

THE BOARD OF PENSIONS AND RETIREMENT  
DEFERRED COMPENSATION PLAN COMMITTEE MEETING  
APRIL 24, 2014

MEETING MINUTES

There being a quorum, Paula Weiss, Esquire, Alternate, Board Chair, called the Deferred Compensation Plan Committee Meeting to order at 9:15 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16<sup>th</sup> Floor.

Present:

Paula Weiss, Esquire, Alternate, Deputy Director of Finance  
James Leonard, Esquire, Alternate, Chief Deputy City Solicitor  
Brian Albert, Alternate, Deputy Human Resources Director  
Patricia Fitzgerald, Alternate, Human Resources Program Specialist  
Carol G. Stukes-Baylor, Employee Trustee  
Ronald Stagliano, Employee Trustee  
Andrew P. Thomas, Employee Trustee  
Veronica M. Pankey, Employee 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

Also Attending:

Ellen Berkowitz, Esquire, Deputy City Solicitor  
Katherine Janoski, Assistant City Solicitor  
Mark J. Murphy, Board of Pensions  
Charles Jones, Executive Director, Sinking Fund Commission  
Bradley Nyce, ICMA-RC  
Randy McLaurin, ICMA-RC  
Stephen Nesbitt, Cliffwater  
Mark Johnson, Cliffwater  
Pam McCue, Finance Investment News  
Daina Stanford, Administrative Assistant  
Donna Darby, Clerk-Stenographer II  
Carmen Heyward, Clerk-Stenographer II  
Will Greene, Loop Capital

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**Agenda Item #1 – Approval of Minutes- March 27, 2014**

Ms. Weiss opened the meeting and requested a motion to approve the March 27, 2014, Minutes. Brian Albert made the motion. Carol Stukes-Baylor seconded. The motion passed.

**Agenda Item #2- Deferred Compensation Plan Update/Activity Report 2014**

Ms. Cherry said that Mr. Nyce would provide the Plan Update and Activity Report, followed by Staff's report.

Mr. Nyce reported that for the end of March, there were 17,606 participant accounts. There were 146 new enrollments for the month. There was \$825,544,698 in total Plan assets.

He advised that Gina Edwards sent an e-mail to a couple of managers to promote CFP Services offered by ICMA-RC to two departments. Mr. Taylor attended for 2.5 days, with good responses of 22 participants over two days. It went well. ICMA-RC planned to roll it out in other departments over the course of the next few months.

Mr. Leonard asked Mr. Nyce why the number of loans went up over the last couple of months. He said that he did not know, but that he could look into it and get back to the Board.

Ms. Weiss' advised that part of the Education Committee was to create materials to explain the importance of leaving the money in the Plan once it was committed for retirement purposes. Using the account as a revolving door did not leave money for retirement.

Mr. Stagliano said that, yesterday, there was a retirement seminar at the Fraternal Order of Police, and 230 people attended. He thanked Mr. Bielli, Ms. Taliaferro, and Staff, along with Mr. Nyce and Mr. McLaurin from ICMA-RC. He thanked everyone involved.

**Agenda Item #3 – PIMCO Recommendation**

Ms. Cherry presented Staff's report on PIMCO.

She highlighted Staff's report about significant outflows from PIMCO, including the Total Return Fund offered to COP Deferred Compensation participants. Performance suffered in 2013 due to incorrect bets on Treasuries and TIPS. The fund outperformed

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its benchmark, but Staff was more concerned with performance relative to its peers, which was at the bottom deciles. In addition to outflows and performance, there were top level personnel concerns related to the announcement that the CEO departed the firm in March. The PIMCO Total Return Fund is approximately 3% of total Deferred Compensation Plan assets.

Ms. Cherry talked about Staff's screening process and provided a comparison of process, performance, and fees between PIMCO, Natixis Loomis Sayles Core Plus Bond Fund, and the Managers Institutional Bond Fund.

She noted that the Natixis Fund and the Managers Fund had a fairly similar process and both are fairly conservative in terms of risk. When looking at performance, fees and consistency, both firms were highly ranked. In terms of a recommendation, Natixis was staff's choice. The expense ratio was significantly lower at .44%, which is similar to PIMCO, at .46%.

She said that she spoke with ICMA-RC, and both funds were available on their platform. The earliest date to change would be for July 18, 2014.

Ms. Cherry said that the recommendation was to replace the PIMCO Fund with the Natixis Fund. Participants would receive a 30 day notice of the change.

Mrs. Stukes-Baylor asked Ms. Cherry if the fees were the same. She said that it was slightly lower. She clarified that the expense ratio was not the fee to the participant, but an expense to the Fund.

Ms. Weiss noted from the performance chart that Natixis and Management were neck-and-neck, except for the five-year numbers, where it was a little higher. She asked Ms. Cherry if there was something about which the Board should be aware. Ms. Cherry said that 2009 was the rally off of 2008. The Management Fund could invest in lower-grade securities, which helped their performance. She turned to Mr. Handa to add to this point.

Mr. Handa recalled the environment of complete dislocation in the credit markets of 2008. In 2009, there was a rally, not only in the stock markets but in the credit markets, as well. Below grade bonds, particularly, triple "C"s, rallied faster and harder than above investment grade. That was why the disparity was seen between the two funds, and Dominique was highlighting the 300 basis points difference that was reflected in the fact that managers had more of an allocation to lower investment grade.

**Ms. Weiss requested a motion for the move from PIMCO Total Return Fund to Natixis Loomis Sayles Core Plus Bond Fund. Brian Albert made the motion. Ronald Stagliano seconded. The motion passed.**

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At 9:30 a.m., Ms. Weiss requested a motion to adjourn the Deferred Compensation Plan Committee Meeting. Brian Albert made the motion. Ronald Stagliano seconded. The motion passed.

The Deferred Compensation Plan Committee of the Board of Pensions and Retirement approved the Minutes on \_\_\_\_\_.

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Paula Weiss, Esquire  
Deputy Director of Finance  
Alternate Board Chair