

**THE BOARD OF PENSIONS AND RETIREMENT
INVESTMENT COMMITTEE MEETING**

September 26th, 2016

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 9:33 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16th Floor.

Present:

Rob Dubow, Finance Director
Ronald Stagliano, Vice Chair, Trustee
Alan Butkovitz, Esquire, City Controller
Pedro Rodriguez, Director of Human Resources
Francois Dutchie, Esquire, Alternate, Divisional Deputy City Solicitor
Carol G. Stukes-Baylor, Trustee
Veronica M. Pankey, Trustee
Brian Coughlin, Trustee
Matt Stitt, City Council Designee

Francis X. Bielli, Esquire, Executive Director
Bernard J. Buckley Jr., Deputy Chief Investment Officer
Christopher DiFusco, Esquire, Chief Compliance Officer
Dominique A. Cherry, Senior Investment Officer
Tyrone Jordan, Senior Investment Officer
Aubrey Hassan, Investment Analyst
Kristyn Bair, Investment Analyst

Also Attending:

Paula Weiss, Esquire, Alternate, Deputy Director of Finance
William Rubin, Alternate, First Deputy City Controller
David Magaldi, Alternate, Risk Management Counsel
Brendan O'Rourke, Esquire, Chief Deputy City Solicitor
Jo Rosenberger-Altman, Esquire, Divisional Deputy City Solicitor
Ellen Berkowitz, Esquire, Senior Attorney
Adam Coleman, Esquire, Assistant City Solicitor
Alan Domb, City Councilman
Brian Higgins, City Council
Jeff George, City Council
Lavonia Jenkins, Administrative Technician
Erica Marable, Clerk Typist I
David Smith, Marquette
Will Greene, Loop Capital
John Turk, Prudential
Robert O' Donnell, O'Donnell Associates
Pam McCue, Finance Investment News
Skip Corkran, Delaware Investments
Toni Robbins, Delaware Investments

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Agenda Item #1 – Approval of the Minutes of August 25th, 2016

Mr. Dubow requested approval of the Minutes for August 25th, 2016. Mr. Coughlin made the motion. Mr. Stagliano seconded. The motion passed unanimously.

Agenda Item #2– Asset Allocation and Recommendations

Mr. David Smith presented the report on asset allocation. Mr. Smith said the asset allocation proposed is titled Option D, with an expected return of 7.76% over the next 10 years, which is just above the target rate of return for the Plan.

Mr. Dubow asked what negatively impacts the current asset allocation.

Mr. Smith answered opportunistic fixed income, MLP's - essentially everything that is currently being removed from the portfolio.

Mr. Dubow asked what impact an interest rate increase will have on the portfolio.

Mr. Smith said an interest rate increase will not have a dramatic effect on the proposed portfolio because sensitive investments, such as opportunistic fixed income, have been brought down in the portfolio.

Mr. Butkovitz expressed concern on the possible effects predicted market volatility over the next 45 days might have on the overall portfolio.

Mr. Bielli noted that efforts made after the recession of 2008 did not work for the current portfolio but a diverse portfolio will better handle stress in the market. Mr. Bielli also pointed out that the proposed asset allocation is designed to work over a ten-year period.

Mr. Butkovitz asked for the cost of risk protection for the portfolio.

Mr. Smith answered it is an option with swaps but is very expensive and not highly recommended. He also mentioned moving a large portion of the portfolio to cash but again advised against it.

Mr. Coughlin stated it will be worth looking into firms that will help gauge risk in the market.

Mr. Smith stated he will investigate such firms.

Mr. Dubow requested a motion. Mr. Stagliano made the motion to approve Marquette's recommendation on the asset allocation. Ms. Stukes-Baylor seconded. The motion passed.

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Agenda Item #3 – Flash Report for Period ended August 2016

Mr. Smith made the presentation.

Mr. Dubow asked if there were any questions. There were none.

Agenda Item #4 - Investment Staff's Report

Mr. Buckley presented the reports on Securities Lending, Diversity AUM & Board calendars.

Mr. Buckley stated following conversations with JP Morgan, it was recommended to withhold income from securities lending for up to 120 days, sell bonds at competitive bids and use the income to address the negative balance.

Mr. Buckley added any money not used in the transaction will be returned to the fund's operating account.

Mr. Dubow asked if there was any downside to the recommendation.

Mr. Buckley stated the price of the bonds will not be known until the manager goes out and if the market does go through a turbulent period, the value of any bonds will become more distressed, making this an opportune time to act.

Ms. Weiss asked will there be time to look at the bids before the securities are sold.

Mr. Buckley answered any offer on the bonds expires that same day, and staff will review the bid before the transactions take place.

Mr. Dubow requested a motion to authorize staff to provide a letter of authorization to JP Morgan to enact the sale and settlement of securities. Mr. Stagliano made the motion. Mr. Dutchie seconded. The motion passed.

The Board meeting scheduled for December 22nd will be combined with the meeting on January 19th, 2017.

At 11:00 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. Mr. Rodriguez made the motion. Mr. Dutchie seconded. The motion passed.

At 11:01 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. Dutchie made the motion. Mr. Coughlin seconded. The motion passed.

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Ms. Stukes-Baylor made a motion for any trustee who wanted to attend the Philadelphia PAPERS 10th annual workshop. Mr. Stagliano seconded. The motion passed.

At 11:03 a.m., Mr. Dubow requested a motion to adjourn the Board of Pensions and Retirement Meeting. Mr. Stagliano made the motion. Ms. Stukes-Baylor seconded. The motion passed.

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

Rob Dubow
Board Chair