CITY OF PHILADELPHIA

SINKING FUND COMMISSION

IN RE: January Meeting

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Wednesday, January 16, 2019

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This Meeting of the Sinking Fund Commission, held pursuant to notice in the above mentioned cause, before Kathryn R. Doyle, Court Reporter - Notary Public there being present, held at Two Penn Center, 16th Floor Conference Room on the above date, commencing at approximately 10:11 a.m., pursuant to the State of Pennsylvania General Court Rules.

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A P P E A R A N C E S

COMMISSION MEMBERS:
Donn Scott, Chairman
Rasheia Johnson, Treasurer, Via telephone
Kellan White, Controller's Office

ALSO PRESENT:
Christopher R. DiFusco, CIO, PGW
Alex Goldsmith, PFM Asset Management
Marc Ammaturo, PFM Asset Management
City Solicitor Representatives
PGW Representatives

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PROCEEDINGS
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CHAIRMAN SCOTT: It is my pleasure to call this meeting of the Sinking Fund Commission to order.

The first order of business is the approval of the November 14th minutes. Is there a motion to approve?

MS. JOHNSON: I will make the motion to approve.

CHAIRMAN SCOTT: I will second.

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(Whereupon Mr. White entered the room.)
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CHAIRMAN SCOTT: Now we have everyone in their places. A motion has been made. All those in favor say aye.

(Ayes.)

MR. GOLDSMITH: We do have a very short agenda today. And it looks like most of our focus will be on the investment performance portfolio.

At this point, it's my pleasure to turn the meeting over to Chris. And let's see where we go from there.

MR. DiFUSCO: Sure. So you should have both the November numbers, which came out in your binders. And we just received the December report yesterday. I'm guessing that's where Alex and Marc will spend the bulk of their time.

Just as a brief update, obviously, the market has turned a little bit in January. Obviously, October and December were both pretty brutal months in terms of equity market corrections. And depending on what index you looked at, maybe even fair market.

As of this morning, assets under management are just under 500 and 12 million. They've come back up a little bit from where they were, about 11 or $12 million increase since December 31st.

And I mean, I highlighted a few things on the December performance in the email that went out late yesterday, but I will let Alex and Marc go through the specifics on what's happening in the portfolio.

MR. AMMATURO: Thanks. I'll kick it off with talking about the portfolio and the markets at a very high level. Then Alex will walk through the portfolios of the underlying managers.

So everyone has the December handout that Chris just alluded to, so this is hot off the presses. Everyone has a multi-asset class portfolio update. I don't know if Rasheia has these documents.

MS. JOHNSON: I have the December --

MR. DiFUSCO: We have another handout. We'll send it to you right after the meeting.

MS. JOHNSON: Okay. Perfect.

MR. AMMATURO: And the other document that you should have if you're in the room should look like this. It's a January 4th market value update. Those are the three documents that Alex and I will refer to.

I think it makes sense to start with the portfolio update document. And Rasheia, I'll try to kind of verbalize as much as I can off this document since you don't have it in front of you.

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MR. GOLDSMITH: We actually sent it out when it was originally released on January 7th. So if you're in front of a computer, Rasheia, you might be able to find it. Chris would have forwarded it along. But if not, we'll send another copy later.

MS. JOHNSON: Okay. That's good to know. Thank you.

MR. AMMATURO: So about a week ago, we sent this document out to our clients, as Chris alluded to. There was heightened volatility in the markets in 2018.

If you look at -- I just want to start by looking at the numbers, and I'll add some commentary.

If you look at the section of the alert that says update on recent market volatility, and you look at the 2018 column, there was really nowhere to hide, as it turned out, in terms of investing across different asset classes.

Negative 4 percent for the S&P, which is domestic equity. Negative 11 percent for the Russell 2000, which is small cap domestic

equity, negative 14 for international equity, negative 14 and a half for emerging market equity. The bond market, through the Barclay's aggregate, was flat. And then a high yield was negative 2 percent.

