

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
SEPTEMBER 17, 2015**

**MEETING MINUTES**

There being a quorum, Paula Weiss, Esquire, Alternate Board Chair, called the Investment Committee Meeting to order at 9:40 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16<sup>th</sup> Floor.

Present:

Paula Weiss, Esquire, Alternate, First Deputy Director of Finance  
Alan Butkovitz, City Controller  
James Leonard, Esquire, Chief Deputy City Solicitor  
Patricia Fitzgerald, Alternate, Hiring Service Manager  
Brian Albert, Alternate, Deputy Human Resources Director & Managing Director Designee  
Ronald Stagliano, Vice Chair, Trustee  
Carol G. Stukes-Baylor, Trustee  
Brian Coughlin, Trustee  
Veronica M. Pankey, Trustee

Francis X. Bielli, Esquire, Executive Director  
Brad Woolworth, Chief Investment Officer  
Christopher DiFusco, Esquire, Director of Investments  
Daniel Falkowski, Senior Investment Officer  
Aubrey Hassan, Investment Analyst  
Kristyn Bair, Investment Analyst

Also Attending:

Ellen Berkowitz, Esquire, Deputy City Solicitor  
Jo Rosenberger-Altman, Esquire, Divisional Deputy City Solicitor  
Mark J. Murphy, Board of Pensions  
Robert O'Donnell, Esq., O'Donnell Associates  
Pete Keliuotis, Cliffwater  
Lavonia Jenkins, Administrative Assistant  
Donna Darby, Clerk-Stenographer II  
John Piper, Nationwide  
Will Greene, Loop Capital

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**Agenda Item #1 – Approval of Minutes August 27, 2015**

Ms. Weiss opened the meeting and requested a motion to approve the Minutes of August 27, 2015. Mr. Stagliano made the motion. Mr. Albert seconded. The motion passed.

**Agenda Item #2 – High-Yield Manager Search and Subcommittee Recommendation**

Mr. Falkowski reported that due to the underperformance of McKay Shields, the Board & Staff decided to issue an RFP. He talked about the RFP process and the meeting with the Subcommittee designated to review the RFP responses. The Subcommittee recommended \$75 million [each] be allocated to Loomis Sayles and Strategic Income Management. The subcommittee further recommended that MacKay Shields be terminated.

Mr. Falkowski also informed the Board that the subcommittee had recommended increasing the Fund's position with existing fixed income investment managers. Staff was in agreement with this recommendation and would present a proposal to the Trustees in October.

**Ms. Weiss requested a motion for Staff's recommendation. Ms. Pankey made the motion to terminate McKay Shields. Mr. Albert seconded. The motion passed.**

**Ms. Weiss requested a motion for Staff's recommendation for the \$75 million to Strategic Income Management and Loomis Sayles. Mr. Albert made the motion to give \$75 million each to Strategic Income Management and Loomis Sayles. Ms. Pankey seconded. The motion passed.**

**Agenda Item #3 – Proxy Consultant Search and Subcommittee Recommendation**

Mr. Falkowski updated the Board about the expiration of the proxy consultant contract, with Staff posting an RFP between April 28, 2015 and May 13, 2015. They received one submission from the incumbent, Marco Consulting. Staff negotiated Marco's original fee proposal down to \$60,000.00. Staff's recommendation was to retain Marco Consulting.

**Ms. Weiss requested a motion to approve Staff's recommendation to continue with Marco Consulting. Ms. Pankey made the motion. Mr. Albert seconded. The motion passed.**

**Agenda Item #4 – Equity and Fixed Income Manager Review**

Mr. Woolworth advised that Mr. Falkowski, as well as all of Staff, spent time in contact with the managers on a regular basis.

He began by updating on the performance of the managers that were of concern to Staff. He reported on the performance of Ceredex, Herndon and Snyder. Staff recommended that Snyder be terminated.

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Mr. Woolworth provided an update with respect to Herndon Capital Management. Staff had been made aware of a significant decline in product AUM at Herndon. Staff had multiple calls with the manager as well as a face-to-face meeting, and the manager was taking action to increase the AUM in the product. Additionally, Herndon agreed to significantly reduce their management fee.

Mr. Woolworth said that Staff would provide a monthly update and progress report with respect to Herndon.

Mr. Falkowski updated on Cheswold Lane's & GW's recent performance, which had been disappointing. Staff was not recommending any action with respect to these two managers and noted an on-site visit with Cheswold Lane had been scheduled for October.

**Ms. Weiss requested a motion as to Staff's recommendation. Mr. Stagliano made the motion to terminate Snyder. Mr. Albert seconded. The motion passed.**

**Agenda Item #5 – Flash Report for Period ended August 2015**

Mr. Keliuotis provided a brief market overview.

He reported total Plan performance of 3.47%, below the policy benchmark by 64 basis points; and the one-year performance, down at 3.54%, trailing the benchmark by 136 basis points. Longer-term performance was stronger on an absolute and relative basis, with the five-year number of 8.15% above the actuarial rate of 7.8%

**Agenda Item #6 – CIO's Report**

Mr. Woolworth reported that there was no Securities Lending report.

He reported that the Diversity managers (AUM) report was tracking well at 28%.

He reminded the Board that the next scheduled meeting was October 22, 2015.

Ms. Weiss said that there would be no meeting in November. December 3, 2015, would be the next meeting after the October meeting.

Mr. Woolworth informed the Trustees that the General Consultant contract was scheduled to expire March 31, 2016. He was requesting Board authorization to issue an RFP. Ms. Pankey asked if the RFP would be consistent with what had been issued for past consultant contracts, and Mr. Woolworth indicated that he believed it would be. He promised to advise the Board of any significant changes.

Mr. Stagliano requested an update on the Vertas [transition manager] contract.

Mr. DiFusco responded that the business terms were ironed out, and it was pending with the Law Department and Risk Management.

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There was Board discussion, and Mr. Leonard talked about the issues and process related to the status of the contract.

Ms. Weiss requested a report for the next meeting, assuming that it would be done by then.

**At 10:35 a.m., Paula Weiss, Esquire, Alternate Board Chair, requested a motion to adjourn the Investment Committee Meeting. Mr. Albert made the motion. Mr. Stagliano seconded. The motion passed.**

**At 10:35 a.m., Paula Weiss, Esquire, Alternate Board Chair, called into session the full Board of Pensions and Retirement and requested a motion to confirm all actions taken at both the Deferred Compensation and the Investment Committee Meetings. Mr. Albert made the motion. Mr. Stagliano seconded. The motion passed.**

**At 10:35 a.m., Paula Weiss, Esquire, Alternate Board Chair, requested a motion to adjourn the Board of Pensions and Retirement. Mr. Albert made the motion. Mr. Stagliano seconded. The motion passed.**

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

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Paula Weiss, Esquire  
Alternate Board Chair