

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
MARCH 26, 2015**

**MEETING MINUTES**

There being a quorum, Paula Weiss, Alternate Board Chair, called the Investment Committee Meeting to order at 9:45 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16<sup>th</sup> Floor.

Present:

Rob Dubow, Finance Director  
Paula Weiss, Esquire, Alternate, Deputy Director of Finance  
William Rubin, Alternate, First Deputy City Controller  
James Leonard, Esquire, Alternate, Chief Deputy City Solicitor  
Brian Albert, Alternate, Deputy Human Resources Director , Managing Director designee  
Patricia Fitzgerald, Alternate, Hiring Service Manager  
Carol G. Stukes-Baylor, Trustee  
Ronald Stagliano, Vice Chair, Trustee  
Andrew P. Thomas, Trustee  
Veronica M. Pankey, Trustee  
Folasade A. Olanipekun-Lewis, City Council Designee

Francis X. Bielli, Esquire, Executive Director, Acting CIO  
Shamika Taliaferro, Deputy Pension Director  
Brad Woolworth, Deputy Chief Investment Officer  
Christopher DiFusco, Esquire, Director of Investments  
Dominique A. Cherry, Senior Investment Officer  
Daniel Falkowski, Senior Investment Officer  
Aubrey Hassan, Investment Analyst  
Kristyn Bair, Investment Analyst

Also Attending:

Ellen Berkowitz, Esquire, Deputy City Solicitor  
Katherine Janoski, Esquire, Assistant City Solicitor  
Jo Rosenberger-Altman, Esquire, Divisional Deputy City Solicitor  
Mark J. Murphy, Board of Pensions  
Jackie Dunn, Finance  
Diana Stanford, Administrative Assistant  
Carmen Heyward, Clerk Stenographer II  
Donna Darby, Clerk Stenographer II  
Robert O'Donnell, O'Donnell Associates  
Mark Johnson, Cliffwater  
Stephen Nesbitt, Cliffwater  
Will Greene, Loop Capital

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
MARCH 26, 2015**

**Agenda Item #1 – Approval of Minutes for February 26, 2015**

Ms. Weiss opened the meeting and requested a motion to approve the February 26, 2015 Minutes. Mr. Albert made the motion to approve. Mr. Stagliano seconded. The motion passed.

**Agenda Item #2 – Transition Manager and TCA Provider Search Recommendation**

Mr. Falkowski informed the Trustees about the results of Staff's search for a transition manager and TCA provider due to the expiration of the current manager's contract, as well as the results of the March 16, 2015 meeting with the TCA Subcommittee. The Subcommittee considered Vertas Brokerage Consulting, Abel Nozer and Loop Capital, the decision was made to recommend the incumbent, Vertas Brokerage Consulting.

Ms. Weiss asked Mr. Stagliano for comments about the Subcommittee. He responded that after talking with Staff, they were satisfied with the service from Vertas. They had been using them for 18 months since the contract expired on a month to month basis. The pricing was good, and there was no need to change.

**Mr. Stagliano made the motion to hire Vertas Brokerage Consulting as the transition manager. Mrs. Stukes-Baylor seconded. The motion passed.**

**Agenda Item #3A –3E- Manager Reviews**

Mr. Woolworth reported that there was a recommendation to reduce the Fund's position in Emerging Sovereign Group ("ESG"), an emerging market hedge fund manager, due to underperformance. He noted that the performance improved coming into the 1<sup>st</sup> Quarter of the year. Staff's recommendation was that it was prudent to reduce the position.

Mr. Dubow asked Mr. Johnson to talk from Cliffwater's report about anticipated improvement, in terms of their recommendation. Mr. Johnson reported that they continued to recommend the manager to their (other) clients, noting the periodic directional exposure in their portfolio. He noted the manager's recent performance, that they were up nicely this month, as opposed to the markets being down a couple of percent. Historically, the manager generated very strong, absolute return as well as alpha. Over the last couple of years, they underperformed, and Cliffwater expected that they would return to form.

**Mrs. Stukes-Baylor said that her recommendation was to put in the redemption for \$25 million, with the option to pull it, and see if the manager can improve performance. If they do well, then they have the option to keep the full position. Mr. Stagliano seconded. Mr. Dubow requested a Board vote. Ms. Pankey abstained. The motion passed.**

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
MARCH 26, 2015**

Mr. Woolworth provided Staff's updates on Apollo Franklin Partnership & Kynikos Opportunity Fund International Limited. After Board discussion, he provided Staff's recommendation to hold the position for both managers.

Mr. Falkowski updated about Staff's search process in the Small Cap Value space. He also reported on Snyder's recent performance.

Mr. Bielli added like with the high yield RFP, the small cap value (domestic equity) RFP might result in finding a diversity manager.

Mr. Falkowski updated on Staff's search process in the high yield space, as it related to McKay Shields. He informed that Staff was doing phone calls and (later) on-site visits with various managers in the space and would present their findings to the Board at the conclusion of that process.

