



MINUTES
Meeting No. 45
Meeting of the General Retirement System Investment Committee
February 3, 2020

A meeting of the Investment Committee of the General Retirement System of the City of Detroit was held on **Monday, February 3, 2020**, at the Retirement System's office at Ally Detroit Center, 500 Woodward Avenue, Suite 3000, Detroit, Michigan. Kenneth Whipple, Chairperson, called the meeting to order at 12:10 p.m. A quorum was present.

ROLL CALL:

Attendance was taken by the Committee's Recording Secretary with the following Committee Members present: Kerrie Vanden Bosch, Kenneth Whipple (Chairperson), Doris Ewing (Secretary), June Nickleberry, Thomas Sheehan and David Sowerby.

Staff Present: David Cetlinski (Executive Director), Gail A. Oxendine (Assistant Executive Director, Ryan Bigelow (Chief Investment Officer) and Michael VanOverbeke (General Counsel).

Committee Members Excused: None

Staff Excused: None

Visitors Present: John Naglick; (City of Detroit Chief Deputy Financial Officer and General Retirement System Ex-Officio Trustee), Jermaine Brown (City of Detroit General City Trustee) and Crystal Perkins (City of Detroit General City Trustee).

APPROVAL OF MINUTES

Motion #20-45-01: Thomas Sheehan moved to approve the Minutes of **Meeting No. 44, held on Monday, December 9, 2019**, as prepared by the Committees' Recording Secretary as amended. Doris Ewing supported. The motion passed unanimously.

APPROVAL OF AGENDA

Motion #20-45-02: Thomas Sheehan moved to approve the agenda dated Monday, February 3, 2020. Doris Ewing supported. The motion passed unanimously.

Presentation/Discussion:

New England Pension Consultants (NEPC)

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

- Private Equity/Diversity Mandate
- 2020 Themes & Asset Class Assumptions/Beta Group Outlooks
- Performance Review

Presentation materials were provided

Motion #20-45-03: June Nickleberry moved to accept the recommendation of the Chief Investment Officer, Ryan Bigelow to commit to \$65 million with Grosvenor over 3 years in a separate account subject to the participation of the Police and Fire Investment Committee. Doris Ewing supported. The motion passed unanimously.

Chief Investment Officer’s Report

Chief Investment Officer, Ryan Bigelow, had no formal report, but gave an update on the following:

- Hiring of managers:
 - Shenkman
 - Income Research
 - Garcia Hamilton
 - Black Creek

Legal Report

General Counsel, Michael VanOverbeke, in addition to his formal report, provided the following informational items:

- Detroit Gateway Mall

Entering Into Closed Session

Re: Kevin Kenneally’s Compensation

The Investment Committee entered 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 #20-45-04: Thomas Sheehan moved to enter into Closed Session for the purpose of discussing Kevin Kenneally’s compensation. David Sowerby supported. The motion passed unanimously.

The Committee entered into Closed Session at 1:50 p.m.

Re: Open Session

Motion #20-45-05: Thomas Sheehan moved to come out of Closed Session. Doris Ewing supported. The motion passed unanimously.

The Committee returned to Open Session at 3:30 p.m.

Motion #20-45-06

Re: Retention of KJK Associates, LLC for Investment and Administrative Services

Motion By: Kerrie Vanden Bosch – Supported By: David Sowerby

WHEREAS, the Investment Committee of the General Retirement System of the City of Detroit (“Investment Committee”) serves in a fiduciary capacity 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, Section 1.23 fo the Combined Plan provides in pertinent part that the Investment “may retain actuarial, legal counsel, audit or other professional or support personnel to provide advice to the Investment Committee as it deems resonably 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, Sections 15.4 and 15.5 of the Combined Plan provide that 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 further that “the Board and/or Investment Committee may retain the services of one or more investment consultants who shall be responsible for assisting the Investment Committee and the Board with oversight of the Retirement System’s investment portfolio”; and

WHEREAS, pursuant to Section 15.2 of the Combined Plan, the Investment Committee shall review and approve, prior to final issuance, all annual audits and actuarial and financial reports prepared on behalf of the Retirement System, and

WHEREAS, pursuant to Exhibit I.A. 332 of the Eighth Amended Plan of Adjustment, and in accordance with MCL Section 38.1133g(3)(f), the Investment Committee is further required to review and approve, prior to final issuance, “the annual audit and all financial reports prepared on behalf of the GRS”, and

WHEREAS, with the recent departure of the Deputy Chief Investment Officer and the Investment Analyst, the Investment Committee deems it prudent to promptly retain the services of an investment professional to assist the Committee and the Chief Investment Officer to provide administrative, analytical, audit support and such other services as deemed necessary for the prudent administration and investment of the Retirement System's assets and to pay reasonable compensation from the assets of the system for those services; and

WHEREAS, the Investment Committee has received a request from the Investment Committee to the Police and Fire Retirement System (PFRS IC) wherein the PFRS IC has requested that the Investment Committee participate in and share the cost of the PFRS IC's contract with KJK Associates, LLC, and

WHEREAS, the Investment Committee has discussed this matter amongst the committee members, as well as the Chief Investment Officer and the Retirement System's General Counsel, therefore be it

RESOLVED, that the Investment Committee hereby retains the services of KJK Associates, LLC subject to and in accordance with the following:

