



**MINUTES**  
**Meeting No. 35**  
**Meeting of the General Retirement System Investment Committee**  
**SEPTEMBER 10, 2018**

A meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on **Monday, September 10, 2018**, at the Retirement System's office at Ally Detroit Center, 500 Woodward Avenue, Suite 3000, Detroit, Michigan. David Sowerby, Chairperson, called the meeting to order at 12:03 p.m. A quorum was present.

**ROLL CALL:**

Attendance was taken by the Committee's Recording Secretary with the following Committee Members present: David Sowerby (Chairperson), Kerrie L. Vanden Bosch (Vice Chairperson), June Nickleberry, Robert Rietz and Thomas Sheehan

Staff Present: David Cetlinski (Executive Director), Ryan Bigelow (Chief Investment Officer), Michael VanOverbeke (General Counsel – VanOverbeke, Michaud and Timmony, P.C.), Gail A. Oxendine (Assistant Executive Director), Kevin Kenneally (Investment Officer) and Kristi Grden (Investment Analyst).

Committee Members Excused: Doris Ewing (Secretary) and Kenneth Whipple

Staff Excused: None

Visitors Present: None

**APPROVAL OF AGENDA**

**Motion #18-35-01:** Thomas Sheehan moved to approve the agenda dated Monday, September 10, 2018 as prepared by the Committees' Recording Secretary. June Nickleberry supported. The motion passed unanimously.

**Future Agenda Items/Discussion:**

- *Chairperson Sowerby suggested the Committee come back with suggestions, if applicable, for future agenda items at the close of the meeting.*

## **APPROVAL OF MINUTES**

**Motion #18-35-02:** Thomas Sheehan moved to approve the Minutes of **Meeting No. 34, held on Monday, July 16, 2018**, as prepared by the Committees' Recording Secretary. June Nickleberry supported. The motion passed unanimously.

### ***PRESENTATION:***

#### **New England Pension Consultants**

Representatives Kristin Finney-Cooke, Kevin Leonard and Kim Kaczor from the Board's Investment Consulting firm, NEPC, discussed the following with the Committee:

- Asset Allocation Discussion
- Private Equity Pacing Plan
- GAM Update
- Aberdeen EME Equity Review
- Aberdeen EME Small Cap Equity Review
- Large CAP Growth Update
- 2Q18 Investment Performance Analysis
- 1Q18 Private Equity Report

***Presentation materials were provided***

**Motion #18-35-03:** Thomas Sheehan moved to approve “Mix A” as recommended by the Chief Investment Officer and NEPC as follows:

## ASSET ALLOCATION RECOMMENDATION

	Policy Target	Mix A
Cash	1%	1%
Large Cap Equities	16%	16%
Small/Mid Cap Equities	4%	4%
Int'l Equities (Unhedged)	14%	14%
Int'l Sm Cap Equities (Unhedged)	3%	3%
Emerging Int'l Equities	6%	6%
Private Equity	8%	8%
<b>Total Equity</b>	<b>51%</b>	<b>51%</b>
Global Multi-Sector Fixed Income	6%	6%
Absolute Return Fixed Income	4%	4%
Credit Opportunities	9%	10%
<b>Total Fixed Income</b>	<b>19%</b>	<b>20%</b>
Real Assets	5%	5%
Core Real Estate	10%	10%
<b>Total Real Assets</b>	<b>15%</b>	<b>15%</b>
Risk Parity	5%	0%
Diversifying Strategies	4%	8%
Hedge Funds	5%	5%
<b>Total Other</b>	<b>14%</b>	<b>13%</b>
<b>Expected Return 5-7 yrs</b>	<b>6.49%</b>	<b>6.49%</b>
<b>Expected Return 30 yrs</b>	<b>7.67%</b>	<b>7.62%</b>
<b>Standard Dev</b>	<b>12.71%</b>	<b>12.56%</b>
<b>Sharpe Ratio (5-7 years)</b>	<b>0.35</b>	<b>0.36</b>
<b>Sharpe Ratio (30 years)</b>	<b>0.39</b>	<b>0.39</b>

- The column titled “Policy Target” is the current policy target approved by the IC
- The column titled “Mix A” is the new target being recommended by NEPC and GRSD investment staff
- Relative to the “Policy Target,” “Mix A”:
  - Eliminates risk parity
  - Increases credit opportunities by 1%
  - Increases diversifying strategies by 4%
- Relative to the “Policy Target,” “Mix A’s”:
  - Expected rate of return
    - Remains constant over the 5-7 year period
    - Slightly decreases from 7.67% to 7.62% over the 30 year period
  - Standard deviation
    - Improves from 12.71% to 12.56%
  - Sharpe ratio (30 year)
    - Remains constant

Note: Diversifying strategies is modeled as 1/3 each: TIPS, hedge fund long/short, and hedge fund macro.



and to use AQR Risk Parity as a funding source as new allocations to credit opportunities and diversifying strategies are identified/approved. Robert Rietz supported. The motion passed unanimously.

**Motion #18-35-04:** Kerrie Vanden Bosch moved to approve the private equity pacing plan for a \$50 million allocation for vintage year 2018. June Nickleberry supported. The motion passed unanimously.

**Motion #18-35-05:** June Nickleberry moved to approve the recommendation by Investment Staff to increase allocation to Edgewood to approximately \$30-35 million while more candidates are identified in Large Cap Growth. Kerrie Vanden Bosch supported. The motion passed unanimously.

**Motion #18-35-06:** Thomas Sheehan moved to authorize Investment Staff to liquidate the risk parity program when it is determined that funds are needed elsewhere for future investment strategies. June Nickleberry supported. The motion passed unanimously.

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

Chief Investment Officer, Ryan Bigelow, provided the following updates and discussion items for approval:

- Townsend Fees

**Motion #18-35-07:** Thomas Sheehan moved to approve the amendment of the consulting agreement with Townsend Consultants with a revised rate of \$114,000.00. June Nickleberry supported. The motion passed unanimously.

***-Concludes CIO's report-***

## **LEGAL REPORT**

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

- Book Cadillac Litigation update
- Couzens Lansky legal fee update
- Gateway update

***-Concludes Legal Counsel Report-***

## **Public/Member Comments**

- None

## **Old Business/New Business**

- None

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**ADJOURNMENT**

There being no further business before the Investment Committee, **Chairperson Sowerby** adjourned the meeting at 2:23 p.m. The Investment Committee's next meeting is scheduled for **Monday, October 29, 2018** at 12:00 p.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 IV: TaKneisha Johnson