



MINUTES
MEETING NO. 021
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, JULY 24, 2017

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD **VIA TELECONFERENCE ON MONDAY, JULY 24, 2017** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, SUITE 3000, DETROIT, MICHIGAN 48226 |

INVESTMENT COMMITTEE MEMBER SUCCESSOR INTERVIEWS

EARLIER THIS MORNING, THE COMMITTEE INTERVIEWED TWO INVESTMENT COMMITTEE MEMBER SUCCESSOR CANDIDATES, **SHIRLEY HAY** AND **ROBERT SKANDALARIS**. THE INTERVIEW BEGAN AT 9:13 A.M. AND CONCLUDED AT 10:05 A.M. ALSO PRESENT DURING THE INTERVIEWS WERE GENERAL COUNSEL RONALD A. KING, ASSISTANT EXECUTIVE DIRECTOR DAVID CETLINSKI, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW, ACCOUNTANT KRISTI GRDEN AND RECORDING SECRETARY JANET S. LENEAR

ROLL CALL:

THIS MEETING IS NOW BEING CALLED TO ORDER AT **10:05 A.M.** AT CHAIRMAN **SMITH'S** DIRECTION. A QUORUM BEING PRESENT, ATTENDANCE WAS TAKEN BY RECORDING SECRETARY **JANET S. LENEAR**. THE FOLLOWING COMMITTEE AND STAFF MEMBERS WERE PRESENT: JOSEPH BOGDAHN, MARK DIAZ, SEAN NEARY, CHAIRMAN ROBERT SMITH, GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER, VICE CHAIRMAN MCCULLOUGH WILLIAMS, III, GENERAL COUNSEL RONALD A. KING, ASSISTANT EXECUTIVE DIRECTOR DAVID CETLINSKI, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW, ACCOUNTANT KRISTI GRDEN, AND RECORDING SECRETARY JANET S. LENEAR

STAFF EXCUSED:

CYNTHIA A. THOMAS, EXECUTIVE DIRECTOR

GUEST PRESENT:

JOHN NAGLICK, CITY OF DETROIT FINANCE DIRECTOR AND EX/OFFICIO TRUSTEE OF THE POLICE AND FIRE AND GENERAL RETIREMENT SYSTEMS

MOTION #1 – JULY 24, 2017: APPROVAL OF JULY 24, 2017 AGENDA

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER DIAZ: TO APPROVE TODAY’S JULY 24, 2017 AGENDA AS PREPARED AND PRESENTED BY THE COMMITTEE’S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

MOTION #2 – JULY 24, 2017: APPROVAL OF JUNE 13, 2017 MINUTES

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER BOGDAHN: TO APPROVE THE COMMITTEE’S JUNE 13, 2017 MINUTES AS RECORDED AND SUBMITTED BY THE COMMITTEE’S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

MOTION #3 – JULY 24, 2017: APPROVAL OF IC MEMBER SUCCESSOR

MOVED BY COMMITTEE MEMBER BOGDAHN – 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 HEREBY APPOINTS **ROBERT SKANDALARIS** TO SUCCEED **REBECCA S. SORENSEN** AS A COMMITTEE MEMBER OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT.*

YEAS – COMMITTEE MEMBERS BOGDAHN, TYLER, WILLIAMS AND CHAIRMAN SMITH – 4

NAYS – NONE

*CHAIRMAN **SMITH** NOTED THAT SINCE ONLY OUTSIDE INDEPENDENT MEMBERS OF THE COMMITTEE ARE ALLOWED TO VOTE WITH RESPECT TO SAID MOTION (IN ACCORDANCE WITH SECTION 1.24 OF THE COMBINED PLAN), A VOTE OF ONLY OUTSIDE INDEPENDENT COMMITTEE MEMBERS WOULD BE REQUIRED:

WILSHIRE

MESSRS. DAVID LINDBERG AND **CALVIN BORN, JR.** PROVIDED THE COMMITTEE WITH A CAPITAL MARKET UPDATE AND DISCUSSED 2017 SECOND QUARTER MANAGER PERFORMANCE AT LENGTH. AMONG THE TOPICS DISCUSSED WERE:

ASSET CLASS PERFORMANCE

RETURNS

POLICY ALLOCATION

WILSHIRE - CONTINUED

GLOBAL CREDIT SPREADS/VOLATILITY

MASTER LIMITED PARTNERSHIPS

DIRECT LENDING

PFRS WATCH LIST

~CONCLUDES WILSHIRE'S PRESENTATION~

CHIEF INVESTMENT OFFICER'S REPORT

CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** DISCUSSED THE SYSTEM'S JUNE 30, 2016 ANNUAL ACTUARIAL VALUATION OF COMPONENT I, THE SYSTEM'S AUDIT METHODOLOGY, AND STOUT, RISIUS & ROSS' VALUATION SERVICES ENGAGEMENT LETTER. HE ALSO PROVIDED THE COMMITTEE WITH THE SYSTEM'S JUNE 30, 2017 SUMMARY ASSET ALLOCATION REPORT.

