



MINUTES
Meeting No. 017
Meeting of the General Retirement System Investment Committee
JUNE 20, 2016

A Meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on Monday, June 20, 2016, at the Retirement System's office, at Ally Detroit Center, 500 Woodward Suite 3000; Detroit, Michigan. Chairman Ken Whipple called the meeting to order at 1:15 p.m. A quorum was acknowledged.

ROLL CALL:

Attendance was taken by the Recording Secretary of the following Committee Members: Ken Whipple (*Chair*), David Sowerby, (*Vice Chair*), Doris Ewing, (*Secretary*), June Nickleberry (via/Teleconference), Kerrie L. Vanden Bosch, Robert Rietz and Thomas Sheehan.

Others Present: Ryan Bigelow (*Chief Investment Officer*), Michael Krushena, (*Investment Officer*), LaMonica Arrington-Cabeau (*Retirement Systems' Manager*), Michael VanOverbeke (*General Counsel – VanOverbeke, Michaud and Timmony, P.C.*), Kristin Finney-Cooke and Kim Kaczor, (*Investment Consultants – NEPC*).

Absent: None

Visitors Present: None

APPROVAL OF AGENDA

Motion #16-017-01: Thomas Sheehan moved to approve the Agenda as presented. Robert Rietz seconded. Motion passed.

APPROVAL OF MINUTES

Motion #16-017-02: Kerrie Vanden Bosch moved to approve the Minutes of Meeting No. 015 held on Monday, April 18, 2016. Robert Rietz seconded. Motion passed.

Motion #16-017-03: Kerrie Vanden Bosch moved to approve the Minutes of Special Meeting No. 016 held on Friday, May 20, 2016. Thomas Sheehan seconded. Motion passed. Robert Rietz abstained.

CHIEF INVESTMENT OFFICER'S REPORT

Chief Investment Officer, Ryan Bigelow, reported to the Committee on the following item:

- ValStone Advisory Board Meeting: West Palm Beach; Florida
Discussion held: ValStone Funds I, II, III & IV.

Fund I – is closed;

Fund II & III - Request to seek an alternative to monetize the remaining assets;

Fund IV – Primary investment for the portfolio.

No action at this time.

- *June Nickleberry joined the Committee Meeting (via/teleconference) at 1:35 p.m.*
- *David Sowerby entered the Committee Meeting at 1:45 p.m.*

Investment Officer, Michael Krushena, reported to the Committee the reporting status of GASB 67. Documentation on the process and numbers will be provided at the next scheduled Committee Meeting.

PRESENTATION (via/Teleconference):

MCLAGAN

Re: Compensation Survey

The Retirement Board and the Investment Committee retained the services of McLagan, a division of AON and a leading performance and benchmarking consulting firm to conduct a Competitive Pay Analysis for the Retirement System's Executive staff. Michael Oak, of McLagan, joined the Committee Meeting, via/teleconference, to discuss the Competitive Pay Analysis report. Presentation materials were provided.

~Concludes Presentation~

Entering Into Closed Session

Re: Personnel Matters/Book Cadillac/Detroit Institute of Arts

Legal Counsel recommended the Investment Committee give consideration to entering 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(I).

Motion #16-017-04: David Sowerby moved to enter into Closed Session for the purpose of discussing personnel matters, Book Cadillac litigation and the Detroit Institute of Arts. Kerrie Vanden Bosch seconded.

A Roll Call vote was taken as follows:

Yeas: Ewing, Nickleberry, Rietz, Sheehan, Sowerby, Vanden Bosch, Whipple – 7

Nays: None

The Motion Passed.

The Committee entered into Closed Session at 2:00 p.m.

Re: Open Session

Motion #16-017-05: Thomas Sheehan moved to come out of Closed Session. Robert Rietz seconded. Motion passed.

The Committee returned to Open Session at 3:20 p.m.

Re: McLagan’s Investment Staff Competitive Pay Analysis and Chief Investment Officer’s Pay Increase

Resolution Moved By: Robert Rietz - Supported By: David Sowerby

WHEREAS, the Investment Committee of the General Retirement System of the City of Detroit (“Investment Committee”) was established as of the effective date of the Plan of Adjustment and its actions are governed by the Combined Plan Document for the General Retirement System of the City of Detroit (the “Combined Plan”), and

WHEREAS, the Investment Committee serves in a fiduciary capacity and for the purpose of making recommendations to and approving certain actions by the Board of Trustees of the General Retirement System (GRS), and

WHEREAS, pursuant to Section 1.23 of the Combined Plan, the Investment Committee “may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the Investment Committee as it deems reasonably necessary to perform its functions and such parties or persons may be reasonably compensated from the assets of the System” and further that “[s]uch engagements shall not be subject to approval of the Board”, and

