

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
October 22, 2015**

**MEETING MINUTES**

There being a quorum, Paula Weiss, Esquire, Alternate Board Chair, called the Investment Committee Meeting to order at 9:37 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16<sup>th</sup> Floor.

Present:

Rob Dubow, Finance Director  
Paula Weiss, Esquire, Alternate, First Deputy Director of Finance  
William Rubin, Alternate, First Deputy City Controller  
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  
Brian Coughlin, Trustee  
Veronica M. Pankey, Trustee

Francis X. Bielli, Esquire, Executive Director  
Shamika Taliaferro, Deputy Pension Director  
Brad Woolworth, Chief Investment Officer  
Christopher DiFusco, Esquire, Director of Investments  
Dominique Cherry, Senior Investment Officer  
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  
Adam Coleman, Esquire, Assistant City Solicitor  
Lavonia Jenkins, Administrative Assistant  
John Piper, Nationwide  
Will Greene, Loop Capital  
Mark Johnson, Cliffwater

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
October 22, 2015**

**Agenda Item #1 – Approval of Minutes September 17, 2015**

Ms. Weiss opened the meeting and requested a motion to approve the Minutes of September 17, 2015. Mr. Albert made the motion. Mr. Stagliano seconded. The motion passed.

**Agenda Item #2 – Diversity/Local/Emerging Manager Bench Search and Subcommittee Recommendation**

Mr. Woolworth talked about the RFP process and the meeting on October 6, 2015 with the Subcommittee. Mr. Woolworth stated that there were 55 submissions across 39 different firms. Staff and the subcommittee were recommending that four firms: Granite, DeRoy & Devereaux, PHOCAS and New Amsterdam being selected for the Board's "bench" and that one firm, Ariel [an African-American owned firm] be selected for an immediate allocation. Staff and the subcommittee were recommending that Ariel receive a \$30 million allocation and would serve as a replacement, in part, for the recently terminated Snyder.

Mr. Dubow asked Cliffwater to discuss their write-up on Ariel and to focus on any specific areas of concern.

Mark Johnson noted Ariel was started by John Rodgers in 1983, and there was a period of under performance in the mid 2000s during the financial crisis. Since 2009 the company's performance has been very strong.

Mr. Dubow stated what does that mean in terms of the Fund's investing with them?

Mr. Johnson stated this is a concentrated manager investing in high conviction names, one would expect to see periods of relative over and under performance. Mr. Johnson stated that they believed the manager was likely to outperform over a longer period.

Mr. Rubin questioned whether or not Ariel's recent strong performance meant the Board was hiring at a peak. He stated this was something that tended to happen at many public pension funds, and he was worried about reversion to the mean.

Mr. Johnson stated he thought that was a valid question but that we try to pick managers based on their long term performance; it is hard to determine when they will fail. Cliffwater thinks that Ariel is a good manager overall.

Mr. Dubow asked if their opinion is Ariel's performance is better than mediocre? Mr. Johnson answered yes their performance is better than mediocre.

Mr. Bielli asked if has Ariel made any adjustments since the 2008 downturn.

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
October 22, 2015**

Mr. Woolworth stated since 2008 they have made significant adjustments. The firm took a step back to see if there were places to improve. Investment Staff was impressed that Ariel put in place specific investment filters like having an internal "Devil's Advocate program" where assigned team members would, as part of the process, seek to pick apart or take the contra view on any individual investment ideas presented. They also began performing in house credit quality and balance sheet analysis. If you look at their 7-year, 5-year, 3-year, 2-year and 1-year performance, it is very strong.

Mr. Rubin asked if Investment Staff shared Cliffwater's concerns about personnel turnover?

Mr. Woolworth indicated this was not a concern he shared.

Mr. Dubow asked if there were any other questions, and hearing none, asked for a motion.

**Mr. Rubin made a motion to accept the report of the Subcommittee, including an allocation to Ariel. Mr. Albert seconded. The motion passed.**

**Agenda Item #3 – Investment Grade Managers Recommendation**

Mr. Woolworth reminded everyone that at the last meeting, the Board recommended to fund High Yield managers Loomis-Sayles & SIM and terminate MacKay Shields. The Subcommittee & Investment staff spent a lot of time discussing MacKay Shield's tendency to outperform during extreme down periods in the market. The Subcommittee asked if there was a way refocus the overall portfolio and to provide additional protection. After discussion, Investment Staff is recommending reducing Brandywine Global Fixed Income account by \$50 million and adding \$25 million each to Garcia Hamilton & Longfellow. Both Garcia Hamilton and Longfellow are invested in US Bonds and have increased allocations to Treasuries. Investment Staff also recommended reducing emerging market debt exposure. This would be accomplished by trimming the Logan Circle EMD account to \$40 million and increasing the Logan Circle Core plus account to \$40 million.

Mr. Dubow asked if there were any questions. And hearing none, requested a motion to accept the report of the Subcommittee.

**Mr. Stagliano made the motion to approve Staff's recommendation. Mr. Rubin seconded. The motion passed.**

**Agenda Item #4 – Flash Report for the Period ended September 2015**

Mr. Woolworth reviewed the performance reports for the period ending September 30, 2015. Mr. Woolworth noted Investment Staff was expecting to receive the proceeds from recent hedge fund reductions/terminations by the end of October.

**Agenda Item #5– CIO's Report**

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
October 22, 2015**

Mr. Woolworth reported that Securities Lending Income was \$100, 419 for September 2015. This income is in line with expectations.

He reported that the Quality D collateral pool had an underlying position downgrade last month, but did recover quite a bit by September's reporting.

Mr. Woolworth noted the overall number of managers in the fund had been reduced to 104 and that the diversity and local AUM percentage numbers remained solid.

Mr. Woolworth said that there would be no meeting in November. December 3, 2015 would be the next Board ICM.

New Business

Mr. Rubin was offered a position to serve on the PAPERS Board, and he happily accepted. Members congratulated Mr. Rubin on his appointment.

**At 9:59 a.m., Rob Dubow, Board Chair, requested a motion to adjourn the Investment Committee Meeting. Mr. Stagliano made the motion. Mr. Albert seconded. The motion passed.**

**At 10:02 a.m., Rob Dubow, 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. Stagliano made the motion. Mr. Albert seconded. The motion passed.**

**At 10:05 a.m., Rob Dubow, Board Chair, requested a motion to adjourn the Board of Pensions and Retirement. 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

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Rob Dubow  
Board Chair