So as we all know, the market had a very, very rough 2018. A lot of it came in the second half of the year. A lot of it came in the fourth quarter, and especially the month of December.

There's a couple reasons why. Undoubtedly, global economies are slowing, especially outside of the U.S. That's why you see greater pullbacks.

If you look at MSCI all country world ex US and MSCI emerging, again, they were down 14 percent relative to domestic stock market, which was down about 4 perfect.

Why so much greater of a loss overseas? Slow downs, in terms of economy slow downs, are heightened overseas. If you look at the Euro zone, Germany -- it just came out today, actually -- Germany grew 1.5 percent last year. That's the lowest Germany's grown in the past

five years. Germany is the largest economy in the Euro zone. That's a significant headway to corporate profitability in Germany and their trading partners.

So that's, undoubtedly, one reason why -- it's again, slow down in global economies, especially outside of the U.S.

Within the U.S., there was a heightened fear of -- I'll call it -- a recessionary risk in the fourth quarter. PFM is not in that camp in terms of the economy domestically contracting. We are not in that camp. We think the economy will undoubtedly be slower in 2019. But for now, at least for the first half of 2019, we are not in the camp that a recession is looming within the first six months of this calendar year. That's just not how we're positioned.

But the market, especially the domestic equity market, kind of priced in that recessionary risk in our opinion. So those are huge uncertainties. And as you know, the markets don't like uncertainties.

One of the biggest things we're tracking

and we're keeping a close eye on, is the Fed. As we all know, the Fed increased rates several times during 2018, the short-term rate, because in their opinion, the economy was self-sustaining. We basically came to remove the punch bowl, if you will -- remove the low interest rate in the environment, because the economy is self-sustaining.

Well, right now, the projection is for the Fed to increase rates two times this calendar year.

We are hoping that the Fed remains, what I'll call, data dependent, and not just stick to their guns and increase rates two times regardless of the signals that they are seeing out there in the U.S. economy. That's a huge risk in our opinion. You know, if the Fed continues to raise rates even though the economy is softening here in our backyard, that could lead, potentially, to a recession.

MR. GOLDSMITH: Didn't the Fed make a statement within the last week or so about rates? And maybe they were not going to increase rates at the same level that folks had

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anticipated. And as a consequence, the market went up.

MR. AMMATURO: They, at one point -- at least over a month ago -- they said the Fed's fund rate is nowhere near the neutral rate. They implied that there's still some increases to be had.

More recently, they have softened that language. But still, their guidance is to rate increases for calendar year 2019.

Again, that's, in their words, data dependent. We just are hoping that they continue to be data dependent in their increasing of the short-term writing. If they continue and plow ahead with two rates -- and again, the economy is softening -- that's a big risk for the U.S. economy. Does that kind of make sense?

MR. GOLDSMITH: Mm-hmm.

MR. DiFUSCO: Did you find it unusual, particularly in October, that both stocks and bonds were getting hit harder at the same time? That's not a normal over -- I mean, over the longer term. You were talking earlier about

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nowhere to hide. But in October particularly, I mean, it didn't matter if you moved all your money into bonds, you were still getting hit. That's not how we think about defensiveness or asset allocation.

What were your analysts or your internal folks kind of saying about that behavior in the market?

MR. GOLDSMITH: Would that have been prior to when Chairman Powell made his comments about looking to the markets for future guidance? I seem to recall that, I think, prior to that, stocks could have been hit. And at the same time, there was still a projection or expectation for rising rates.

MR. DiFUSCO: That sounds right.

MR. GOLDSMITH: I can't remember what that date -- when that date was when we stepped in. There was a sharp market recovery in stocks, but also an expectation of potentially lower rates going on.

And from that point, the fixed income, if I'm correct, the fixed income market recovered following that.

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MR. DiFUSCO: Absolutely.

MR. GOLDSMITH: Stocks remain volatile. At that point, it could have gone either way with equities.

