



MINUTES
MEETING NO. 018
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, FEBRUARY 6, 2017

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, FEBRUARY 6, 2017** (VIA TELECONFERENCE) IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, 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 S. LENEAR** AND THE FOLLOWING COMMITTEE MEMBERS WERE PRESENT: JOSEPH BOGDahn, MARK DIAZ, CHAIRMAN ROBERT SMITH, REBECCA SORENSEN, GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER AND VICE CHAIRMAN MCCULLOUGH WILLIAMS, III

ALSO PRESENT AT ROLL CALL:

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

EXCUSED:

SEAN P. NEARY, COMMITTEE MEMBER
DAVID CETLINSKI, ASSISTANT EXECUTIVE DIRECTOR
RONALD A. KING, GENERAL COUNSEL

MOTION #1 – 2-6-17: FEBRUARY 6, 2017 AGENDA APPROVAL

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE TODAY'S **FEBRUARY 6, 2017** AGENDA AS PREPARED AND PRESENTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

CEM BENCHMARKING STUDY

UPON INQUIRY, THE COMMITTEE'S CHIEF INVESTMENT OFFICER, **RYAN C. BIGELOW**, INFORMED THE COMMITTEE THAT CEM'S BENCHMARKING STUDY SHOULD BE COMPLETE AND MADE AVAILABLE TO ALL COMMITTEE MEMBERS AT THE COMMITTEE'S MARCH 13, 2017 MEETING.

MOTION #2 – 2-6-17: DECEMBER 12, 2016 MINUTE APPROVAL

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER WILLIAMS: TO APPROVE THE COMMITTEE'S **DECEMBER 12, 2016 MINUTES** AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

MOTION #3 – 2-6-17: DECEMBER 22, 2016 SPECIAL MEETING MINUTE APPROVAL

MOVED BY COMMITTEE MEMBER SORENSEN – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE THE COMMITTEE'S **DECEMBER 22, 2016 SPECIAL MEETING MINUTES** AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

WILSHIRE ASSOCIATES

DAVID LINDBERG AND **CALVIN BORN** INFORMED THE COMMITTEE OF THE RECENT RESIGNATION OF **J.M. RUSCETTI**, BUT ASSURED THE COMMITTEE THAT THE SYSTEM WOULD CONTINUE TO RECEIVE THE SAME COMMENDABLE LEVEL OF SERVICE IT PRESENTLY RECEIVES. THE

GENTLEMEN THEN PROVIDED THE COMMITTEE WITH A CAPITAL MARKETS UPDATE AND DISCUSSED THE FOLLOWING MATTERS IN DETAIL:

2016 ASSET CLASS ASSUMPTIONS: EXPECTED 10-YEAR RETURN OF 6.87%

FUTURE ASSET CLASS ASSUMPTIONS: EXPECTED 30-YEAR RETURN OF 7.99%

ASSET/LIABILITY VALUATION STUDY - A PLAN OF ADJUSTMENT REQUIREMENT THAT THE COMMITTEE IS OBLIGATED TO PREPARE EVERY TWO YEARS AND IS PRESENTLY PREPARING

2016 PRELIMINARY MANAGER PERFORMANCE

WILSHIRE ASSOCIATES - CONTINUED

ORGANIZATIONAL/INVESTMENT RISK - BEHAVIORIAL; SHORTFALL;
DRAWDOWN; INFLATION; LIQUIDITY AND ACTIVE

PFRS EMERGING MANAGER PROGRAM

PIEDMONT ADVISORS (GUIDELINES WAIVER REQUEST)

~CONCLUDES WILSHIRE'S PRESENTATION~

UHY |

MARLENE BEACH AND **JOHN PEPPERMAN** DISCUSSED MANAGEMENT'S RESPONSE TO PLANTE MORAN'S JUNE 30, 2016 AUDIT FINDINGS WITH EXECUTIVE DIRECTOR **CYNTHIA A. THOMAS** AND CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW**, FOCUSING ON:

JOURNAL ENTRIES AND RECONCILIATIONS

FIRST INDEPENDENCE BANK ACCOUNTS

PENSION LIABILITY COMPUTATION

APPRAISALS AND/OR YEAR-TO-DATE FINANCIALS

MEMBER ANNUITY WITHDRAWALS

IT/CITY PAYROLL DATABASES/IT PROCESSES

BENEFIT PAYMENT CALCULATIONS

EMPLOYEE CONTRIBUTIONS

EMPLOYER CONTRIBUTIONS TO HYBRID PLAN

ALL FINDINGS WERE INDIVIDUALLY ADDRESSED AND ANY STATED FINDING OF CONCERN WAS OR WILL BE RESOLVED. PRIOR TO EXCUSING THEMSELVES, **MS. BEACH** AND **MR. PEPPERMAN** DISCUSSED THE SYSTEM'S PRELIMINARY FINANCIAL STATEMENT (DETAILING BUDGET/EXPENSES/CASH FLOW ANALYSIS) AS OF DECEMBER 31, 2016 AND THE COMMITTEE ACKNOWLEDGED RECEIPT OF SAME.

