



**MINUTES**  
**Meeting No. 024**  
**Meeting of the General Retirement System Investment Committee**  
**MAY 25, 2017**

A Meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on Thursday, May 25, 2017, at the Retirement System's office, at Ally Detroit Center, 500 Woodward Suite 3000; Detroit, Michigan. Chairman Sowerby called the meeting to order at 12:05 p.m. A quorum was present.

**ROLL CALL:**

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

Others Present: Cynthia Thomas, Executive Director, Ryan Bigelow (*Chief Investment Officer*), Michael Krushena, (*Deputy Chief Investment Officer*), Michael VanOverbeke (*General Counsel – VanOverbeke, Michaud and Timmony, P.C.*) and LaMonica Arrington-Cabeau, (*Manager II*). Kristin Finney-Cooke, Kevin Leonard and Kim Kaczor, (*Investment Consultants – NEPC*).

Visitors Present: Ronald L. Rose, Executive Director, State of Michigan Department of Treasury of the Financial Review Commission/City of Detroit and Kevin Kubacki, CPA, Financial Specialist of the Financial Review Commission/State of Michigan.

**APPROVAL OF AGENDA**

**Motion #17-24-01:** Thomas Sheehan moved to approve the Agenda as presented. Kerrie Vanden Bosch seconded. Motion passed.

**DISCUSSION OF MINUTES**

Through the Chair: Investment Committee Minutes must be provided five (5) days prior to an <sup>1</sup>Investment Committee meeting. Meeting No. 23 held on Monday, March 6, 2017, will be brought back at the next scheduled IC meeting for approval.

<sup>1</sup> "Investment Committee" – IC or Committee

***PRESENTATIONS:***

Finance Department/City of Detroit

John Naglick, City of Detroit Finance Director, appeared before the Committee to give an update on the City of Detroit's proposed Retiree Protection Trust Fund to assist with the City's pension funding obligations. The Finance Department is waiting for approval from City Council to approve the proposed Ordinance establishing the Trust.

A "draft" Proposed Retiree Protection Fund Fact Sheet was provided to the Committee for discussion.

NEPC – w/Chief and Deputy Chief Investment Officers

The Consultants of NEPC, Kristen Finney-Cooke, Kevin Leonard and Kim Kaczor appeared before the Committee, (via/teleconference with NEPC Specialists Amanda Karlsson and Oliver Fadly) to discuss the General Retirement System's portfolio:

- Performance – 1<sup>st</sup> Quarter
- Watch List – No changes or terminations at this time
- Review of Various Asset Allocations

After discussion and review, the following recommendations were made by NEPC and with the concurrence and recommendation of the Chief Investment Officer:

Re: Asset Allocation

**Motion #17-24-02:** Thomas Sheehan moved to approve, Mix A, as presented. Kerrie Vanden Bosch seconded. Motion passed.

➤ ***June Nickleberry joined the IC Meeting at 1:05 p.m.***

Re: Opportunistic Debt/Structured Credit

**Motion #17-24-03:** Robert Rietz moved to approve the recommendation to commit \$15 million to THL Credit select CLO Equity Fund LP. Ken Whipple seconded. Thomas Sheehan opposed. Motion passed.

Re: Opportunistic Debt/Direct Lending

**Motion #17-24-04:** Ken Whipple moved to approve the recommendation to commit \$30 million to Comvest Capital IV and TCAM Churchill Middle Market Senior Loan Fund and to commit \$20 million to Permira Credit Solutions III. Doris Ewing seconded. Motion passed.

*The Committee recessed at 2:00 p.m. and reconvened at 2:10 p.m.*

**CHIEF INVESTMENT OFFICER'S REPORT**

Re: Investment Policy Statement

**Motion #17-24-05:** Thomas Sheehan moved to amend the Investment Policy Statement for the <sup>2</sup>General Retirement System of the City of Detroit to include the Asset Allocation targets as set forth in Mix A and approved by the Committee as follows:

