

Sinking Funds Commission - March Meeting
March 14, 2018

CITY OF PHILADELPHIA
SINKING FUNDS COMMISSION
Wednesday, March 14, 2018

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LOCATION: Two Penn Center Plaza
16th Floor
Philadelphia, Pennsylvania

REPORTED BY: Amy Marzario,
Court Reporter

PRESENT: DONN SCOTT, CHAIRMAN
CHRISTOPHER R. DIFUSCO
MARC AMMATURO
ALEX GOLDSMITH
REBECCA REINHART
ROSEMUND HOWARD

STREHLOW & ASSOCIATES
PHONE: (215) 504-4622
FAX: (215) 504-7155
COURT REPORTERS - VIDEOGRAPHERS
54 FRIENDS LANE, SUITE 116
NEWTOWN, PENNSYLVANIA 18940
WWW.STREHLOWCOURTREPORTING.COM

1 MR. SCOTT: I'm pleased to call this
2 meeting to order. The first item on the agenda is the
3 approval of the minutes and I'm told that we can only
4 address the January 10, 2018 minute because Rasheida
5 is not here. So do we have a motion to approve them?

6 MS. REINHART: Motion to approve.

7 MR. SCOTT: Second?

8 MR. DIFUSCO: Second.

9 MR. SCOTT: Motion has been made. All
10 those in favor?

11 MS. REINHART: Aye.

12 MR. SCOTT: All right. The third item
13 on the agenda is review and selection of International
14 Index Manager. Chris, I guess I'll turn that over to
15 you.

16 MR. DIFUSCO: Sure. Thanks, Donn. So
17 you see the memo from PFM. Just as a reminder, we had
18 two outstanding searches for international managers,
19 one passive and total passive international which is
20 what we're going to talk about today and then active
21 mandate which we'll address in May.

22 For this particular international equity
23 total strategy, we only got two responses which is
24 pretty standard, from Northern Trust and from Belmont.

1 Both presented best and final fee offers which after
2 some negotiating came in identical, six basis points
3 each.

4 MS. REINHART: I'm sorry. Can I ask
5 you a question, Chris?

6 MR. DIFUSCO: Sure.

7 MS. REINHART: Why is it only two
8 responses? Is that -- just curious about how we push
9 out the --

10 MR. DIFUSCO: So we push it out pretty
11 aggressively.

12 MS. REINHART: Okay.

13 MR. DIFUSCO: And one, there's not as
14 many institutional index players in the space as you
15 might think there'd be. You know, the Vanguards and
16 other folks of the world we can't contract with
17 because they only have mutual funds, right, they don't
18 have separate managed accounts.

19 MS. REINHART: Oh, okay.

20 MR. DIFUSCO: And then a few of the
21 other index funds we have heard from in the past are
22 either significantly more expensive or many years ago
23 we heard from Blackrock. Actually, they were
24 selected, and forgive me, I don't remember if it was

1 for this fund or for the bigger fund years ago, and we
2 had just incredibly difficult contract negotiations.
3 They just would not agree to the most basic -- I mean,
4 I'm not going to get into it here and I don't know if
5 Adam was with us at the time but, I mean, they
6 wouldn't agree to the most basic things.

7 Forget some of the more idiosyncratic city
8 stuff. I'm talking about like basis stuff. So these
9 are the two that we generally hear from. We do push
10 it out through the consultant, both here and at the
11 larger fund. And I will say that their fees are very,
12 very competitive. And we're told that even by the
13 folks at Vanguard that for an SMA with investment
14 restrictions and, you know, just having our own
15 account that the fees are very competitive.

16 So both firms came in at six basis points so
17 no difference then. But in discussion with PFM, I
18 think we've described it, and correct me if I'm wrong,
19 Alex or Marc, but the soft services I think are a
20 little bit superior with Rhumblin. I think it's also
21 a plus in their favor that they have significant
22 female and minority ownership, about 51 percent in
23 total. They also have, I'll say, reasonable, decent
24 numbers in terms of the higher level professionals in

1 terms of senior management in terms of African
2 Americans, females, about one-third each on the female
3 side.

4 And on the minority side, it's a little bit
5 better than Trust. And so based on that, our existing
6 relationship in both plans with Rhumblin, it would be
7 our recommendation to select them for this mandate. I
8 don't know if Marc or Alex want to add to that?