UHY – CONTINUED

~CONCLUDES UHY'S PRESENTATION~

CHIEF INVESTMENT OFFICER'S REPORT

CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** DISCUSSED MMA; WILSHIRE; COURTLAND; HAMILTON LANE AND PIEDMONT ADVISORS AT LENGTH.

MOTION #4 – 2-6-17: MMA CAPITAL MANAGEMENT – SUBORDINATED PROMISSORY NOTE TO PFRS

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT THE COMMITTEE DIRECTS ITS CHIEF INVESTMENT OFFICER TO ISSUE A LETTER IN RESPONSE TO MMA'S JANUARY 24, 2017 OFFER TO PURCHASE CERTAIN SUBORDINATED DEBT FROM THE PFRS (WHICH WILL EXPIRE ON FEBRUARY 15, 2017). THE MOTION PASSED UNANIMOUSLY.

WILSHIRE ASSOCIATES

WILSHIRE WILL BE INFORMED THAT EVEN THOUGH **J.M. RUSCETTI** RECENTLY RESIGNED, THE SYSTEM EXPECTS TO RECEIVE THE SAME LEVEL OF SERVICE IT CURRENTLY RECEIVES.

COURTLAND PARTNERS – ADV. PART 2A

THE COMMITTEE'S CHIEF INVESTMENT OFFICER IS DIRECTED TO EXECUTE THE REQUIRED ASSIGNMENT (ADV. PART 2A) AND WORK WITH SPECIAL COUNSEL TO DRAFT A RESPONSE REGARDING LEVEL OF SERVICE; ONGOING STRUCTURE; AND TRANSITION.

MOTION #5 – 2-6-17: HAMILTON LANE – SECONDARY FUND IV

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER BOGDAHN: TO EXECUTE CONSENT, RE: ALLOCATION FOR SECONDARY FUND IV, SUBJECT TO THE COMMITTEE'S RECEIPT OF WILSHIRE'S RECOMMENDATION. THE MOTION PASSED UNANIMOUSLY.

MOTION #6 – 2-6-17: PIEDMONT ADVISORS

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER WILLIAMS: TO WAIVE THE LIMITATION WITH RESPECT TO ASSETS UNDER MANAGEMENT IN THE EMERGING MANAGER POLICY AND

MOTION #6 – 2-6-17: PIEDMONT ADVISORS - CONTINUED

HIRE PIEDMONT TO MANAGE A FIXED INCOME ALLOCATION WITHIN THE SYSTEM'S EMERGING MANAGER PROGRAM. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES CHIEF INVESTMENT OFFICER'S REPORT~

LEGAL REPORT

IN GENERAL COUNSEL **RONALD A. KING'S** EXCUSED ABSENCE, SPECIAL COUNSEL **SEAN P. GALLAGHER** ASKED THE COMMITTEE TO ENTER INTO CLOSED SESSION.

MOTION #7 – 2-6-17: ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER SORENSEN: THAT THE COMMITTEE ENTER INTO CLOSED SESSION FOR THE PURPOSE OF DISCUSSING MATTERS EXEMPT FROM DISCLOSURE UNDER THE OPEN MEETINGS ACT. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **11:50 A.M.**

MOTION #8 – 2-6-17: RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER TUCKER – SECONDED BY COMMITTEE MEMBER TYLER: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **12:37 P.M.**

MOTION #9 – 2-6-17: STATE TREASURER

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER TUCKER: THAT **FREDERICK HEADEN**, LEGAL ADVISOR TO THE STATE OF MICHIGAN, BE INVITED TO ATTEND THE COMMITTEE'S MARCH 13, 2017 MEETING TO DISCUSS HIS FEBRUARY 1, 2017 COMMUNICATION TO SPECIAL COUNSEL **SEAN P. GALLAGHER** REGARDING ACTUARIAL AND INVESTMENT RATE ASSUMPTIONS OF THE SYSTEM. FURTHER, CHAIRMAN **SMITH** IS AUTHORIZED TO EXECUTE THE "4TH SEMI-ANNUAL COMPLIANCE REPORT" AND ISSUE SAME TO THE STATE TREASURER SUBJECT TO THE COMMITTEE'S REVIEW (OVER THE NEXT 10 DAYS) OF SPECIAL COUNSEL'S

MOTION #9 – 2-6-17: STATE TREASURER - CONTINUED

FEBRUARY 13, 2017 MEMORANDUM REGARDING SAME. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES LEGAL REPORT~

CHEIRON

CHAIRMAN **SMITH** INFORMED THE COMMITTEE THAT HE AND GENERAL'S INVESTMENT COMMITTEE CHAIRMAN MET WITH THE CHAIRPERSONS OF THE POLICE AND FIRE AND GENERAL RETIREMENT SYSTEMS AT 8:30 A.M. THIS MORNING (VIA TELECONFERENCE) TO REVIEW DATA AND APPROVE THE EXCHANGE OF CERTAIN INFORMATION WITH **CHEIRON** ON THE COMMITTEE'S BEHALF.

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **12:46 P.M.** UNTIL **MONDAY, MARCH 13, 2017**, AT **10:00 A.M.** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, 30TH FLOOR, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,

CHIEF INVESTMENT OFFICER

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY

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