But if my timing is correct, I think that was a component of that.

MR. DiFUSCO: Okay.

MR. AMMATURO: The other thing that's going on, obviously, is all the trade tensions. That's obviously an impact on Germany. Germany is a big exporter.

Emerging markets, especially China, are big exporters. So all this trade attention slash trade war is undoubtedly adding to the uncertainty. And now it's impacting GEB business in some of these countries overseas.

The U.S. is less reliant on exports. So the U.S. is not hit as hard from a trade tension standpoint. We're not as reliant on exports as some of these emerging countries are, especially in Germany.

So that's -- when you digest all of that and you look at the U.S. economy, we're still believers that the U.S. economy is on solid

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footing. If you look at leading economic indicators, if you look at corporate profitability, it's still relatively solid.

So that's why when we look at your portfolio, we're not going to be here recommending trading. Your portfolio, as Chris alluded to, it's actually slightly overweight. It's domestic equity relative to your target. That did not help you, obviously, in 2018. But it has helped you in years past. And it is helping you in 2019. So we remain committed to that slight overweight in domestic equity.

International equity, you're flat, which again, is a position we're comfortable with at PFM. Again, we see more risk overseas than in our backyard. So being neutral to that asset class makes a lot of sense.

And then conversely, your portfolio is underweight, fixed income. And again, that's a position that PFM today is comfortable with.

We just came out with our new capital market assumptions. They haven't been released to the clients yet, but our projection for bonds at this point last year was a hair under

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2 percent for the next five years, because rates were so, so low, especially 12 months ago.

Now our projection for bonds for the next five years has moved from 2 percent to 3 percent. So again, over the next five years, we're expecting bonds to generate a positive turn of about 3 percent, because of the higher yield with the rising rates. That really hasn't impacted over positioning in your portfolio yet, but over time it may, because you're going to garner the higher yield from a fixed income and to Chris's point about damping volatility. So we're not there yet. We still remain committed to an underweight in fixed income and bonds.

But our capital market assumption for asset class has gone up over the next five years, again, 2 percent to 3 percent. We still believe equity is our place to be. Our projection for equity remains 6, 6 and a half in that ballpark.

But as soon as we finalize that projection for all those individual asset classes, we'll

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get that in front of you on a more formal basis.

Another thing, before I hand it over to Alex, when you look at your report, which Alex will run through, you'll see, unfortunately, your return last year was negative 5 percent.

Again, your return last year, 2018, was at negative 5 percent. That comes on the heels of a 17 percent return, I believe, the year prior. And roughly an 8 percent return in '16.

So you had an 8 percent return in '16, roughly a 17 percent return in '17. And now you face a negative 5.

So when you look at your three year number, I'm looking at the December 31st handout, your three year number is still a positive 6 percent, 6.1 to be exact. Not exactly where you want to be from an actuarial perspective of 7.3, but with the huge sell off, you're still a positive 6 percent on a three year basis if you annualize the past three calendar years.

CHAIRMAN SCOTT: Got it.

MR. AMMATURO: So unless there's a high

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level of questions I can entertain, I was going to hand it over to Alex to walk through the portfolio and answer additional questions that you have.

CHAIRMAN SCOTT: What about Brexit? And how might that impact us short and long term?

MR. AMMATURO: That's a good -- thanks for bringing that up. So at the end of March, the UK is expected to be removed from EU at the end of March. There was an agreement proposed that got vehemently rejected, nowhere near were the amount of votes needed to get the agreement accepted. So that's a huge uncertainty.

How it's going to play out, I don't want to predict how it's going to play out. But the fact that they can't get their act together and get this Brexit agreement ratified is concerning to say the least. So it just adds to the overall uncertainty in the political environment in the EU.

But again, I don't want to sit here and predict what's going to happen by the end of March, but that's the deadline. The end of March, they are supposed to be out of the EU.