WHEREAS, pursuant to Section 15.4 of the Combined Plan, the Investment Committee “shall have the exclusive power to select, retain and terminate the services of a chief investment officer for the Retirement System”, and

WHEREAS, the Investment Committee concurred in the formation of an Administrative Committee consisting of representatives of the GRS Investment Committee and representatives of the Investment Committee for the Police and Fire Retirement System, and

WHEREAS, the RSCD, pursuant to the directive of the Administrative Committee, (i) issued an RFI for a Compensation Consultant, (ii) reviewed the RFI Responses, and (iii) entered into a professional services agreement with McLagan, (a division of AON Hewitt) for purposes of evaluating the appropriate compensation for its Chief Investment Officer, and

WHEREAS, the joint Administrative Committee at a special committee meeting received a copy of McLagan's Investment Staff Competitive Pay Analysis dated April 24, 2016 (the "Competitive Pay Analysis") and a formal presentation of the report, and after due consideration has made a recommendation to the Investment Committee, and

WHEREAS, the Investment Committee has received a copy of the Competitive Pay Analysis, a presentation of the report from McLagan, and the recommendation of the joint Administrative Committee, and

WHEREAS, the Investment Committee notes the following items of consideration:

- (a) The Chief Investment Officer's current compensation is significantly below the 25th percentile (the bottom quartile) versus all of the McLagan market comparisons;
- (b) Many of the market comparisons are for single systems (rather than both a general employee system and separate police and fire system) with a median size of \$9.1B and the 25th percentile at \$6.4B vs the RSCD at approximately \$5.5B;
- (c) The RSCD Chief Investment Officer reports to the Board of Trustees of both the General Retirement System and the Police and Fire Retirement System, as well as the Investment Committees for each system;
- (d) The roles and responsibilities of the "chief investment officer" position can vary from one plan to another irrespective of the plan's size, it being noted that the RSCD plan assets are not directly managed internally; and
- (e) The compensation increase recommended by the Administrative Committee, if approved, would still result in the Chief Investment Officer's compensation being in the bottom quartile of comparable public funds.

THEREFORE BE IT RESOLVED, that the Investment Committee hereby approves an increase to the Chief Investment Officer's compensation in the amount of twenty-five thousand dollars annually commencing with the fiscal year starting July 1, 2016, and be it further

RESOLVED, the Investment Committee recommends that the joint Administrative Committee develop an annual review process and/or survey form for use by committee members and trustees to fully participate in the annual review of the Chief Investment Officer's performance and to provide constructive goals, benchmarks, and objectives, and be it further

RESOLVED, that a copy of this resolution be forwarded to the Investment Committee for the Police and Fire Retirement System, the Administrative Committee, the Board of Trustees of the General Retirement System and the RSCD Joint Personnel Committee.

Yeas: Ewing, Rietz, Sowerby, Vanden Bosch, Whipple – 5

Nays: Nickleberry, Sheehan - 2

RECESS

*The Committee **recessed** at 3:25 p.m. and **reconvened** at 3:30 p.m.*

PRESENTATIONS:

UHY Accounting Services

Re: Management Response to Audit Control Letter

Mr. John Pepperman, of UHY, appeared before the Committee to discuss the response to Plante & Moran's audit control's letter for the City of Detroit General Retirement System's June 30, 2015 audit findings. A copy of the presentation material, dated June 15, 2016, was provided for discussion.

- **Committee Member Nickleberry** left the meeting (via/teleconference) at 3:45 p.m.

NEPC

Re: Hedge Fund/Q1-Performance

Kristen Finney-Cooke and Kim Kaczor, of NEPC, appeared before the Committee, and Kevin Leonard and Kamal Suppal, joined in (via/teleconference), to discuss and get direction from the Committee with respect to the reconstruction of the Plan's hedge fund portfolio.

Motion #16-017-06: Thomas Sheehan moved to proceed with the recommendation to consider AQR, with a fund-of-fund manager that NEPC recommends and will report back to the Committee of their findings. Doris Ewing seconded.

Yeas: Ewing, Sheehan, Vanden Bosch, Whipple – 4

Nays: Rietz, Sowerby – 2

The Motion Passed.

~Concludes Presentations~

LEGAL REPORT

General Counsel, Michael VanOverbeke, had no legal matters or actionable items for discussion at this month's Committee Meeting.

Updates

- Vacancies/departures re: 2 Trustees from GRS Board replaced through Election
- Travel/Education Policy
- Resolutions are the "RESOLVED"

ADJOURNMENT

There being no further business before the Investment Committee, **Chairman Whipple** adjourned the Meeting at 5:25 p.m. The IC's next regular meeting is scheduled for **Monday, August 15, 2016**, at 12:00 Noon in the Retirement Systems' Conference Room, 500 Woodward Avenue Suite 3000; Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,



RYAN BIGELOW
CHIEF INVESTMENT OFFICER

Recording Secretary: Rita Coats