	<b>Target Allocation</b>	<b>Minimum Allocation</b>	<b>Maximum Allocation</b>
<b>Total Equity</b>	<b>43.0%</b>	<b>35.0%</b>	<b>55.0%</b>
Large Cap US Equities	16.0%	12.0%	22.0%
Small/Mid Cap U.S Equities	4.0%	4.0%	8.0%
Developed International Equities	14.0%	8.0%	16.0%
Small Cap International	3.0%	0.0%	4.0%
Emerging International Equities	6.0%	4.0%	10.0%
<b>Total Fixed Income</b>	<b>16.0%</b>	<b>6.0%</b>	<b>23.0%</b>
Global Multi-Sector	6.0%	4.0%	10.0%
High Yield Bonds	1.0%	0.0%	4.0%
Absolute Total Return	4.0%	2.0%	8.0%
Long Duration Treasury	0.0%	0.0%	4.0%
Credit Opportunities	5.0%	0.0%	9.0%
<b>Alternatives</b>	<b>23.0%</b>	<b>11%</b>	<b>29%</b>
Real Estate	10.0%	5.0%	12.0%
Private Equity	8.0%	4.0%	10.0%
Hedge Funds	5.0%	2.0%	7.0%
<b>Other</b>	<b>17.0%</b>	<b>3.0%</b>	<b>31.0%</b>
Global Asset Allocation	7.0%	3.0%	11.0%
Risk Parity	5.0%	0.0%	7.0%
Commodities	0.0%	0.0%	5.0%
Real Assets (Liquid)	5.0%	0.0%	8.0%
<b>Cash</b>	<b>1.0%</b>	<b>0.0%</b>	<b>10.0%</b>

<sup>2</sup> General Retirement System of the City of Detroit - GRSD

June Nickleberry seconded. Motion passed.

Re: MMA Capital Management – (“MMA”)

**Motion #17-24-06:** Thomas Sheehan moved to accept MMA's offer to purchase the subordinated debt from the Retirement System and to have staff proceed with MMA consistent with the Committee and GRSD Board's directive. Ken Whipple seconded. Motion passed.

Re: The Seminole Companies – the REIT

Discussion was held with the Committee to determine an exit strategy, winding down the Seminole equity REIT. The Chief Investment Officer will review the proposal and report back to the Committee of its findings.

*~Concludes Chief Investment Officer's Report~*

**LEGAL REPORT**

General Counsel submitted a written Legal Report for discussion, along with recommendations for approval on actionable items.

Re: Administrative Calendar

General Counsel reviewed the updates to the Investment Committee's Administrative Calendar.

Re: Audit Reports

**Motion #17-24-07:** June Nickleberry motioned to acknowledge receipt of the final audit reports submitted by Plante & Moran and to be reviewed by the Committee, pending approval at the next scheduled IC Meeting. Kerrie Vanden Bosch seconded. Motion passed.

Re: State Contribution Agreement

**Motion #17-24-08:** Thomas Sheehan moved to acknowledge receipt of the State Contribution Agreement letter, dated May 9, 2017, by Frederick Headen, Legal Advisor to the State Treasurer, the Retirement Systems' compliance reports to the State Treasurer's office. Ken Whipple seconded. Motion passed.

Re: Interim Confirmation of Pension Certificate

**Motion #17-24-09:** Ken Whipple motioned to acknowledge execution of the Interim Confirmation of Pension Certificate by the Committee Chair. Thomas Sheehan seconded. Motion passed.

**Re: Adoption of Actuarial Assumptions for purposes of determining optional forms of benefits for Component I and Component II of the Retirement System**

Resolution Moved by: Kerrie Vanden Bosch – Seconded by: Ken Whipple

**WHEREAS**, the Investment Committee of the General Retirement System of the City of Detroit (“Investment Committee”) serves in a fiduciary capacity and was established for the purpose of making recommendations to and approving actions by the Board of Trustees of the General Retirement System of the City of Detroit (“GRSD Board”), and

**WHEREAS**, the provisions of the plan are subject to the applicable provisions of the Internal Revenue Code, applicable state law, the applicable charter and ordinance provisions of the City of Detroit and the Combined Plan for the General Retirement System, and

**WHEREAS**, the Retirement System’s actuary, Gabriel Roeder Smith & Company, in its correspondence dated May 4, 2017, has provided guidance and requested clarification/confirmation from the Investment Committee and the GRSD Board with respect to the assumptions to be utilized for the optional forms of benefit (e.g., contingent J&S option beneficiaries, annuitization of voluntary contributions and early retirements) payable under both Component I (Hybrid) and Component II (Legacy) of the Combined Plan, and