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MR. GOLDSMITH: It's literally day-to-day at this point. Today there's a no confidence vote of the prime minister. And they are considering potentially taking it back to the citizens to revote on the Brexit decision, itself. So I agree with Marc. You can't really handicap this.

In terms of the fallout, I think there's been time to prep in the face of what's been going on so far this year. Developed international markets are up about 4.3 percent. So it hasn't spooked the market here to date, but I think the fundamental outcome has to be seen.

CHAIRMAN SCOTT: For some reason, the UK market responded positive.

MR. DiFUSCO: I think that's because the market was -- two things. One, I think the market was baking in the likelihood that there's just going to be a delay. And that's been discussed. They're going to kick it down the road six months.

And then two, if you go back and look from when they actually took the actual Brexit vote

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two years ago, or whenever it was, there was all this doom and gloom if you remember, we we're probably talking about it here. That if they voted to exit, things were going to go crazy.

And if you remember, European stocks, UK stocks, did terribly for about a week. And then a week later, if you had stayed in, you actually -- literally within two weeks or three weeks if you had stayed in, you would have been better off than you would.

So I don't know if some of that memory is coming back, like well, people told us if we voted to leave it was going to be terrible and nothing really happened.

So the market may be baking a little bit of that into -- but I agree with you. It's day-to-day. She's expected, the Prime Minister, to survive tonight. That's what everyone's saying. But where it goes from there, I agree. It's anybody's guess.

MR. GOLDSMITH: So if there's no other high level market questions, we can focus our attention on the monthly performance as of

December 31st, the stapled document.

You know, we can focus on the month -- the one month column, the one quarter column, and then also the 2018 column that's in the full calendar year 2018.

But really across all three of those time periods, the total funds, you know, the story was the overweight to equity being a detractor. And given the market index performance that Marc just went over, you can see how being in equities, you know, and out of cash or fixed income would have been a detractor to the portfolio for the month and the quarter and even for the full year 2018, despite the fact that equities are fairly significantly out performed in the second and third quarters of this year.

Really through September, if you recall, the strategy being overweight equities, overweight credit had contributed a lot to relative out performance up until the fourth quarter of this year. But again, those were the themes that detracted during the market crashing.

So again, for the month the plan was down 5.25 percent relative to the benchmark, which was down 4.45 percent.

Full year 2018, the plan was down to 5.4 percent with a benchmark down to 5 percent. So again, Marc mentioned the plan was down 5 percent for the full calendar year. He did leave out, again, the market, itself, in your asset allocation, your strategic asset allocation, was down 5 percent. So it's not a lot -- as he mentioned, not a lot of asset classes that were even in positive territory.

Again, I mentioned the large theme being the overweight to equities, but also there would be under performance within fixed income. Again, particularly attributable to this last quarter of the year owing to the managers overweights to high yield, overweights to corporate credit, and the plans own overweight to corporates in high yield -- very, very slight.

But you might recall that those high yield and dedicated investment grade corporate bonds were added to the portfolio over the past --

the high yields we had this year and corporates were at last year.

Otherwise, within active management for the quarter, with few exceptions for the full year, active managers were remarkably close to their benchmarks. I'll go through the section now briefly.

You can see in large cap, the combined large cap blue line, for the month down 9.04 right on top of the benchmark to Russell 1000. For 2018, down 4.5 percent, slightly you have the benchmark, which was down 4.7 percent. It's largely passive with the exception of PineBridge, which is 10 percent of the total plan. PineBridge was slightly ahead of its benchmarks over its period. That's kind of what we would expect from this style of manager. If you recall, they were at a larger number of holdings, not quite an enhanced index, but a programmatic trading platform that's designed to overweight higher quality stocks, maybe have a little bit less volatility in the overall market. And that's downside protection. It did that on the margin in this

