



MINUTES
MEETING NO. 019
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, MARCH 13, 2017

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, MARCH 13, 2017** 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 **10:13 A.M.** A QUORUM BEING PRESENT, ATTENDANCE WAS TAKEN BY RECORDING SECRETARY **JANET S. LENEAR** AND THE FOLLOWING COMMITTEE AND STAFF MEMBERS WERE PRESENT: JOSEPH BOGDAHN, MARK DIAZ, SEAN NEARY, CHAIRMAN ROBERT SMITH, REBECCA SORENSEN, GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER, VICE CHAIRMAN MCCULLOUGH WILLIAMS, III, ASSISTANT EXECUTIVE DIRECTOR DAVID CETLINSKI, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW, INVESTMENT OFFICER MICHAEL KRUSHENA, ACCOUNTANT KRISTI GRDEN, AND RECORDING SECRETARY JANET S. LENEAR

EXCUSED:

CYNTHIA A. THOMAS, EXECUTIVE DIRECTOR

GUESTS PRESENT:

MICHIGAN DEPARTMENT OF TREASURY EXECUTIVE DIRECTOR RONALD ROSE, POLICE AND FIRE RETIREMENT SYSTEM TRUSTEE JEFFREY PEGG, AND NATIONAL ASSOCIATION OF SECURITIES PROFESSIONALS (NASP) PRESIDENT KATHY COLIN

MOTION #1 – 3-13-17 - MARCH 13, 2017 AGENDA APPROVAL

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TUCKER: TO APPROVE TODAY'S **MARCH 13, 2017 AGENDA** AS PREPARED AND PRESENTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

MOTION #2 – 3-13-17 - FEBRUARY 6, 2017 MINUTE APPROVAL

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE THE COMMITTEE’S **FEBRUARY 6, 2017 MINUTES** AS RECORDED AND SUBMITTED BY THE COMMITTEE’S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

MOTION #3 – 3-13-17 - RE-APPOINTMENT OF OFFICERS

MOVED BY COMMITTEE MEMBER BOGDANH – SECONDED BY COMMITTEE MEMBER TYLER: THAT PURSUANT TO SECTION 1.24 OF THE COMBINED PLAN OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT AND THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT, THE COMMITTEE RE-APPOINTS INDEPENDENT MEMBER **ROBERT SMITH** TO A ONE-YEAR TERM AS **CHAIRPERSON** THROUGH **DECEMBER 31, 2018**; AND RE-APPOINTS INDEPENDENT MEMBER **MCCULLOUGH WILLIAMS, III** TO A ONE-YEAR TERM AS **VICE CHAIRPERSON** THROUGH **DECEMBER 31, 2018**. BOTH MESSRS. **SMITH** AND **WILLIAMS** ACCEPTED THEIR RESPECTIVE RE-APPOINTMENTS AND THE MOTION PASSED UNANIMOUSLY.

DICKINSON WRIGHT, PLLC

STEVEN HOWELL, ON BEHALF OF THE STATE OF MICHIGAN, APPEARED BEFORE THE COMMITTEE TO DISCUSS **FREDERICK HEADEN’S** (THE STATE’S LEGAL ADVISOR) FEBRUARY 1, 2017 COMMUNICATION TO SPECIAL COUNSEL **SEAN P. GALLAGHER** REGARDING THE TIMELINESS OF THE COMMITTEE’S RECEIPT OF CERTAIN DATA, SUCH AS THE SYSTEM’S ACTUARIAL AND INVESTMENT RATE ASSUMPTIONS.

PRIOR TO COMMITTEE MEMBER **NEARY** MAKING THE MOTION WHICH FOLLOWS, CHAIRMAN **SMITH** OPINED THAT THE COMMITTEE HAS MET AND WILL CONTINUE TO MEET ITS PLAN OF ADJUSTMENT OBLIGATIONS AND EXPRESSED PRIDE IN BOTH THE COMMITTEE AND THE SYSTEM.

MOTION #4 – 3-13-17 - DOCUMENT REVIEW

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TROZAK: THAT THE COMMITTEE RECEIVE MATERIAL/DATA (SPECIFICALLY ANY MATERIAL/DATA REQUIRING ACTION) IN ADVANCE OF MAKING MANAGEMENT DECISIONS SUCH AS APPROVING, RE-AFFIRMING

MOTION #4 – 3-13-17 - DOCUMENT REVIEW - CONTINUED

OR CHANGING ACTUARIAL VALUATIONS, ASSUMPTION RATES, ETC. SAID MATERIAL/DATA SHOULD BE RECEIVED BY THE COMMITTEE AT LEAST ONE WEEK PRIOR TO A SCHEDULED MEETING. THE MOTION PASSED UNANIMOUSLY.

GABRIEL, ROEDER, SMITH & COMPANY

ACTUARY **KEN ALBERTS** DISCUSSED THE SYSTEM'S ANNUAL ACTUARIAL VALUATION OF COMPONENT I AS OF JUNE 30, 2015, FOCUSING ON:

- FUND ASSETS/FUNDING RESULTS
- FIVE-YEAR FUNDED STATUS PROJECTION
- PARTICIPANT DATA
- METHODS AND ASSUMPTIONS

GENERAL COUNSEL **RONALD A. KING** ENTERED THE MEETING DURING **MR. ALBERTS'** PRESENTATION (AT 10:53 A.M.).

