



MINUTES
Meeting No. 033
Police and Fire Retirement System Investment Committee
DECEMBER 17, 2018

A meeting of the Investment Committee of the Police and Fire Retirement System of the City of Detroit was held on **Monday, December 17, 2018, via Teleconference** at the Retirement System's office at Ally Detroit Center, 500 Woodward Suite 3000; Detroit, Michigan. Robert Smith, Chairperson, called the meeting to order at 09:32 a.m. A quorum was present.

ROLL CALL:

Attendance was taken by the Committee's Recording Secretary with the following Committee Members present: Robert Smith (*Chairperson*), McCullough Williams III (*Vice-Chairperson*) Mark Diaz, George Orzech, Jeffrey Pegg, Robert Skandalaris, Gregory Trozak and Woodrow Tyler.

Staff Present: David Cetlinski (*Executive Director*), Ryan Bigelow (*Chief Investment Officer*), Kelly Tapper (*Assistant Executive Director*), Kevin Kenneally (*Deputy Chief Investment Officer*) Kristi Grden (*Investment Analyst*) Ronald King- via telephone (*General Counsel – Clark Hill, P.C.*)

Committee Members Excused: Joseph Bogdahn

Visitors Present: None

APPROVAL OF AGENDA

Motion #01: Mark Diaz moved to approve the agenda dated **Monday December 17, 2018**. Jeffrey Pegg supported. The motion passed unanimously.

APPROVAL OF MINUTES

Motion #02: McCullough Williams moved to approve the Minutes of Meeting No. **031**, held on **Monday, October 22nd, 2018** and Minutes of Special Meeting No. 032 held on **Monday, November 5th, 2018**. Mark Diaz supported. The motion passed unanimously.

PRESENTATION:

Wilshire Consulting

Representative David Lindberg discussed the following with the Committee:

- Wilshire Performance Review

Presentation materials were provided.

- ***Jeffrey Pegg left the call and entered the Boardroom at 10:00 a.m.***

CHIEF INVESTMENT OFFICER'S REPORT

Chief Investment Officer, Ryan Bigelow, discussed the following with the Committee:

- Real Estate Portfolio Allocation
 - Terra Cap- Value; ARA- Core (***The Committee will come back to this recommendation when the Real Estate Consultant joins the meeting to opine on this recommendation.***)
- ***Plante Moran joined the call at 10:30 a.m.***
- ***Stepstone joined the call at 10:39 a.m.***

PRESENTATION:

Plante and Moran

Representatives Michelle Wattersworth, Spencer Tawa and Ali Hijazi discussed the following with the Board:

- Opinion Letter
- Financial Statements
 - Statement of Fiduciary Net Position (Balance Sheet)
 - Statement of Changes in Fiduciary Net Position (Income Statement)
 - Net Position Trend
 - Net Pension Liability Trend
- Communication with Those Charged with Governance-End of Audit Letter
- Unrecorded Possible Adjustments
- Audit Results

Presentation materials were provided.

- ***Chairperson Smith left the call at 11:05 a.m. and rejoined the call at 11:11 a.m.***

Motion #03: Jeffrey Pegg moved to approve the System's June 30, 2018 Financial Report with supplemental information/ Annual Audit. McCullough Williams supported. The motion passed unanimously.

- ***Mark Diaz left the call at 11:14 a.m.***

Real Estate Recommendation

Motion #04: Jeffrey Pegg moved to approve recommendation by Investment Staff and the Real Estate Consultant, Stepstone, to allocate an additional \$10 million to American Core Realty Fund (ARA Core). McCullough Williams supported. The motion passed unanimously.

Motion #05: Jeffrey Pegg moved to approve and adopt the Investment Committee 2019 Calendar of Meeting Dates as listed below. Gregory Trozak supported. The motion passed unanimously.

| <u>DAY</u> | <u>DATE</u> | <u>TIME</u> | <u>LOCATION</u> |
|------------|--------------------|-------------|----------------------------------|
| MONDAY | JANUARY 28, 2019 | 10:00 A.M. | CONFERENCE ROOM - TELECONFERENCE |
| MONDAY | MARCH 11, 2019 | 10:00 A.M. | CONFERENCE ROOM |
| MONDAY | MAY 13, 2019 | 10:00 A.M. | CONFERENCE ROOM - TELECONFERENCE |
| MONDAY | JULY 22, 2019 | 10:00 A.M. | CONFERENCE ROOM - TELECONFERENCE |
| MONDAY | SEPTEMBER 09, 2019 | 10:00 A.M. | CONFERENCE ROOM |
| MONDAY | NOVEMBER 25, 2019 | 10:00 A.M. | CONFERENCE ROOM |