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market environment.
Small cap managers down below, you can see they got the blue line if you compare it down 11.8 for the month, right overtop of its benchmark. For the full year 2018, down 7.6 percent, ahead of the Russell 2000, which was down 11 percent.
There's a small cap, which really had led the way last year in 2017 and also for the first part of the 2018. They suffered a greater deal in the downturn we saw in the fourth quarter.
With that being said, I think active management, particularly, from Eagle -- if you look at their number over the full 2018 period, Eagle was down 1.5 percent for the full year, whereas their benchmark was down 9.3 percent.
You know, a lot of that came from their out performance in the first half or first three quarters of the year. During that period, Eagle is a growth manager. They invest in growth stock and sectors and IT healthcare, et cetera. Those were really the hot sectors of the market for the first three quarter,

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pretty significantly outpacing value markets.
But even in pace of that, in the midst of that, a strong market, Eagle, itself, demonstrated stronger stock selection, managing to keep ahead of that pace in the strong market.
If you look for the month and the quarter, they're about a percent ahead during the quarter -- right on top of their benchmark for the month. So they were susceptible to the downturn, along with the rest of the growth universe. Being ahead in the earlier quarters of the year gave them that margin that's led to their one quarter of their full year 2018 out performance.
MR. AMMATURO: That's a significant out performance. Again, just to highlight -- that's what you want active managers to do.
Again, if you look at Eagle 2018, negative 1 and a half percent, negative 9. I know Alex mentioned these numbers already, but that's what you're looking for, obviously, in a down market from an active management. You want to see capital preservation, and that's what they

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did last year.
MR. GOLDSMITH: But as you recall, with that being said, small cap managers are in the process of being replaced by Copeland, which was hired at the last meeting. And there's an RFP out for passive management.
So fees will be lowered there. You'll match the S&P 2000 or the S&P 600, excuse me. And with any core active component with Copeland.
On the international equity side, again, looking at that blue line, for the month right on top of its benchmark down 4.49 verses 4.53, a slight lag for the quarter. But for full year 2018 coming out about a half percent ahead or so, down 13.7 percent versus the benchmark, which was down 14.2.
I would say one of the -- again, for the full year, most of these managers out performed. Again, their benchmarks were down fairly sharply down 12, 13, 14 percent. The managers were ahead by -- from anywhere from 1 to 1 and a half percent or so.
The lone exception being DFA, down at the

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bottom. DFA outperformed during this negative -- sharp negative fourth quarter. But for the earlier quarters of the year, lags somewhat.
There has been underweight energy, emerging market economies do have a higher component of their economy focus on the sourcing and sometimes export of energy.
Being underweight energy hurt in the first three quarters as energy crisis recovered, but that was a benefit to them in the fourth quarter as -- during the brief downturn energy crisis sold off somewhat.
Additionally, they've been overweight. Alibaba, you might have heard that name, the Chinese, sort of, Amazon company, which has struggled this year as China has slowed. They have a drag in their portfolio, as well.
These managers were also -- they're in the process. And I think, pretty soon, will be replaced with Acadian and EARNEST Partners, the two active managers you may recall, as well as a, I think, total international index.
Moving on to fixed income, this is one

where active management, I think, for the quarter, for the year, did detract most of their yearly under performance is owing to this fourth quarter. So again, the blue line you can see fixed income of 1.0 percent versus 1.8 for the Barclay's aggregate. For the full year 2018 fixed income is a group down .3 percent. We're getting -- the benchmark was essentially flat.

The themes owing to the manager under performance in the fourth quarter are pretty consistent across most of the managers. A lot of these managers, whether they are core managers or intermediate managers or more investment grade corporate managers, they do include allocations to high yield -- very, very small very, very slight. But those allocations have largely driven their out performance in prior quarters in a normalize or sort of an easier to predict fixed income market.

In the fourth quarter, when there's volatility in the equity markets, those fixed income sectors, they're more closely correlated with equities -- will exhibit stress. So

that's the investment grade corporate market, corporate bonds, and then high yield bonds, which, you know, high yield bonds are, actually -- they exhibit about 50 percent or so correlation to equities, which is among the higher correlations with equities in the fixed income sector.