- (a). KJK Associates shall be retained as an Independent Contractor subject to the terms of a written Independent Contractor Agreement approved as to form by General Counsel, with copies forwarded to all Committee Members; and
- (b). The contract shall be terminable at will with seven (7) days prior notice by either party; and
- (c). KJK Associates shall be retained on an annual fee basis in the amount of \$115,000 payable in monthly installments in arrears commencing upon the effective date of the contract. This amount is consistent with the amount that the GRS has historically paid for these services on an annual basis; and
- (d). KJK Associates shall report to the Investment Committee, through and under the direction of the Chief Investment Officer. KJK Associates shall provide ongoing work-in-process and progress reports to the Chief Investment Officer and the Investment Committee, with copies to the GRS Board of Trustees; and
- (e). Through the direction of the Chief Investment Officer, KJK Associates shall execute and monitor compliance with approved Investment Committee actions and policies, as well as applicable state and federal laws and regulations; and
- (f). The Investment Committee declines the PFRS IC's request to participate in the PFRS IC's contract with KJK Associates as it deems it prudent to establish a direct independent contractual relationship with KJK Associates subject to terms

and financial consideration that the Investment Committee believes is in the best interests of the members and beneficiaries of the General Retirement System;

RESOLVED, the Investment Committee authorizes execution by the Committee Chair of an Independent Contractor Agreement with KJK Associates, LLC in accordance with the foregoing terms and upon approval of its form by General Counsel as to compliance with applicable state and federal laws and regulations; and be it further

RESOLVED, that upon request of the Board of Trustees of the General Retirement System, the Investment Committee Chair has indicated his willingness to meet with the Board to discuss why the IC believes this action is in the immediate best interests of the Retirement System, and be it further

RESOLVED, that a copy of this resolution be forwarded to the Board of Trustees of the General Retirement System, the PFRS IC, KJK Associates, LLC and a copy maintained in the Retirement System records.

Yeas – Ewing, Sowerby, Vanden Bosch and Chairperson Whipple - 4

Nays – Nickleberry and Sheehan - 2

Committee Member Sheehan’s comment regarding his “NO” vote:

I voted **NO** on the resolution to retain KJK Associates for the following reasons:

1. The salary study of the CIO and Deputy CIO being conducted by the City of Detroit Human Resources is NOT complete and I recommended delaying this vote until the report is presented and discussed by the Investment Committee and General Retirement Board. The Deputy CIO salary may be adjusted based on the study.
2. Even though the resolution adopts a proposed contractual salary for KJK Associates, I would like to have received and reviewed the contract and the Terms and Conditions before voting on the resolution.
3. The Terms and Conditions of the contract should require a monthly report to the Investment Committee and the General Retirement Board that describes the work performed, the dates and time spent for each activity.
4. The lawsuit filed on behalf of the Detroit Police and Fire Board cites the following:
 - #16. Kenneally clearly does not meet the definition of an “independent contractor” and treating him as a 1099 contractor, rather than a W-2 employee exposes the Board, PFRS staff and PFRS to liability regarding

state and federal unemployment insurance, workers compensation, and employee benefits.

#94. In reality, Kenneally is not an independent contractor and would remain an employee under the Michigan “economic realities test” and applicable federal law. Accordingly, the above provisions violate state and federal law and subject PFRS to substantial liability.

#117. PFRS will violate tax and employment law, and may well incur actual legal liability and economic loss, if the Contractor Agreement is permitted to take effect and be enforced. Based upon these statements, I requested a written legal opinion from the Investment Committee General Counsel that by entering into a contract with the Deputy CIO, we will not be violating state and federal employment laws.

5. I requested a letter be sought from the fiduciary liability insurance agent and insurance underwriter that the Deputy CIO will be covered as a contractual employee.
6. The effective date of the contract will take effect upon acceptance and approval by the General Investment Committee and General Retirement Board.

Chief Investment Officer Compensation

Motion #20-45-07 Kerrie Vanden Bosch moved to continue paying the Chief Investment Officer, Ryan Bigelow half of the current rate of pay and fringes approved by the City. David Sowerby supported.

Yeas – Ewing, Sowerby, Vanden Bosch and Chairperson Whipple - 4

Nays – Nickleberry and Sheehan - 2

Resignation of Nick Khouri

Motion #20-45-08 Doris Ewing moved to acknowledge the resignation of committee member Nick Khouri. David Sowerby supported. The motion passed unanimously.

Annual Report

Motion #20-45-09 June Nickleberry moved to approve the General Retirement System of the City of Detroit Component I and Component II Annual Report for the fiscal year ended June 30, 2019. Kerrie Vanden Bosch supported. The motion passed unanimously.

Selection of Candidates

Motion #20-45-10 Kerrie Vanden Bosch moved to approve the Committee's recommendation for Dion Stevens and Anthony Estell as candidates and the recommendation is provided to the GRS Board and the State to request their concurrence. Doris Ewing supported. The motion passed unanimously.

Future Agenda Items/Discussion

- None

Investment Committee Comments

- June Nickleberry inquired about electing a Vice-Chairperson for the committee.

Public/Member Comments

- None

Old Business/New Business

- None

Kerrie Vanden Bosch moved to adjourn meeting #45. David Sowerby supported.

ADJOURNMENT

There being no further business before the Investment Committee, **Chairperson Whipple** adjourned the meeting at 4:45 p.m. The Investment Committee's next meeting is scheduled for **Monday, April 13th, 2020**, at 12:00 p.m. in the Retirement Systems' Conference Room, 500 Woodward Avenue, Suite 3000, Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,

RYAN BIGELOW
CHIEF INVESTMENT OFFICER

Recording Secretary: JoAnn Harrison