



MINUTES
MEETING NO. 024
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, DECEMBER 18, 2017

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, DECEMBER 18, 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 **9:06 A.M.** AND 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, ROBERT SKANDALARIS, CHAIRMAN ROBERT SMITH, GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER, VICE CHAIRMAN MCCULLOUGH WILLIAMS, III, GENERAL COUNSEL RONALD A. KING, CONSULTING DIRECTOR CYNTHIA A. THOMAS, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW, INVESTMENT ANALYST KRISTI GRDEN, AND RECORDING SECRETARY JANET S. LENEAR

OTHERS PRESENT:

JOHN NAGLICK, CITY OF DETROIT FINANCE DIRECTOR AND POLICE AND FIRE RETIREMENT SYSTEM/GENERAL RETIREMENT SYSTEM TRUSTEE
DAVID KAUSCH AND CALVIN BORN, JR. OF WILSHIRE ASSOCIATES
MIKE MURPHY OF COURTLAND PARTNERS
MICHELLE WATTERWORTH, ALI HIJAZI AND SPENCER TAWA OF PLANTE MORAN

EXCUSED:

SEAN P. NEARY, COMMITTEE MEMBER
DAVID CETLINSKI, EXECUTIVE DIRECTOR

MOTION #1 – DECEMBER 18, 2017: APPROVAL OF DECEMBER 18, 2017 AGENDA

MOVED BY COMMITTEE MEMBER TROZAK – SECONDED BY COMMITTEE MEMBER BOGDahn: TO APPROVE TODAY'S **DECEMBER 18, 2017** AGENDA AS PREPARED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

MOTION #2 – DECEMBER 18, 2017: APPROVAL OF NOVEMBER 13, 2017 MINUTES

MOVED BY COMMITTEE MEMBER BOGDahn – SECONDED BY COMMITTEE MEMBER WILLIAMS: TO APPROVE THE COMMITTEE'S **NOVEMBER 13, 2017** MINUTES AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

WILSHIRE ASSOCIATES

DAVID KAUSCH AND **CALVIN BORN, JR.** PROVIDED THE COMMITTEE WITH A CAPITAL MARKETS UPDATE AND DISCUSSED ASSET CLASS MANAGER PERFORMANCE AS OF SEPTEMBER 30, 2017.

~CONCLUDES WILSHIRE'S PRESENTATION~

GABRIEL, ROEDER, SMITH & COMPANY

KEN ALBERTS AND **JUDITH KERMANS** DISCUSSED GASB (GOVERNMENTAL ACCOUNTING STANDARDS BOARD) STATEMENT NUMBER 67-PLAN REPORTING AND ACCOUNTING SCHEDULES OF COMPONENT I AS OF JUNE 30, 2017, AND GASB (GOVERNMENTAL ACCOUNTING STANDARDS BOARD) STATEMENT NUMBERS 67 AND 68-ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLANS OF COMPONENT II AS OF JUNE 30, 2017.

CONSULTING **DIRECTOR CYNTHIA A. THOMAS** ENTERED THE MEETING AT 9:53 A.M. AND SEATED HERSELF AT THE TABLE.

GASB STATEMENT NUMBER 67 FOR COMPONENT I AND GASB STATEMENT NUMBERS 67 AND 68 FOR COMPONENT II DETAILED FINANCIAL STATEMENTS, NOTES TO FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, BENEFITS SUMMARY, ACTUARIAL COST METHODS AND ASSUMPTIONS AND SINGLE RATE DISCOUNT CALCULATIONS.

~CONCLUDES GABRIEL ROEDER'S PRESENTATION~

PLANTE MORAN

MICHELLE M. WATTERWORTH, ALI H. HIJAZI AND SPENCER TAWA DISCUSSED THE SYSTEM'S JUNE 30, 2017 AUDITED FINANCIAL STATEMENTS (FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION) IN DETAIL.

UHY REPRESENTATIVES **MARLENE BEACH** AND **JOHN PEPPERMAN** JOINED THE COMMITTEE IN LISTENING TO PLANTE MORAN'S PRESENTATION.