So you do have very, very small allocations to dedicated corporates. That's the Logan Circle investment grade credit at just 2.67 percent of the plan. SKY Harbor high yield is 2.62 percent of the plan.

But again, those are non-benchmark positions. And those were -- again, some segments of the bond market that are closely related to equities and thus under performed during the quarter.

Corporate bond spreads did widen in the quarter. And I think it's our view that as the U.S. economy remains healthy, there's room for those spreads to contract overtime. So I think the long term our views of high yields and corporate bonds have changed. It's an opportunity to -- capturing that yield would be

important. Those are two sectors where you can achieve higher yields.

MR. AMMATURO: Our capital market assumption for high yields remains right around 4 percent for the next five years.

And again, I mentioned this earlier, our overall return for the bond market is 3 percent for the next five years, but the high yield is 4 percent, to just kind of put some numbers behind Alex's comments.

We still think high yield is big on a relative basis, although it really got hit hard, obviously, in the fourth quarter.

MR. GOLDSMITH: So those are my comments on the performance, the plans performances, broad asset allocation. I don't know if there are any questions -- clarification.

CHAIRMAN SCOTT: Go over SKY Harbor for me one more time, please.

MR. GOLDSMITH: Sure. So SKY Harbor, they were added -- you can see they were added in March of 2018. I think they were approved late last year. And that was a decision going back to some broad themes that PFM brought to the

table about three weeks ago or so.

And one of those was overweighting high yield bonds. We were in a low rate environment at the time. We still relatively are compared to history in a low rate environment. And with the stronger economy, strong corporate sector, it's been our view to be viewed as -- overweighting high yields is a good way to capture income in that sort of low rate environment. Defaults are down at low levels.

And so you're being compensated pretty nicely for that extra risk that you're taking from dipping into the low investment grade space.

So that was the decision -- the theme to add high yield, you know, SKY Harbor was chosen.

You can see, here, one of the reasons SKY Harbor was chosen was their views on building the riskier end of the portfolio, the triple C rated bonds and below. And I think their views on quality -- so you can see for the month and for the quarter, they actually outperformed their high yield benchmark. They were down for

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the quarter -- down 4.13 versus their benchmark, which was down 4.5. They are both negative territory, but SKY Harbor was slightly less negative. I think that's owing to their slight quality bias. But also they had superior selection within the short duration. So as some yields spiked, their short selection was a little better. That's just speaking to SKY Harbor versus their style benchmark.

If you compare the high yield universe as a whole versus the Barclay's aggregate, just for the quarter alone, the quarter high yield was down 4.5 percent. Barclay's aggregate was up 1.6 percent. That's really where the high yield is the allocation -- was a detractor.

If you go out over, for further illustration, the three year column, you can look at the benchmark for high yields, SKY Harbor was in the portfolio, but the benchmark for high yield was at 7.23 percent on an annualized basis. That's every year for the last three years. Whereas the Barclay's aggregate returned 2 percent for the last three years.

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So again, it's like the overweight to equity has really contributed to the last three years. It did detract fairly meaningfully this quarter. The overweight to high yield contributed fairly meaningfully if it had been in place, obviously, for three years. But for this quarter, it was a detractor. We don't view that as being a long-term trend.

Again, we look -- is there a recession coming? Are the sectors the economy that rely on high yield bonds exhibiting weakness, utilities, energy -- nothing indicating faults to meaningfully increase.

So we're maintaining the high yield allocation. I think we're fine with it being slightly below target. The target is 3 percent. It's again at 2.6 percent. But it's not something we'd like to remove from the portfolio.

CHAIRMAN SCOTT: Thank you.

MR. GOLDSMITH: If there are no other questions, there is a rebalancing work sheet that was sent around as of two days ago, the end of the day on the 14th.