9 MR. GOLDSMITH: No, I just -- I think
10 that they're currently managing a developed
11 international index strategy to plan 25 million. And
12 actually for this total international, they dropped
13 that down from ten basis points to six. So they're
14 actually expanding their mandate and reduced the
15 proposed fees so I think that speaks to the level of
16 service and desirability to work with the City from
17 Rhumblin.

18 MR. SCOTT: And performance has been --

19 MR. DIFUSCO: Yeah, it's been -- it
20 matches the index with, you know, very minimal
21 tracking error.

22 MR. GOLDSMITH: And that includes
23 obviously they're screening out the screens so they're
24 able to locate performance with those screens.

1 MS. HOWARD: I'm sorry. You were able
2 to negotiate down the piece even on not this asset
3 class, even on the U.S. equity piece?

4 MR. GOLDSMITH: Not related to this
5 RPF. I was just saying, you know, they currently --
6 if you look within international equity, Rhumblin has
7 the developed international index right now.

8 MS. HOWARD: Right.

9 MR. GOLDSMITH: That's what will be
10 replaced by this strategy. They're currently charging
11 ten basis points for developed and they've brought
12 that down to six for this one. So I'm just using that
13 as an example. They're adding in more securities in a
14 broader universe but are still reducing the fee
15 schedule.

16 MS. HOWARD: Got it. Okay. The only
17 thing I was just looking at is it seems as if we
18 already have like about 30 percent of total allocation
19 of the portfolios to Rhumblin today, so it's not
20 necessarily a vote on, you know, Rhumblin or not and
21 certainly if you pass it makes sense here.

22 And maybe not necessarily for this particular
23 vote but to the extent that we expand, you know, the
24 passive allocation portfolio, it may make sense to

1 continue to shop around for other providers just so we
2 don't have any concentration risk of one manager.

3 MR. GOLDSMITH: Yes. I mean, I agree
4 with that, I think. You know, certainly you don't
5 want a lot of concentration with a single firm
6 regardless of whether it's different strategies. I
7 mean, there could be business risk, not that there --
8 we don't view that there is any at the time, but
9 things change and there could be.

10 You know, I agree with Chris, his explanation
11 for why we haven't seen a lot of responses. So, you
12 know, perhaps in the future if there are additional
13 RFPs, we can, you know, go after players like State
14 Street. But certainly, I think Vanguard is really off
15 the table, Blackrock for the time being as well. So,
16 you know, it was a limited universe but --

17 MS. HOWARD: Fidelity also is strong
18 and I'm sure you guys have explored that.

19 MR. GOLDSMITH: I agree. I think that
20 we can hopefully try to diversify when it comes to
21 additional searches in the future but I think right
22 now, Rhumbline represents the best option.

23 MS. HOWARD: Yes.

24 MR. SCOTT: Is there a motion?

1 MS. REINHART: Motion to approve.

2 MR. SCOTT: Motion to approve Rhumblin
3 as our international index manager. I second it. All
4 those in favor?

5 MS. REINHART: Aye.

6 MR. SCOTT: It's kind of interesting we
7 only have two people.

8 MS. REINHART: I know.

9 MR. SCOTT: Thank you. Next item on
10 the agenda is fixed income rebalancing, Sky Harbor
11 funding.

12 MR. GOLDSMITH: Sure. So, Donn,
13 obviously you may remember this, but back in October
14 2017, there was a special meeting held where we
15 interviewed some managers for high yield allocation.
16 The decision to add high yield to this plan really
17 goes back even before that. I think all the way back
18 to 2016, we were brought on as a consultant. At that
19 point, there was only core fixed income, full
20 duration, and intermediate duration in the portfolio.

21 We wanted to add additional corporate
22 exposure, both investment grade corporate, high yield
23 corporate, and as well, you know, eventually down the
24 road some actual fixed income exposure as well. So

1 you might recall we interviewed some investment grade
2 managers. Logan's Circle was approved for that the
3 middle of last year. And then we went through a high
4 yield RFP as we usually do and conducted semifinalist
5 calls with a number of those funds, and then brought
6 three managers in to interview in October and Sky
7 Harbor out of Connecticut was selected.