Mr. Bielli added that since the issuance of the RFP, they negotiated lower fees with McKay Shields. He noted that their performance had not been bad, but that there was traditionally more than one manager in the space. The search process would benefit the Fund regardless of the outcome.

**Agenda Item #4 – Flash Report for Period ended February 2015**

Mr. Johnson provided a brief market overview that detailed better performance from January's report. He reported Fund total performance for February up 2.30% in absolute performance and slightly lagging the portfolio policy benchmark.

Mr. Bielli confirmed with Mr. DiFusco from Cliffwater's report (page 7) that a few of the top performers were from last year's Opportunity Fund search. Mr. DiFusco named Lyrical, Lombardia and Hahn Capital as part of the diversity/local/emerging manager search in 2014.

Mr. Johnson provided J.P. Morgan's one-month lag in absolute return difference, as compared to the data in the report. He reported the accurate numbers for February that Apollo was up 60 basis points, and KKR was up 35 basis points.

Mr. Bielli asked Cliffwater to comment about an article in the Wall Street Journal that was published on Thursday morning, March 26, 2015, about the regulatory atmosphere and private equity, affecting their ability to get funding from banks. The article quoted Apollo, KKR and Carlyle indicating in their filings that the regulatory scheme might affect their effort towards specific percentage gains. Mr. Johnson talked about the recent SEC requirement as it related to managers securing loans. Mr. Nesbitt responded in saying that Cliffwater did not see an impairment in their medium and long-term outlook for the Private Equity portion of the Fund's portfolio.

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
MARCH 26, 2015**

**Agenda Item #5 – Investment Staff Report**

Mr. Woolworth reported that Securities Lending was showing positive performance.

He reported that the Legacy Portfolio (Quality “D”) was showing improvement and down to approximately \$325,000.

Mr. Woolworth reviewed the diversity and local manager numbers.

He highlighted the Board calendars for March, April and May.

Mr. Bielli reminded the Board that the Thirty Percent Coalition, a non-profit organization, approached Staff, and asked that they consider joining. The group advocated for increased female participation on corporate and executive Boards. There would be minimal staff time needed.

**He suggested that Mrs. Stukes-Baylor should be the liaison between the Board and the Thirty Percent Coalition. Mr. Rubin made the motion to approve. Mr. Stagliano seconded. There was one abstention. The motion passed.**

Mr. Woolworth informed the Trustees that the Board received \$448.9 million from the City of Philadelphia and that Staff was targeting very liquid indices within the portfolio. As Investment Staff finished searches, they could move money.

Mr. Bielli recalled that Mr. Stagliano asked the Board to review the MMO for City payments for the fiscal year. Mr. Woolworth confirmed that this payment brought the City in line with their required payments for the fiscal year.

Mr. Stagliano confirmed with Mr. Woolworth that the remaining balance was previously received. His response was correct, approximately, \$107.0 million.

**Mr. Dubow requested a motion. Mr. Stagliano made the motion to approve Staff’s recommendation. Mr. Albert Seconded. The motion passed.**

At 10:30 a.m., Mr. Dubow announced Executive Session to discuss personnel matters. Executive Session concluded at 11:30 a.m. Mr. Dubow advised that they talked about the Subcommittee’s CIO search process and invited Ms. Weiss to talk more about it.

Ms. Weiss talked about the process and the recommendation of the CIO Search Subcommittee that resulted in selecting the Deputy CIO, Brad Woolworth, who both competed for the opening and accepted the offer to assume the responsibility as the Chief Investment Officer.

**Mr. Stagliano made the motion to hire Mr. Woolworth as the CIO with the salary of \$175,000.00 per year. Mrs. Stukes-Baylor seconded. The motion passed unanimously.**

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
MARCH 26, 2015**

Mr. Dubow took the time to thank Mr. Bielli for his work during the interim period. It was fantastic work, as usual, and it was always appreciated by the Board. The Board members took time to thank Mr. Bielli.

**Mr. Stagliano made a second motion to keep all other salaries in place at the Board at this time. Mr. Albert seconded. The motion passed.**

**At 11:32 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. Mrs. Stukes-Baylor made the motion. Mr. Stagliano Seconded, The motion passed.**

**At 11:32 a.m., Mr. Dubow convened the Board of Pensions and Retirement Meeting to affirm the actions taken at the Deferred Compensation Plan Committee Meeting and the Investment Committee Meeting. Mr. Albert made the motion to approve. Mr. Stagliano seconded. The motion seconded.**

**At, 11:32 a.m., Mr. Dubow requested a motion to adjourn the Board of Pensions and Retirement Meeting. Mr. Albert made the motion to approve. Mr. Stagliano seconded. The motion passed.**

The Investment Committee of the Board of Pensions and Retirement approved the Minutes on

\_\_\_\_\_ .

\_\_\_\_\_  
Rob Dubow, Finance Director  
Board Chair