



MINUTES
Meeting No. 026
Meeting of the General Retirement System Investment Committee
JULY 17, 2017

A Meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on Monday, July 17, 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 12:10 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, Ken Whipple and June Nickleberry (joined the meeting at 12:45 p.m.).

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

Visitors Present: John Naglick, City of Detroit Finance Director.

APPROVAL OF MINUTES

Motion #17-26-01: Thomas Sheehan moved to approve the IC¹ Minutes of Meeting Number 023, held on March 6, 2017, Meeting No. 024, held on May 25, 2017 and Special Meeting No. 025, held on June 20, 2017. Ken Whipple seconded. Motion passed.

PRESENTATIONS:

Corbin Capital Partners, L.P.

Representatives of Corbin Capital, Robert Zellner and Michael Hayden, hedge fund managers for the City of Detroit General Retirement System, appeared before the Committee for discussion of the following: Financial Market, Global Macro Themes and Investment Opportunities.

Presentation materials were provided to the Committee.

¹ "IC" or "Committee" – represents Investment Committee

- **June Nickleberry** joined the IC Meeting at 12:45 p.m.

NEPC

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

- Fixed income component
- Investment Opportunities/Performance Summary
- Preliminary June Flash Report
- May Flash Report

~Concludes Presentations~

CHIEF INVESTMENT OFFICER'S REPORT

Chief Investment Officer, Ryan Bigelow, presented actionable items to the Committee for discussion and approval:

Re: Summary Asset Allocation Report

The Committee was given an update on the asset allocation report as of June 30, 2017. The report will be more color-coded to place more emphasis on the private market.

Re: GASB Long Term Rate of Return Calculation

Motion #17-26-02: Thomas Sheehan moved to approve the GASB 67/68 Long Term Return Calculation methodology. June Nickleberry seconded. Motion passed.

Re: Stout Risius Ross

Motion #17-26-03: Thomas Sheehan moved to approve Stout Risius Ross' annual engagement letter dated June 9, 2017 which provides the Objectives and Scope of Services to be provided to the General Retirement System of the City of Detroit, including the valuation services for 2017. Ken Whipple seconded. Motion passed.

Re: Banyan Realty

Motion #17-26-04: Kerrie Vanden Bosch moved to approve an amendment to the agreement with Lou Vogt, of Banyan Realty to reflect Banyan as a Loan Servicer, and to acknowledge receipt of the concurrence of Steve Burns, of the Townsend Group as to the contract amendment. Robert Rietz seconded. Motion passed.

Investment Updates

The Chief Investment Officer reported that contracts are being finalized with the following:

- THL Credit Company (CLO Equity Fund) for a \$15 Million dollar allocation to a Collateralized Loan Obligation (CLO) portfolio;
- Comvest Partners (Comvest Capital IV) and TGAM Churchill Asset Management for a \$30 Million dollar allocation each to U.S. Direct Lending portfolios;
- Permira (Permira Credit Solutions III) for a \$20 Million dollar allocation to a European Direct Lending portfolio.

RFP re: Investment Consultant Search

- *NEPC, Graystone Consulting – Morgan Stanley, Marquette Associates, Wilshire Associates and AndCo Consulting (formerly the Bogdahn Group)*

These candidates will be reviewed, interviewed, and rated based upon their qualifications and capabilities. The final selection is expected to take place at the end of 2017. Staff will report back to the Committee with a recommendation.

RECESS

The Committee recessed at 2:40 p.m. and reconvened at 2:50 p.m.

PRESENTATION:

Gabriel, Roeder, Smith & Co.

Judith Kermans, Ken Alberts and David Kausch, the Retirement System's actuary, appeared before the Investment Committee and presented the Annual Actuarial Valuations for both the Component I and Component II plans as of June 30, 2016.

The actuary also provided a presentation on Developing Funding Policy. The valuations provided recommendation that the Board and the Investment Committee undertake a study to develop a funding policy for fiscal year 2024 and beyond, which study has already been authorized by the retirement board.

Following discussion of the Annual Actuarial Valuations of Component I & II as of June 30, 2016, the following motion was made:

Motion #17-26-05: Thomas Sheehan motioned to acknowledge receipt and approval of the June 30, 2016 Annual Actuarial Valuation Report of Component I plan, dated June 22, 2017, and the June 30, 2016 Annual Actuarial Valuation of Component II, dated

May 19, 2017, and direct that copies of the valuations and the Committee's approval be forwarded to appropriate parties. Robert Rietz seconded. Motion passed.

~Concludes Presentation~

LEGAL REPORT

There was no formal written legal report to submit at this month's Investment Committee meeting.

Re: 5th Semi-Annual Compliance Statement

Motion #17-26-06: Thomas Sheehan motioned to acknowledge and authorize execution of the 5th Semi-Annual Compliance Statement by the Committee Chairperson. Robert Rietz seconded. Motion passed.

NEW BUSINESS

Re: Job Posting – Chief Accounting Officer - Controller
A Resume is attached for review for a possible candidate.

Re: Potential Conflict in Voting

IC Member Doris Ewing reminded the Committee that she is a former NEPC employee and indicated her desire to address any Committee concerns in her participating in the investment consultant search. Ms. Ewing noted that she is no longer an employee of NEPC, and there would be no personal financial gain or impact in the event NEPC were terminated, retained or selected. General Counsel also noted that Ms. Ewing's prior employment with NEPC was known at the time of her appointment to the Investment Committee. General Counsel stated his opinion that based upon Ms. Ewing's continuing disclosure and there being no personal financial gain or detriment related to the Committee's selection of the Investment Consultant, there is no legal conflict which would require her to recuse herself from the selection process. The Committee members discussed this matter and concurred that there was no direct conflict of interest and noted the value of Ms. Ewing participating in the selection process in light of her extensive experience in this area. The Committee members also noted that in the event of a split vote for the final selected consultant, due care should be utilized by all Committee members during the search process to avoid the appearance of any bias or conflict in the selection of the final candidate.

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ADJOURNMENT

There being no further business before the Investment Committee, **Chairman Sowerby** adjourned the IC Meeting at 3:55 p.m. The IC's next regular meeting is scheduled for **Monday, September 11, 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

Administrative Assistant: Rita Coats