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Equity as a whole 2.16 percent overweight. And the bulk of that is in domestic large cap, slightly under weight to small cap. Flat to international equity. And then a slight 1.33 percent underweight to fixed income, with a little more than half of that, .88 percent, being an underweight to credit. You can see at the bottom there, Logan Circle investment grade and SKY Harbor, both of the credit sectors are underweight.

MR. AMMATURO: So your target allocation is if you add up the target allocation percentage column. Target allocation 65 equity, you see that there?

CHAIRMAN SCOTT: Mm-hmm.

MR. AMMATURO: So your targets are roughly 65 equity, 35 fixed income. If you look at current allocation, let's call it 68 equity, 32 fixed income -- so just to put numbers behind the overweight. It's about 3 percent overweight if you look at the equity markets. And it was probably at 5 percent three months ago when the market moved you to a what's called a three percent of equity.

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MR. GOLDSMITH: Marc mentioned we're not proposing any trade today. The liquidity of the plan is adequate. We have been sourcing benefit payments from cash throughout volatility. So we don't need to sell equities to raise benefit payments.

And if you recall, I think throughout the year, we have been settling equities as equities continue to climb. So we maintain a -- sort of that modest rebalancing strategy around the cash draws and monitoring the liquidity.

So really, that's the end of my comments. I don't know if there's any additional questions you might have or new business.

MR. DiFUSCO: I have a couple new business things, but I don't know if there's questions.

CHAIRMAN SCOTT: I have a strange question. How do we perform relative to Philadelphia?

MR. DiFUSCO: So we haven't released the numbers for the month. For the month, we performed slightly worse. Longer term, the numbers that Marc went over earlier, we have

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performed a little bit better.

The quarter, because of the overweight to equities and because of some of the alternatives that we don't have in this plan that are more defensive, that would be why we didn't do quite as well this quarter.

Once of the things I was going to mention after new business is we're going to have a discussion on broader asset allocation of this plan in March.

You may remember that we had discussed, going back a couple years -- there was obviously a lot of steps to take in this plan to clear out some of the managers, to add in some things.

We do need to have a discussion about whether there are other asset classes, be it a real estate, be it a couple other possibilities that belong in this plan. It's a little more challenging to do alternative in this place, just given the size. There's also certain alternatives that we don't have any interest in introducing, hedge funds, things of that nature. But there are a couple possibilities

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that we do need to discuss.

But long winded in the longer term, we've done a little bit better in the shorter term. The quarter and the month we did a little bit worse.

CHAIRMAN SCOTT: Thank you.

MR. DiFUSCO: Just under the new business, briefly, I started the fourth quarter diversity female veteran local brokerage numbers have started to roll in. They are not due until the 31st.

Remember, this will be the last quarter that we measure at the 30 percent, the old target. Starting January 1st of next year, or this year rather, we'll be measuring against 35 percent target. The two or three managers that have reported so far have been near or a couple occasions exceeded both the old and the new target. So I will get those out probably in early February.

I talked about the asset allocation, the small cap index RFP is up. That will be closing at the end of this month. And we'll get the results of that to you either in March

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or May.

And then EARNEST and Acadia for the international managers, Donn and I will be sticking around for a few minutes after the meeting. We have a bunch of paperwork to sign for Wells.

Once we get that in place, Wells has everything set up with the bank. We should be able to reasonably and quickly make the transition to those new managers.

And that was all I had under new business.

MR. GOLDSMITH: Anything else? Any new business?

(No response.)

Is there a motion to adjourn?

MR. WHITE: Motion.

CHAIRMAN SCOTT: So moved. Thank you all for participating.

MS. JOHNSON: Thank you.

MR. AMMATURO: Thank you. We'll get you that other stuff in a little while.

MS. JOHNSON: Okay. Perfect. Thank you.

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(Whereupon the meeting concluded at 10:48 a.m.)

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C E R T I F I C A T I O N

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and that this is a correct transcript of the same.

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Kathryn Doyle
Court Reporter - Notary Public

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