PRIOR TO EXCUSING HIMSELF, **MR. ALBERTS** DISCUSSED, IN DETAIL, GABRIEL ROEDER'S PROJECT LIST FOR THE SYSTEM, NOTING THAT A DRAFT OF THE SYSTEM'S JUNE 30, 2016 COMPONENT II STATUS VALUATION SHOULD BE AVAILABLE IN MID-MAY, 2017, AND A DRAFT OF THE SYSTEM'S JUNE 30, 2016 COMPONENT I FUNDING VALUATION REPORT SHOULD BE AVAILABLE IN LATE MAY, 2017.

~CONCLUDES GABRIEL, ROEDER, SMITH & COMPANY'S REPORT~

PLANTE MORAN

AUDITORS **MICHELLE WATTERWORTH**, **ALI HIJAZI** AND **SPENCE TAWA** PROVIDED THE COMMITTEE WITH AN UPDATE WITH RESPECT TO PLANTE MORAN'S AUDIT OF THE SYSTEM'S AUDITED FINANCIAL STATEMENTS AS OF JUNE 30, 2016 AND ASSURED THE COMMITTEE THAT NO FINDINGS OR ISSUES OF SIGNIFICANCE WERE ENCOUNTERED.

~CONCLUDES PLANTE MORAN'S PRESENTATION~

WILSHIRE ASSOCIATES

DAVID LINDBERG, STEVE MARSHALL AND CALVIN BORN PROVIDED THE COMMITTEE WITH A CAPITAL MARKET UPDATE; ASSET ALLOCATION ANALYSIS; AND PRIVATE CREDIT REVIEW. THEY ALSO DISCUSSED 2016 FOURTH QUARTER MANAGER PERFORMANCE.

~CONCLUDES WILSHIRE'S PRESENTATION~

CEM BENCHMARKING

ROGER SLINGERLAND DISCUSSED CEM'S ANALYSIS OF THE SYSTEM'S INVESTMENT COST EFFECTIVENESS FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2015. RETURNS, BENCHMARKS, VALUE ADDED, TOTAL COST, BENCHMARK COSTS, COSTS COMPARISONS AND RISK WERE DETAILED.

~CONCLUDES CEM'S PRESENTATION~

RECESS

THE COMMITTEE RECESSED FROM **1:58 P.M.** UNTIL **2:03 P.M.**, AT WHICH TIME CHAIRMAN **SMITH** RE-CONVENED THE MEETING.

MOTION #5 – 3-13-17 - ANNUAL ACTUARIAL VALUATION OF COMPONENT I (JUNE 30, 2015)

MOVED BY COMMITTEE MEMBER BOGDahn – SECONDED BY COMMITTEE MEMBER SORENSEN: TO APPROVE THE SYSTEM'S ANNUAL ACTUARIAL VALUATION OF COMPONENT I (JUNE 30, 2015) AS PRESENTED BY THE SYSTEM'S ACTUARY (GABRIEL, ROEDER, SMITH & COMPANY). THE MOTION PASSED UNANIMOUSLY.

CHIEF INVESTMENT OFFICER'S REPORT

CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** DISCUSSED VALSTONE PARTNERS' OPPORTUNITY FUND IV, AND THE TIER REIT.

MOTION #6 – 3-13-17 - VALSTONE OPPORTUNITY FUND IV

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE VALSTONE'S REQUEST FOR A ONE-YEAR

MOTION #6 – 3-13-17 - VALSTONE OPPORTUNITY FUND IV - CONTINUED

EXTENSION OF THE FUND'S DISSOLUTION DATE. THE MOTION PASSED UNANIMOUSLY.

MOTION #7 – 3-13-17 - TIER REIT

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER SORENSEN: TO APPROVE THE SYSTEM REDEEMING ITS REMAINING INVESTMENT IN THE TIER REIT. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES CHIEF INVESTMENT OFFICER'S REPORT~

LEGAL REPORT

DON WAGNER AND ASSOCIATE **DAVID LAWRENCE** (OF COUZENS, LANSKY, FEALK, ELLIS, ROEDER & LAZAR, P.C.) APPEARED BEFORE THE COMMITTEE TO DISCUSS PENDING LITIGATION AND A PROPOSED REAL ESTATE TRANSACTION, SO GENERAL COUNSEL **RONALD A. KING** ASKED THE COMMITTEE TO ENTER INTO CLOSED SESSION.

MOTION #8 – 3-13-17 - ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER TUCKER – SECONDED BY COMMITTEE MEMBER TYLER: TO ENTER INTO CLOSED SESSION FOR THE PURPOSE OF DISCUSSING PENDING LITIGATION AND A PROPOSED REAL ESTATE TRANSACTION. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **2:14 P.M.**

MOTION #9 – 3-13-17 - RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER TUCKER – SECONDED BY COMMITTEE MEMBER TYLER: TO RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **3:47 P.M.**

~CONCLUDES LEGAL REPORT~

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **3:46 P.M.** UNTIL **MONDAY, MAY 22, 2017**, AT **10:00 A.M.** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, SUITE 3000, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,



ASSISTANT EXECUTIVE DIRECTOR

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY

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