



MINUTES
Meeting No. 002
Meeting of the Police & Fire Retirement System
Investment Committee
February 16, 2015

A meeting of the Investment Committee of the Police & Fire Retirement System of the City of Detroit was held on Monday, February 16, 2015 at the Retirement System's office at One Detroit Center, 500 Woodward Suite 3000; Detroit, Michigan. Robert Smith, Chair, called the meeting to order at 10:05 a.m. A quorum was present.

ROLL CALL:

Attendance was taken by the Recording Secretary with the following Committee Members present: Robert Smith, (*Chair*), McCullough Williams III (*Vice Chair*), Joseph Bogdahn, Mark Diaz, Sean Neary, Louis Sinagra, Rebecca S. Sorensen and Woodrow S. Tyler.

Others Present: Cynthia Thomas (*Executive Director*), David Cetlinski (*Assistant Executive Director*), Ryan Bigelow (*Chief Investment Officer*), Ronald King (*Interim General Counsel – Clark Hill, PLC.*). J.M. Ruscetti and Nicholas F. Sefchok - (*Investment Consultants – Wilshire*).

Visitors Present: Sue Feinberg (MERS).

Absent: Michael Simon.

APPROVAL OF AGENDA

Motion #15-02-01: Rebecca Sorensen moved to approve the Agenda as presented. Joseph Bogdahn seconded. Motion passed.

AGENDA ITEMS:

Audit/Actuarial Report Update

Executive Director, Cynthia Thomas, provided an update on the Audit/Actuarial Report. The Investment Committee received a copy of Plante & Moran's report regarding the delay in audited financial statements for the year ending June 30, 2014. The necessary actuarial valuation is not available from the actuarial firm. Therefore, the audit is still in process and will not be issued until after the actuarial valuation is complete. Everything may be completed as of March 31, 2015.

The Investment Committee received a copy of the 2013-2014 Audit Internal Control Issues/Observations project tracker spreadsheet to review. Having adequate staffing is a concern at this time; particularly a Real Estate Assistant.

~Concludes Executive Director's Report~

Chief Investment Officer's Report

The Investment Committee was informed that William G. Bensur, Jr., Managing Director of Wilshire, had stepped down. Mr. David Lindberg, Managing Director of Wilshire will assume the leadership role.

The following subject-matters were discussed:

1. Contracts: Consultants and Managers
2. Fiduciary Insurance Coverage Letter
3. Non-qualified Managers
4. Investments/Ethics Policy
5. Security Lending; finder's fee
6. Selecting two (2) hedge fund managers
7. Performance Report – "Watch List"

Through the Chair: To schedule a representative from Stout Risius Ross, auditor for the Retirement Systems, to come in before this Committee to review the valuation process and policies.

Authorized Signatory List

An Authorized Signatory List is required to delegate individuals of the Investment Committee and staff to be responsible for signing documents for the normal business of running the Retirement System.

Through the Chair: To have Ron King, General Counsel, draft a resolution acknowledging the language of an Authorized Signatory List and to bring back before this Committee for action.

~Concludes CIO's Report~

Legal Report

General Counsel Ronald King and Chief Investment Officer Ryan Bigelow will report back to the Committee with specifics to the language of the Administrative policy.

Re: Entering Into Executive Session

Motion #15-02-02: Mark Diaz moved to enter into Executive Session for the purpose of discussing pending litigation regarding ICG. McCullough Williams III seconded. Motion passed.

The Committee entered into Executive Session at 12:00 p.m.

Motion #15-02-03: Mark Diaz moved to enter into Open Session. Sean Neary seconded. Motion passed.

The Committee returned to Open Session at 12:25 p.m.

~Concludes General Counsel's Report~

RECESS

The Committee recessed for LUNCH at 12:30 p.m. and RECONVED at 12:55 p.m.

PRESENTATIONS

Re: BAB Associates

Mr. Bruce Babiarz, of BAB Associates, Public Relations consultant for the Police & Fire Retirement System of the City of Detroit presented eight (8) guiding principles for the Investment Committee to review. The Committee Chair asked Mr. Babiarz to draft a Communication Policy for review and discussion at the March meeting. A non-disclosure agreement between BAB Associates and the Investment Committee was discussed and will be reviewed by General Counsel. After discussion, the following motion was made:

Motion #15-02-04: Sean Neary moved to adopt the eight (8) Guiding Principles for the Police & Fire Investment Committee. Rebecca Sorensen seconded. Motion passed.

~Concludes BAB's Presentation~

Re: Budget for Investment Committee

Through the Chair: It is requested that the Committee be forwarded the budget of the Police and Fire Retirement System.

Re: Wilshire

JM Ruscetti and Nick Sefchok, of Wilshire Associates, appeared before the Committee to give an update on the Capital Markets. The Committee received presentation materials regarding same.

Presentation materials were provided to the Investment Committee regarding the Executive Summary of Investment Performance, Traditional Investment Manager Fee Analysis, Hedge Fund Education & Investment Structure Summary, Investment Manager Search, Contribution Agreement Proceeds and Investment Policy Statement.

Re: “Watch List”: As of December 31, 2014, the Committee was provided the names of Investment Managers that are placed on the Watch List due to organizational risks or under performance.

Through the Chair: Request the Executive Staff team of Wilshire to appear before the Investment Committee.

Through the Chair: Target Allocation to be discussed at the Investment Committee’s scheduled meeting in May, 2015.

~Concludes Wilshire’s Presentation~

Re: Rebalance Portfolio

Motion #15-02-05: Joseph Bogdahn moved to accept the recommendation of Staff and Wilshire to use the proceeds of the recent hedge fund liquidations in addition to \$129 million in manager liquidations from Public REITs, MLPs, High Yield, and Domestic and International Equities to rebalance the portfolio and fund the two (2) hedge fund of funds managed by Blackstone & Corbin Capital. Subsequent to this rebalance, Staff would allocate the State Contribution proceeds across the asset classes. Woodrow Tyler seconded. Motion passed.

Re: Investment Policy Statement

Wilshire Associates will provide an update and performance monitoring of the security lending policy for the IC’s review.

Re: Legal Advisory Committee – (Discussion)

A Request for Proposal (“RFP”) was posted on the Website and opened until March 2, 2015 for the position of General Counsel for the Police & Fire Retirement System Board and the Investment Committee. Once process is further completed, a report will be given to the Investment Committee.

ADJOURNMENT

There being no further business before the Investment Committee, **Chairman Smith** adjourned the meeting at 4:45 p.m. The Investment Committee's next meeting is scheduled for **Tuesday, March 10, 2015** at 10:00 a.m. in the Retirement Systems' Conference Room, 500 Woodward Avenue Suite 3000; Detroit, Michigan 48226.

RESPECTFULLY SUBMITTED,



DAVID CETLINSKI
ASSISTANT EXECUTIVE DIRECTOR

Recording Secretary: Rita Coats