AMONG THE TOPICS DISCUSSED WERE:

INTERNAL CONTROL RELATED MATTERS

ANY OBSERVED DEFICIENCIES IN THE SYSTEM'S ACCOUNTING PRINCIPLES OR INTERNAL CONTROL

REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

CURRENT AUDITING STANDARDS REQUIRING AUDITORS TO COMMUNICATE WITH THOSE INDIVIDUALS CHARGED WITH GOVERNANCE

OTHER RECOMMENDATIONS AND RELATED INFORMATION

RECOMMENDATIONS RELATED TO INTERNAL CONTROL AND ACCOUNTING PROCEDURES

~CONCLUDES PLANTE MORAN'S PRESENTATION~

MOTION #3 – DECEMBER 18, 2017: APPROVAL OF PFRS JUNE 30, 2017 AUDITED FINANCIAL STATEMENTS

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER TROZAK: TO APPROVE THE SYSTEM'S JUNE 30, 2017 AUDITED FINANCIAL STATEMENTS (FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION) AS PRESENTED BY THE SYSTEM'S AUDITORS, PLANTE MORAN. THE MOTION PASSED UNANIMOUSLY.

LEGAL REPORT

GENERAL COUNSEL **RONALD A. KING** ASKED THE COMMITTEE TO ENTER INTO CLOSED SESSION TO DISCUSS PRIVILEGED INFORMATION REGARDING CHAPTER 9 COMPLIANCE, AS WELL AS PENDING LITIGATION REGARDING THE WESTIN BOOK CADILLAC.

MOTION #4 – ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER DIAZ – SECONDED BY COMMITTEE MEMBER BOGDAHN: THAT THE COMMITTEE ENTER INTO CLOSED SESSION TO DISCUSS PRIVILEGED INFORMATION REGARDING CHAPTER 9 COMPLIANCE, AS WELL AS PENDING LITIGATION REGARDING THE WESTIN BOOK CADILLAC. A VERBAL ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **10:03 A.M.**

MOTION #5 – RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER TYLER – SECONDED BY COMMITTEE MEMBER TUCKER: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **11:06 A.M.**

REQUEST FOR DESIGNEES FOR THE CITY OF DETROIT RETIREE PROTECTION FUND INVESTMENT ADVISORY COMMITTEE

IN RESPONSE TO CITY OF DETROIT CHIEF FINANCIAL OFFICER **JOHN W. HILL'S** DECEMBER 5, 2017 REQUEST THAT THE COMMITTEE DESIGNATE THREE (3) INDEPENDENT MEMBERS TO SIT ON THE ABOVE-REFERENCED COMMITTEE, **CHAIRMAN SMITH** DESIGNATED HIMSELF AND COMMITTEE MEMBERS **JOSEPH BOGDAHN** AND **ROBERT SKANDALARIS** TO SIT ON SAID COMMITTEE.

PFRS AUDIT

GENERAL COUNSEL PROVIDED THE COMMITTEE WITH A DECEMBER 1, 2017 CORRESPONDENCE FROM GENERAL COUNSEL TO **SPENCER TAWA** OF PLANTE MORAN REGARDING THE SYSTEM'S FISCAL YEAR 2017 AUDIT.

PFRS BOARD LEGAL REPORT INDEXES

EACH COMMITTEE MEMBER WAS PROVIDED WITH A COPY OF THE POLICE AND FIRE BOARD'S NOVEMBER 16 AND DECEMBER 7, 2017 MEETING INDEXES.

MOTION #6 – WESTIN BOOK CADILLAC

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT THE COMMITTEE ACCEPT THE RECOMMENDATION OF ITS CHIEF INVESTMENT OFFICER AND COURTLAND PARTNERS, THE SYSTEM'S REAL ESTATE CONSULTANT, TO ENGAGE AMERICAN REALTY ADVISORS TO REVIEW AND EVALUATE THE SYSTEM'S OPTIONS WITH RESPECT TO THE WESTIN BOOK CADILLAC DEBT, SUBJECT TO NEGOTIATIONS WITH RESPECT TO CONTRACT TERMS AND FEES, CONSISTENT WITH THE COMMITTEE'S CLOSED SESSION DISCUSSION OF THIS DATE. THE MOTION PASSED UNANIMOUSLY.

~CONCLUDES LEGAL REPORT~

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, **CHAIRMAN SMITH** ADJOURNED THE MEETING AT **11:08 A.M.** UNTIL **MONDAY, JANUARY 22, 2018**, IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS (VIA TELECONFERENCE), 500 WOODWARD AVENUE, SUITE 3000, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,



RYAN C. BIGELOW, CHIEF INVESTMENT OFFICER

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY