

**THE BOARD OF PENSIONS AND RETIREMENT
INVESTMENT COMMITTEE MEETING
DECEMBER 4, 2014**

MEETING MINUTES

There being a quorum, Paula Weiss, Alternate Board Chair, called the Investment Committee Meeting to order at 9:31 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16th Floor.

Present:

Rob Dubow, Finance Director
Paula Weiss, Esquire, Alternate, Deputy Director of Finance
Alan Butkovitz, Esquire, City Controller
William Rubin, Alternate, First Deputy City Controller
James Leonard, Esquire, Alternate, Chief Deputy City Solicitor
Brian Albert, Alternate, Deputy Human Resources Director
Patricia Fitzgerald, Alternate, Human Resources Program Specialist
Ronald Stagliano, Vice Chair, Trustee
Andrew P. Thomas, Trustee
Veronica M. Pankey, Trustee

Francis X. Bielli, Esquire, Executive Director
Shamika Taliaferro, Deputy Pension Director
Sumit Handa, Esquire, Chief Investment Officer
Brad Woolworth, Deputy Chief Investment Officer
Christopher DiFusco, Esquire, Director of Investments
Dominique A. Cherry, Investment Officer
Daniel Falkowski, 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 Murphy, Board of Pensions
Judi Cassel, One Philly Project
Daina Stanford, Administrative Assistant
Carmen Heyward, Clerk Stenographer II
Donna Darby, Clerk Stenographer II
Mark Johnson, Cliffwater
Chris Rice-Shepherd, Cliffwater

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Robert O'Donnell, Esquire, O'Donnell Associates
Matt Whitehorn, Esquire, Dilworth Paxon
Brad Atkins, Franklin Park
Raymond Jackson, Franklin Park
Kristine O'Connor, Franklin Park
Karl Hartman, Franklin Park
Goodwin Gaw, Gaw Capital Partners
Tim Walsh, Gaw Capital Partners
Patricia Bryant Melcher, EIV Capital
David Finan, EIV Capital
Will Greene, Loop Capital
Stephen Mullin, Econsult Solutions
Jerome Clark, Arden Group
Pam McCue, Finance Investment News

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Agenda Item #1 – Approval of Minutes for September 30, 2014 and October 22, 2014

Ms. Weiss opened the meeting and requested approval of the Minutes for September 30, 2014 and October 22, 2014. Mr. Stagliano made the motion. Mr. Thomas seconded. The motion passed.

Agenda Item #2 – Proposed Ordinance Change – Fairmount Trust Employees and Other Matters

Trustee Leonard spoke about the Pension Plan's tax determination letter and noted that the IRS agent in charge of review has asked for changes to the Pension Code. These changes would include certain amendments and other matters.

As it pertained specifically to the Fairmount Park Trust employees, Trustee Pankey inquired as to whether the appropriate settlement agreement had been entered into by the City and District Council 47. It was her understanding that DC 47 had not signed.

Vice-chair Stagliano stated he was told that DC 47 would be signing.

Mr. Leonard introduced Matt Whitehorn of Dilworth Paxon; Mr. Whitehorn is outside counsel and had worked on the proposed Code changes. Mr. Whitehorn covered several areas in the Code that needed to be updated, including matters around military service, disabled employees, minimum required distributions, and non-spousal rollovers.

Agenda Item #3 – One Philly Project Update

Judi Cassel of the City's One Philly project provided an update to the Board.

Mr. Thomas asked about increased security and costs as it pertained to protected health (HIPPA) data.

Ms. Cassel informed the Board that there would be heightened security and increased costs due to the sensitive nature of the information.

Agenda Item #4A – Real Assets – GAW Capital U.S. Value and Fund

Staff introduced Goodwin Gaw.

Goodwin Gaw started his career with the real estate firm Kennedy Wilson in the early 1990s. Mr. Gaw's first investment was the Roosevelt Hotel based in Los Angeles, California. In 2005, Mr. Gaw formed Gaw Capital Partners.

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Since 2005, Mr. Gaw has raised \$2.6 billion in equity for Asian real estate assets, and his Gateway Funds have produced a very strong real estate investment track record in the China and Asia Pacific regions.