LEGAL REPORT

General Counsel, Ronald King, provided the following informational items for discussion:

- ***Gabriel Roeder Smith and Company joined the call at 11:20 a.m.***
 - Memorandum regarding Seventh Semi-Annual Compliance Report
 - The privileged memorandum advises the Investment Committee regarding review associated with a seventh semi-annual compliance certification for the period ending June 30, 2018.
 - Memorandum regarding 2018 End-of-Year Special Reporting Requirement
 - This privileged memorandum advises the Investment Committee regarding review and activity related to calendar year-end special reporting, including the pension certificate required for the City of Detroit’s Annual Report to the Foundation for Detroit’s Future.
- ***Mark Diaz returned to the call at 11:30 a.m.***

PRESENTATION:

Gabriel, Roeder, Smith and Company

Representatives Kenneth Alberts and David T. Kausch discussed the following with the Board:

- Police and Fire Retirement System of the City of Detroit GASB Statements Nos. 67 and 68 Accounting and Financial Reporting for Pensions Components I and Component II; June 30, 2018

Presentation materials were provided.

➤ ***Robert Skandalaris left the call at 11:31 a.m. and returned at 11:35 a.m.***

Motion #06: Jeffrey Pegg moved to approve the GASB Statement No. 67 and 68 Accounting and Financial Reporting for Pension Plans of Components I and II ending June 30, 2018. Woodrow Tyler supported. The motion passed unanimously.

Note: The Police and Fire Board of Trustees have accepted and approved the aforementioned reports.

Chairperson and Vice-Chairperson Nominations

Motion #07: McCullough Williams moved to nominate Robert Smith as the Committee Chairperson for an additional term ending 12/31/2019. Gregory Trozak supported. The motion passed unanimously.

Motion #08: Woodrow Tyler moved to nominate McCullough Williams as the Committee Vice-Chairperson for an additional term ending 12/31/2019. Gregory Trozak supported. The motion passed unanimously.

Entering Into Closed Session

Re: McLagan Fact Based Study Compensation Discussion

Legal Counsel recommended the Investment Committee give consideration to enter into Closed Session pursuant to Sections 8(e) & (h) of the Open Meetings Act (“OMA”) being MCL 15.261, which is acknowledged by the Investment Committee as confidential and privileged under MCL 38.1140(l): **Personnel/compensation discussion of an employee and/or staff member.**

Motion #09: Mark Diaz moved to enter into Closed Session for the purpose of discussing the McLagan Fact Base Study/Compensation of Investment Staff. Gregory Trozak supported. The motion passed by a vote as follows:

Yeas: Diaz, Orzech, Skandalaris, Trozak, Tyler, Williams and Chairperson Smith- 5 ½

Nays: Pegg – ½

The Committee entered into Closed Session at 12:00 p.m.

Re: Open Session

Motion #10: Mark Diaz moved to come out of Closed Session. Gregory Trozak supported. The motion passed unanimously.

The Committee returned to Open Session at 12:15 p.m.

Motion #11: McCullough Williams moved to accept the recommendation of the McLagan Fact Base Study/Compensation of Investment Staff, and further, adopt a salary change to the Chief Investment Officer’s base salary of \$264,000.00 effective January 1, 2019. The Police and Fire Investment Committee will ask the General Investment Committee to split the cost of the salary increase in which case if the General Investment Committee declines, the Police and Fire Investment Committee will fund the entire salary increase. Robert Skandalaris supported. The motion passed by a vote as follows:

Yeas: Diaz, Orzech, Skandalaris, Trozak, Tyler, Williams and Chairperson Smith- 5 ½

Nays: Pegg – ½

Note: The compensation of the Deputy-Chief Investment Officer will be revisited at the Committee’s next meeting.

OLD BUSINESS/NEW BUSINESS

- Jeffrey Pegg requested to have a copy of the most recent disclosure letter that was provided by Terra Cap; per the Board Ethics Policy this letter should have been provided.
 - Chief Investment Officer Ryan Bigelow asked for a point of clarification because he is not certain that the Police and Fire Investment Committee is under the same policy provisions as the Police and Fire Board. Chairperson Smith asked that due-diligence be performed on said request and bring the findings back to the next Committee meeting.

ADJOURNMENT

Jeffrey Pegg moved to adjourn special meeting #33; Gregory Trozak supported.

There being no further business before the Investment Committee, the meeting was adjourned at 12:26 p.m. The Investment Committee's next meeting is scheduled for **Monday, January 28th, 2019**, at 10:00 a.m. in the Retirement Systems' Conference Room, 500 Woodward Avenue Suite 3000; Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,



RYAN BIGELOW
CHIEF INVESTMENT OFFICER

Recording Secretary: TaKneisha Johnson