



**MINUTES**  
**Meeting No. 018**  
**Meeting of the General Retirement System Investment Committee**  
**AUGUST 15, 2016**

A meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on Monday, August 15, 2016, at the Retirement System's office at Ally Detroit Center, 500 Woodward Suite 3000; Detroit, Michigan. Ken Whipple, Chair, called the meeting to order at 12:05 p.m. A quorum was present.

***ROLL CALL:***

Attendance was taken by the Recording Secretary with the following Committee Members present: Ken Whipple, (*Chair*), Doris Ewing (*Secretary*), June Nickleberry, Kerrie L. Vanden Bosch, Robert Rietz and Thomas Sheehan.

Others Present: Ryan Bigelow (*Chief Investment Officer*), Michael Krushena (*Investment Officer*), Michael VanOverbeke (*General Counsel – VanOverbeke, Michaud and Timmony, P.C.*), Kristin Finney-Cooke, Kevin Leonard and Kim Kaczor, (*Investment Consultants - NEPC*).

Absent: David Sowerby, (*Vice Chair*).

Others Absent: Cynthia A. Thomas (*Executive Director*)

Visitors Present: John Naglick, City of Detroit Finance Director/Chief Financial Officer.

***APPROVAL OF AGENDA***

**Motion #16-018-01:** Thomas Sheehan moved to approve the Agenda as presented. Robert Rietz seconded. Motion passed.

***APPROVAL OF MINUTES***

**Motion #16-018-02:** Thomas Sheehan moved to approve the Minutes of Meeting No. 017, held on Monday, June 20, 2016. Robert Rietz seconded. Motion passed.

***DISCUSSION:***

Re: RSCD Administrative and Investment Expenses

Discussion was held regarding the Committee overseeing the financial performance of the Retirement System and its operations. Chairman Whipple is requesting that an expense report be provided, at least quarterly, showing year-to-date and projected full-year actual costs by major element, both compared with the budget and with a year ago. Significant variances should be explained. It was agreed that the Board and IC chairs will meet, along with John Naglick, to discuss implementation. The Committee was provided an Investment and General and Administrative Expenses, unaudited/preliminary estimates year ended June 30, 2016, and audited year ended June 30, 2015 and June 30, 2014, of the General Retirement System and the Police and Fire Retirement System.

Request was made to have staff and UHY develop a funding method regarding contributions to the pension funds.

***PRESENTATIONS:***

NEPC

Re: Equity Review and Performance Review

The Consultants of NEPC appeared before the Committee to discuss the private equity portfolio and the second quarter investment performance report. Presentation materials were provided.

Following discussion, a recommendation was made by NEPC and the Chief Investment Officer.

**Motion #16-018-03:** Kerrie Vanden Bosch moved to approve the recommendation to terminate Herndon and move the assets into Rhumblin Russell 1000. A further review of the large cap portfolio will be made by NEPC and Staff and will return with a recommendation at the next scheduled IC Meeting. June Nickleberry seconded. Motion passed.

NEPC will return with a recommendation for Aronson Johnson (“AJO”) at the next scheduled meeting.

Re: Global Asset Allocation/Risk Parity

Additionally, there are sector-specific concerns that Staff would like to review with the Consultant adding GMO to the “Watch List” as provided in the Chief Investment

Officer's Report and will report back with a recommendation to the Committee at a future meeting.

*~Concludes NEPC's Presentation~*

## **RECESS**

*The Committee recessed at 2:43 p.m. and reconvened at 2:55 p.m.*

### Plante & Moran

#### Re: Pre-Audited Letter

Michelle Watterworth, Spencer Tawa, Ali Hijazi and Manju Patnaik, auditors of Plante & Moran, appeared before the Committee to discuss the process of planning for the audit of the financial statements of the General Retirement System's two defined benefit pension plans, Component I (the new plan) and Component II (the legacy plan) for the year ended June 30, 2016.

*~Concludes Plante & Moran's Presentation ~*

## **CHIEF INVESTMENT OFFICER'S REPORT**

The Chief Investment Officer, Ryan Bigelow, provided a report for actionable items and updates for discussion and approval:

Michael Krushena, Investment Officer, gave an update on GASB 67/72, disclosure requirements, new auditing standards and a presentation on GASB 67/68 Long-term Rate of Return Calculation for the General Retirement System ending June 30, 2016.

**Motion #16-018-04:** Thomas Sheehan moved to approve the GASB Methodology for Long-term Investment Return Assumptions as prepared and presented by the System's Investment Staff. Robert Rietz seconded. Motion passed.

### Updates:

- ICG
- Rivers Casino
- Black & Blue Summary Report – June 30, 2016 (provided)

Entering Into Closed Session

Re: Personnel Matters

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(I).

- ***June Nickleberry*** left the IC Meeting and rejoined (via/teleconference) during Closed Session.

**Motion #16-018-05:** Thomas Sheehan moved to enter into Closed Session for the purpose of discussing personnel matters concerning the Investment Officer and current litigation. Robert Rietz seconded.

A Roll Call Vote was taken as follows:

Yeas: Ewing, Nickleberry (via/teleconference), Rietz, Sheehan, Vanden Bosch, Whipple - 6

Nays: None

The Motion Passed.

**The Committee entered into Closed Session at 4:00 p.m.**

Re: Open Session

**Motion #16-018-06:** Thomas Sheehan moved to come out of Closed Session. Kerrie Vanden Bosch seconded. Motion passed.

**The Committee returned to Open Session at 4:40 p.m.**

**Motion #16-018-07:** Robert Rietz moved to approve the Investment Officer’s compensation pay increase to \$165,000 annually effective upon his reaching employment his one-year anniversary date or the date when he becomes a civil servant (whichever occurs first) and satisfactory review. Kerrie Vanden Bosch seconded.

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

Nays: Nickleberry, Sheehan – 2

The Motion Passed.

## ***LEGAL REPORT***

General Counsel, Michael VanOverbeke, provided the following informational items for discussion:

### Re: Income Stabilization Foundation – (“ISF”)

The Committee was provided a copy of the above correspondence, dated June 27, 2016, by Dickinson Wright regarding the Income Stabilization Fund Program and State Contribution Agreement to review. (No action at this time)

Clark Hill provided the IC correspondence regarding the actuarial valuation of the Income Stabilization Fund Program of the General and Police and Fire Retirement Systems, dated April 7, 2016, to review. (No action at this time)

Gabriel Roeder Smith & Company, consultants and actuaries, in conjunction with the Plan of Adjustment that was entered on 10/22/2014, regarding the ISF, submitted a report dated September 30, 2015, to review. (No action at this time)

**The Committee will receive a copy of the letter to the State from General Counsel in reference to the Income Stabilization Program.**

### Re: Committee Policies, Procedures and Forms

General Counsel is asking the Committee to review the policies with any feedbacks. Review for approval at a later date.

Policy Committee: Kerrie Vanden Bosch and Robert Rietz.

## ***FUTURE AGENDA ITEMS/DISCUSSION***

- Administrative Calendar
- IC's Newsletter
- Joint Investment Committee meeting with PFRS IC – Monday, October 17, 2016, at 11:00 a.m.

## ***PUBLIC/MEMBER COMMENTS***

- None

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**ADJOURNMENT**

There being no further business before the IC, **Chairman Whipple** adjourned the meeting at 5:10 p.m. The IC's next meeting is scheduled for **Monday, October 17, 2016**, at 11:00 a.m. in the Retirement Systems' Conference Room, 500 Woodward Avenue Suite 3000; Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,

  
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RYAN BIGELOW  
CHIEF INVESTMENT OFFICER

Administrative Assistant II: Rita Coats