Mr. Gaw reviewed examples of U.S. based investments, including a hotel in California and the Soho House Chicago which are part of the 25 projects he has invested in since 1995. Mr. Gaw also reviewed projects in the pipeline, including hotels in North Carolina, Nebraska, and Missouri.

Mr. Butkovitz raised concerns about compliance items listed in the Cliffwater operational report, namely matters surrounding safeguards against money laundering.

Mr. Handa stated that because the assets are real estate and not securities, the risk is reduced.

Chris Rice-Shepherd indicated that Cliffwater was comfortable with the processes in place.

Mr. Dubow, Butkovitz and Leonard, along with Executive Director Bielli, all requested a revised report(s) from Cliffwater with respect to the compliance concerns raised by Mr. Butkovitz and asked that Cliffwater address whether they recommended the investment if there is elevated risk.

Mr. Butkovitz specifically asked that the mitigating factors described by Cliffwater during the meeting be included in their revised report.

Mr. Butkovitz made a motion to table agenda #4A. Ms. Pankey seconded. All were in favor with the exception of one opposition by Mr. Stagliano. The motion passed.

Agenda Item #4B – Real Assets – EIV Capital Fund II, L.P.

Staff introduced Ms. Melcher and Mr. Finan from EIV Capital. Ms. Melcher referenced the founding of the firm in 2009 and reviewed first fund performance (net 63.6%, 3.3 times return on investment).

Ms. Melcher and Mr. Finan reviewed their backgrounds. They reviewed the proposed investment, focusing on oilfield services, midstream, and power/downstream/renewables.

Mr. Butkovitz made a motion for a \$20 million investment in EIV Capital. Mr. Albert seconded. The motion passed.

Agenda Item #5 - Private Markets – Raspberry Street Fund I, L.P.

Mr. Handa spoke briefly about the Raspberry Street Fund before members of the Franklin Park team entered the room.

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Mr. Handa indicated that in the event the Board was to approve the investment, a RFP would need to be posted for a new private equity consultant.

Mr. Butkovitz raised concerns as it pertained to the Board's existing relationship with Franklin Park and made reference to existing ethics rules about employees leaving City employment being barred from working on certain City matters for 12 months. He was concerned about appearance issues in this matter. He requested an opinion from the Law Department about the acceptability of this proposed arrangement.

Brad Atkins of Franklin Park reviewed the firm's history and noted that starting with one client and six team members in 2003 the firm had grown to 17 clients and a team of 24 in 2014.

Mr. Atkins reviewed the firm's investment philosophy and process.

Ms. Weiss asked staff about whether the number of investments being proposed with the fund was in alignment with the Board's overall goals of reducing the number of managers.

Mr. Handa indicated that co-investing was a unique strategy and that he was comfortable with it.

Mr. Stagliano made a motion to table agenda item #5 and Mr. Thomas seconded. The motion passed.

Agenda Item #6 – Flash Report for the Period Ended October

Mark Johnson of Cliffwater reviewed the flash reports. The total fund performance was a positive 23 basis points for the month with U.S. equities driving the majority of that positive performance.

Agenda Item #7 – Shareholders Proxy Update

Mr. Falkowski reviewed the proposed list of shareholder proposals with the Board.

The Trustees expressed interest in narrowing down the list, and Mr. Handa indicated that amount of time being spent on proxies was becoming concerning.

Executive Director Bielli reminded the Board that they get a lot of information from Marco Consulting.

Agenda Item #8 – Third Quarter 2014 Directed Commissions Report

The third quarter directed commissions report was provided to the Trustees.

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Agenda Item #9 – Chief Investment Officer’s Report

Mr. Handa briefly reviewed the diversity numbers and noted that the woman owned fund (EIV) approved today would be reflected in January’s report.

The Independence Fund declined 1.85% for the month.

At 12:47 p.m., Ms. Weiss requested a motion to adjourn the Investment Committee Meeting. Mr. Albert made the motion. Mr. Stagliano seconded. The motion passed.

At 12:48 p.m., Ms. Weiss 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. Mr. Stagliano seconded. The motion passed.

At 12:49 p.m., Ms. Weiss requested a motion to adjourn the Board of Pensions and Retirement Meeting. Mr. Stagliano made the motion. Mr. Albert seconded. The motions passed.

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

Paula Weiss, Esquire
Alternate Board Chair

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