FROM DISCLOSURE BY STATE OR FEDERAL STATUTE); AND THE FREEDOM OF INFORMATION ACT, MCL 15.243 (1), PARTICULARLY SUB-SECTION (G) (INFORMATION OR RECORDS SUBJECT TO THE ATTORNEY/CLIENT PRIVILEGE); AND THE ACCOUNTANT/CLIENT PRIVILEGE EXPRESSED IN MCL 339.732; THE COMMITTEE'S DISCUSSION WITH THE SYSTEM'S AUDITORS, ACTUARY AND GENERAL COUNSEL WITH RESPECT TO THE SYSTEM'S AUDITED FINANCIAL STATEMENTS AS OF JUNE 30, 2015 PROCEED IN CLOSED SESSION. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **1:30 P.M.**

MOTION #7 – MARCH 14, 2016: RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER BOGDAHNS: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **1:45 P.M.**

WILSHIRE ASSOCIATES

DAVID LINDBERG, J.M. RUSCETTI AND CALVIN BORNE PROVIDED THE COMMITTEE WITH A CAPITAL MARKET UPDATE. THE GENTLEMEN ALSO DISCUSSED THE SYSTEM'S EMERGING MANAGER PROGRAM AND MANAGER PERFORMANCE.

MOTION #8 - MARCH 14, 2016: EMERGING MANAGER PROGRAM HIGH YIELD ACCOUNT

MOVED BY COMMITTEE MEMBER SORENSEN - SECONDED BY COMMITTEE MEMBER BOGDHAIN: TO APPROVE THE RESTRUCTURING AS PRESENTED IN THE EMERGING MANAGER PROGRAM REVIEW PRESENTED BY WILSHIRE, THE SYSTEM'S GENERAL INVESTMENT CONSULTANT. THE MOTION PASSED UNANIMOUSLY.

MOTION #9 - MARCH 14, 2016: PFRS AUDITED FINANCIAL STATEMENTS (JUNE 30, 2015)

MOVED BY COMMITTEE MEMBER BOGDHAIN - SECONDED BY COMMITTEE MEMBER TYLER: THAT THE COMMITTEE APPROVE THE SYSTEM'S AUDITED FINANCIAL STATEMENTS (AND SUPPLEMENTAL INFORMATION) AS OF FISCAL YEAR JUNE 30, 2015, AS PRESENTED BY THE SYSTEM'S AUDITORS, PLANTE MORAN. THE MOTION PASSED UNANIMOUSLY.

CHAIRMAN **SMITH** INFORMED THE COMMITTEE THAT EXECUTIVE DIRECTOR **CYNTHIA A. THOMAS**, ADMINISTRATIVE STAFF AND UHY (THE SYSTEM'S ACCOUNTING FIRM) WILL BE AFFORDED THE OPPORTUNITY TO RESPOND TO VARIOUS COMMENTS CONTAINED IN PLANTE MORAN'S AUDIT AT THE COMMITTEE'S MAY 16, 2016 MEETING.

CHIEF INVESTMENT OFFICER'S REPORT

CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** PROVIDED EACH COMMITTEE AND ADMINISTRATIVE STAFF MEMBER WITH A COPY OF THE SYSTEM'S SUMMARY ASSET ALLOCATION REPORT (FEBRUARY 29, 2016), AND PROVIDED THE COMMITTEE WITH A REBALANCE UPDATE (PER MARCH 3, 2016 LETTER TO THE SYSTEM'S CUSTODIAL BANK, BANK OF NEW YORK MELLON ASSET SERVICING).

~CONCLUDES CHIEF INVESTMENT OFFICER'S REPORT~

EXECUTIVE DIRECTOR'S REPORT

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

MCLAGAN: WILL PERFORM FIVE (5) EXECUTIVE LEVEL POSITION COMPENSATION SURVEYS

EXECUTIVE DIRECTOR'S REPORT - CONTINUED

CEM BENCHMARKING: WILL PROVIDE THE COMMITTEE AND POLICE AND FIRE BOARD WITH A DRAFT BENCHMARKING REPORT IN LATE AUGUST OR SEPTEMBER OF THIS YEAR

IT PROJECTS: PROCEEDING AS PLANNED

~CONCLUDES EXECUTIVE DIRECTOR'S REPORT~

LEGAL REPORT

GENERAL COUNSEL **RONALD A. KING** PROVIDED THE COMMITTEE WITH A STATUS UPDATE, RE: THE FOLLOWING MATTERS:

CHAPTER 9 COMPLIANCE

PFRS, ET AL, VERSUS ALAMERICA BANK, ET AL

ICG LEASEBACK (GM WAREHOUSES)

~CONCLUDES LEGAL REPORT~

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **3:23 P.M.** UNTIL **MONDAY, MAY 16, 2016**, AT **10:00 A.M.**, IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, 30TH FLOOR, SUITE 3000, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,



DAVID CETLINSKI, ASSISTANT EXECUTIVE DIRECTOR

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY

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