MOTION #4 – JULY 24, 2017: APPROVAL OF 2017 AUDIT METHODOLOGY

MOVED BY COMMITTEE MEMBER DIAZ – SECONDED BY COMMITTEE MEMBER BOGDAHN: THAT THE COMMITTEE APPROVE THE METHODOLOGY FOR THE SYSTEM'S 2017 AUDIT AS RECOMMENDED BY THE SYSTEM'S CHIEF INVESTMENT OFFICER. THE MOTION PASSED UNANIMOUSLY.

MOTION #5 – JULY 24, 2017: APPROVAL OF STOUT, RISIUS & ROSS ENGAGEMENT LETTER

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER WILLIAMS: TO APPROVE AND EXECUTE STOUT, RISIUS & ROSS' ENGAGEMENT LETTER TO PROVIDE THE SYSTEM WITH 2017 VALUATION SERVICES. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES CHIEF INVESTMENT OFFICER'S REPORT~

COMMITTEE MEMBER **MCCULLOUGH WILLIAMS, III** EXCUSED HIMSELF AT 10:45 A.M.

LEGAL REPORT

GENERAL COUNSEL **RONALD A. KING** INFORMED THE COMMITTEE THAT HE WILL PROVIDE THE COMMITTEE WITH AN UPDATE REGARDING PLAN OF ADJUSTMENT COMPLIANCE, INCLUDING FISCAL YEAR 2017 YEAR-END EMPLOYER CONTRIBUTION RECEIPTS AND FISCAL YEAR 2018 BENEFIT ADJUSTMENTS FOR

LEGAL REPORT - CONTINUED

THE LEGACY AND HYBRID COMPONENTS OF THE SYSTEM, INCLUDING COST-OF-LIVING ADJUSTMENTS, AT THE COMMITTEE'S NEXT SCHEDULED MEETING. HE ALSO PROVIDED THE COMMITTEE WITH A COPY OF THE SYSTEM'S JUNE 15, 2017, JULY 6, 2017 AND JULY 20, 2017 LEGAL REPORT INDEXES.

~CONCLUDES LEGAL REPORT~

ASSISTANT EXECUTIVE DIRECTOR'S REPORT

ASSISTANT EXECUTIVE DIRECTOR **DAVID CETLINSKI** INFORMED THE COMMITTEE THAT EFFECTIVE SEPTEMBER 11, 2017, HE WILL SUCCEED **CYNTHIA A. THOMAS** AS RSCD EXECUTIVE DIRECTOR. HE ALSO NOTED THAT ON JULY 20, 2017, THE POLICE AND FIRE RETIREMENT SYSTEM APPROVED THE POSTING OF THE SYSTEM'S ASSISTANT EXECUTIVE DIRECTOR AND RSCD CHIEF ACCOUNTING OFFICER REQUESTS FOR PROPOSALS ONLINE AND WITH ALL APPLICABLE MEDIA OUTLETS AND TRADE ASSOCIATIONS.

~CONCLUDES ASSISTANT EXECUTIVE DIRECTOR'S REPORT~

GABRIEL, ROEDER, SMITH & COMPANY

JUDITH KERMANS AND **DAVID KAUSCH** DISCUSSED THE SYSTEM'S JUNE 30, 2016 ANNUAL ACTUARIAL VALUATION OF COMPONENT I. THEY ALSO DISCUSSED FUNDING COMPONENTS, REQUIREMENTS AND PROJECTIONS IN PLACE PRIOR TO THE CITY'S BANKRUPTCY, FUNDING THROUGH JUNE 30, 2023, 30-YEAR LEVEL PRINCIPAL AND INTEREST CONTRIBUTIONS AFTER 2023, AND 30-YEAR LEVEL DOLLAR CONTRIBUTIONS BEGINNING IN 2017. TARGETS, PROGRESS MEASUREMENTS, ASSUMPTIONS, METHODS, INVESTMENT RETURNS AND AMORTIZATION METHODS WERE ALSO DISCUSSED.

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

MOTION #6 – JULY 24, 2017: APPROVAL OF PFRS JUNE 30, 2016 ANNUAL ACTUARIAL VALUATION OF COMPONENT I

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER NEARY: THAT THE COMMITTEE APPROVE THE SYSTEM'S JUNE 30, 2016 ANNUAL ACTUARIAL VALUATION OF COMPONENT I AS PRESENTED BY THE SYSTEM'S ACTUARY, GABRIEL, ROEDER, SMITH & COMPANY. THE MOTION PASSED UNANIMOUSLY.

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **11:21 A.M.** UNTIL **MONDAY, SEPTEMBER 25, 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