**WHEREAS**, Section 2.1.(4) of the Combined Plan defines “Actuarial Equivalent Value” in pertinent part as values calculated under generally accepted actuarial methods and using “the applicable tables, interest rates and other factors established by the Board upon the recommendation of the Investment Committee” and adopted by the Board from time to time and consistent with the Plan of Adjustment, and

**WHEREAS**, Section 10.4.(2) of the Combined Plan provides in pertinent part that the annuity calculation for members electing to annuitize their Accumulated Voluntary Contributions at the time of retirement “shall be subject to market rates of investment return and other market-related assumptions, as adopted by the Board upon recommendation of the Investment Committee”, and

**WHEREAS**, the Committee has discussed this matter amongst the Committee members, and with its Actuary and General Counsel, therefore be it

**RESOLVED**, that the Committee acknowledges receipt and review of the correspondence from Gabriel Roeder Smith & Company dated May 4, 2017 regarding the actuarial assumptions to be adopted and utilized for calculation of the optional forms of benefits payable under the Combined Plan, and

**FURTHER RESOLVED**, that in accordance with the guidance provided by the Retirement System’s actuary, the following actuarial assumptions and guidelines for

purposes of determining optional forms of benefits for Component I and Component II are hereby recommended for adoption by the GRSD Board:

1. Component I & II. While the assumption factors for optional forms of benefits may be different between Component I and Component II, at this time the factors between both Component Plans should be the same except the COLA assumption as noted below. At such time as greater historical experience and data is generated on the new Component I (Hybrid Plan), different assumption factors may be appropriate.
2. Mortality. For contingent options (i.e., 100% J&S, 50% J&S, etc., paid to a beneficiary), annuitization of voluntary contributions and early retirements, both Component Plans shall utilize the RP-2014 with Blue Collar Adjustment (BCA) mortality table, with an eleven (11) year static projection of mortality improvement.
3. Interest Rates. For contingent options and early retirements, both Component Plans shall utilize a 6.75% interest rate. For the annuitization of voluntary contributions, both Component Plans shall utilize 5.25% interest.
4. Unisex Blends. For contingent options both Component Plans shall utilize a unisex mix of 80% male/20% female. For early retirements and the annuitization of voluntary contributions both plans shall utilize a unisex mix of 60% male/40% female.
5. COLA. The potential COLA in Component I shall be reflected in the Component I assumption factors at 1/2%. There shall continue be no COLA assumption reflected in the Component II calculations.
6. Overpayments/Underpayments. These updated assumptions and factors shall also be utilized for any calculations with respect to overpayments or underpayments of benefits.
7. Anti-Selection. No adjustments shall be made for anti-selection.

**FURTHER RESOLVED**, that a copy of this resolution shall be provided to the GRS Board and shall serve as a formal recommendation for the Board's consideration and adoption of the actuarial assumptions as provided herein.

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

Nays: None

Re: Investment Consultant Search

**Motion #17-24-10:** Ken Whipple motioned to acknowledge receipt of the Memorandum, dated May 19, 2017, from the GRS Board of Trustees, regarding the Investment Committee's Advisor and Consultant Review Policy and to agree to the request to proceed with an RFP with an advisement of the Board's participation in the process of selecting an Investment Consultant. Kerrie Vanden Bosch seconded. Motion passed.

RE: GRS Hybrid Plan – Component I

**Motion #17-24-11:** Robert Rietz motioned to acknowledge receipt of the correspondence from John Hill, City of Detroit Chief Financial Officer, dated May 16, 2017, regarding the City's decision to provide additional Hybrid Plan – (Component I) funding to the GRS by June 30, 2018. Thomas Sheehan seconded. Motion passed.

*~Concludes Legal Report~*

**PRESENTATION:**

UHY

Marlene Beach, of UHY, appeared before the Committee to give an update on the new system that will provide quarterly financial statements on gains and losses pertaining to the Retirement Systems' administrative budget.

**ADJOURNMENT**

There being no further business before the Investment Committee, **Chairman Sowerby** adjourned the IC Meeting at 3:20 p.m. The IC's next regular meeting is scheduled for **Monday, July 17, 2017**, 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*