

**THE BOARD OF PENSIONS AND RETIREMENT
INVESTMENT COMMITTEE MEETING
January 28, 2016**

MEETING MINUTES

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 9:42 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 & Managing Director Designee
Patricia Fitzgerald, Alternate, Hiring Service Manager
Carol G. Stukes-Baylor, Trustee
Ronald Stagliano, Vice Chair, Trustee
Brian P. Coughlin, Trustee
Veronica M. Pankey, Trustee
Matt Stitt, City Council Designee

Francis X. Bielli, Esquire, Executive Director
Shamika Taliaferro, Deputy Pension 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
Adam Coleman, Esquire, Assistant City Solicitor
Jackie Dunn, Finance
Lavonia Jenkins, Administrative Technician
Erica Marable, Clerk Typist I
Robert O'Donnell, Esquire, O'Donnell Associates
Mark Johnson, Cliffwater
Pete Keliuotis, Cliffwater
Will Green, Loop Capital
Derik Coffey, Herndon Capital Management
Marc O. Sydnor, Herndon Capital Management
Drake J. Craig, Herndon Capital Management

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Kenneth R. Holley, Herndon Capital Management
Matt Coyne, Torrey Cove
Michelle Davidson, Torrey Cove
Maureen O'Brien, Marco Consulting
Jeff Francis, Nationwide
Emanuel Mahand, Nationwide
Eric Stevenson, Nationwide
Ted Jordan, Nationwide
Pam McCue, Finance Investment News
Claudia Vargas, Philadelphia Inquirer

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Agenda Item #1 – Approval of Minutes for December 3, 2015

Mr. Dubow opened the meeting and requested approval of the Minutes for December 3, 2015. Mr. Stagliano made the motion. Mr. Albert seconded. The motion passed.

Agenda Item #2 – Herndon Update and Recommendation

Mr. Woolworth provided background information about Herndon Capital Management. He provided Staff's recommendation with respect to the relationship. Cliffwater's recommendation was included as well.

Members from Herndon Capital Management made a presentation to the Board.

Bill Rubin made a motion to terminate the relationship Herndon Capital. Ms. Stukes-Baylor asked Mr. Rubin to withdraw his motion. She moved to place Herndon on probation for six months and then revisit the matter at that time. Mr. Rubin agreed to withdraw his motion.

Ms. Stukes-Baylor made a motion to allow Herndon Capital Management an additional six months and if performance was still declining the Board would revisit the matter. The motion passed, with three Trustees, Mr. Albert, Ms. Fitzgerald, and Mr. Leonard voting against.

Agenda Item #3 – Private Markets Pacing Analysis

Michelle Davidson of Torrey Cove stated that David Fann, President and CEO of Torrey Cove was unable to join them because of medical complications and that she and members from the team will be presenting in his absence.

Ms. Davidson reviewed Torrey Cove's proposed private equity pacing analysis with the Trustees and took questions. Torrey Cove proposed a target of \$150 million in capital commitments per year for the Private Markets portfolio.

Mr. Dubow inquired about the models Torrey Cove was using. Mr. Rubin asked if Torrey Cove had already identified certain managers it wished to present to the Trustees at a later date. Ms. Davidson indicated they had some candidates.

After a 5-minute break, Mr. Dubow introduced the Board's newest member, Matthew Stitt from City Council.

Agenda Item #4 - 2016 Strategic Plan Draft Outline

Mr. Woolworth presented a general overview of his proposed strategic plan for calendar year 2016. The topics covered included a continued lowering of manager fees across the entire plan, refined asset allocation targets, reviewing the sizing of concentrated equity managers in the Board's fund line-up, consideration of an internally managed tactical [index] fund, increase exposure to co-investment opportunities within illiquid alternatives, and a restructuring of the plan's hedge fund book. Mr. Dubow asked when we would likely reach the lower fee targets. Mr. Woolworth indicated it would be difficult

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to provide a precise point, but progress should be visible in the proposed quarterly fee reporting as changes take place.

Mr. Stagliano asked for an example of a concentrated manager that would see its sizing impacted by the proposed plan. Mr. Woolworth responded that Hahn would fit the criteria.

Agenda Item #5 - Marco Consulting – Annual Proxy Report and Review

Maureen O'Brien from Marco Consulting Shareholder Advocacy provided their Annual Proxy Report and Review. Ms. O'Brien also reviewed the 2016 Shareholder Efforts. Accelerated Vesting, Diversity, Equity Retention, Political Disclosure and Proxy Access were all discussed as topics for 2016. Ms. O'Brien covered proposed updates to the Board's proxy policy.

Ms. Weiss asked if there were any questions.

Ms. Carol Stukes-Baylor made a motion to approve the changes to the proxy policy. Mr. Stagliano seconded. The motion passed.

Agenda Item #6 - Flash Reports for the Periods Ended November 2015 and December 2015

Mr. Johnson reviewed the performance reports for the period ending November 2015 and December 2015. In November, the total fund was down by 79 basis points. In December, the total fund was down by 1.66 %.

Agenda Item #7 - CIO's Report

Mr. Woolworth reported that Securities Lending Income was at \$97,408 for December 2015. This income is in line with expectations.

Mr. Woolworth updated the Board on Quality D and the Plan's percentages for diversity, local, and female assets under management.

Mr. Woolworth shared the next scheduled board meetings are: February 25th, March 24th and April 28th.

Ms. Stukes-Baylor asked if future Board calendars can also include scheduled subcommittee meetings and a listing of members on the various committees.

Old/New Business

Mr. Butkovitz requested we join the Council of Institutional investors. Mr. Butkovitz made a motion to join and Ms. Carol Stukes-Baylor seconded. The motion passed, with one Trustee, Mr. Albert, voting against.

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At 1:16 p.m., Ms. Weiss requested a motion to adjourn the Investment Committee Meeting. Mr. Stagliano made the motion. Mr. Stagliano seconded. The motion passed.

At 1:17 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. Stagliano made the motion. Mr. Albert seconded. The motion passed.

At 1:18 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 motion passed.

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

**Rob Dubow
Board Chair**