8 You know, really most of those managers I
9 would say were similar in that they were focused on
10 the credit analysis portion of their portfolio
11 construction and that's particularly important when it
12 comes to high yield and below investment grade. The
13 level of analysis is almost like that which equity
14 risks conduct. There's less macro level, sector
15 allocation within high yield.

16 And again, more on the focus on the strength
17 of one credit versus another. Coke versus Pepsi, for
18 example. They're not high yield things. But, you
19 know, they demonstrated superior credit processes and
20 also I think they proposed one of the most attractive
21 fees at 35 basis points. And, you know, they are, let
22 me see, 43 percent currently women owned with an
23 intent to bring that up over 50 percent in the near
24 term. Again, so they were approved back in October.

1 The contracts, discussions ran away over the last
2 several months.

3 Those I believe have been completed. And so
4 if you look actually on the back of this memo, we've
5 proposed a long-term allocation of three percent to
6 Sky Harbor. But given I think some duration bounds
7 that are included in the investment policy statement
8 combined with the lower duration overall of the high
9 yield universe, you know, we felt it was better to
10 scale slightly into Sky Harbor so that we don't bring
11 the plan out of compliance with that duration
12 requirement.

13 And so again, I think, you know, we've
14 proposed an initial application of 2.6 percent
15 increased to three percent over time through
16 rebalancing of some of the longer duration managers.
17 Even with that allocation, you know, I think Sky
18 Harbor's duration is about 3.2 percent whereas the
19 duration of the Barkley's aggregate is about 5.1, I
20 believe off the top of my head. And that is a
21 significant difference.

22 So even with, you know, funding at 2.6 versus
23 three percent, you know, we realized we had to shift
24 some additional assets into the longer duration of

1 fixed income to make sure the plan remains in
2 compliance. You know, the only way we can do that
3 and, again, lengthen the duration of the portfolio was
4 shifting some assets from equities into the longer
5 duration fixed income. So that's Weaver Barksdale and
6 Logan's Circle.

7 So if you have the allocation chart in your
8 -- it looks like it wasn't included in every packet.
9 We have some extras here. So you can see here that
10 this is really where the parts come together. So down
11 towards the bottom of this page, you can see under the
12 credit component of fixed income, that's the new sub
13 asset class that was added with the additional Logan's
14 Circle and now Sky Harbor. We're proposing again
15 initial funding to the far right of 2.6 percent, 14.5
16 million.

17 In the third from the right column,
18 rebalancing action, that's where you can see the other
19 moving parts. So I tend to think about it like this.
20 We prefer that the credit component, the high-yield
21 component, was sourced from the lower duration of
22 fixed income, the intermediate managers, Lazard and
23 Garcia Hamilton. But again, as I mentioned, even with
24 moving those assets, it still would be the overall

1 duration of the portfolio below the bound
2 requirements.

3 As such, we had to add additional funding
4 into the longer duration of fixed income managers,
5 Weaver Barksdale and Logan's Circle. So that's why
6 you can see a bit of a negative -- you know, negative
7 17.5 million coming out of the intermediate plus 12
8 million coming in to the core plus. And then that 12
9 million, an additional rebalancing amount was taken.
10 You can see from equity a proportionate amount from
11 domestic equity and fixed income both from the
12 Rhumblin index funds.

13 And I mentioned there are some additional
14 rebalancing of cash rebalance. You'll notice down at
15 the very bottom there's an additional four million
16 going into cash. This just demonstrates, you know,
17 not just the Sky Harbor funding but the March benefit
18 raise as well as recouping the February benefit raise
19 which was paid out in cash. So it looks like there's
20 going up to ten million in cash but two million will
21 be paid out in the near term for benefits and so that
22 would be back around the eight million or so target
23 which has been our target, staff's target, over the
24 intermediate term.

1 So, you know, certainly lots of moving parts
2 there. It does bring the overall equity allocation.
3 You can see I guess the second line overall at the top
4 of this page. Currently, it's 69.6 percent, 4.6
5 percent over the target allocation to equity. It
6 brings that down to 67.25 percent. So, you know,
7 you'll see this when we get into the performance of
8 the plan and a big contributor to performance has been
9 the overweight in equities.

10 We've received questions throughout 2017
11 based on valuations, et cetera. You know, when does
12 it make sense to rebalance? We continue to favor
13 equities particularly given, you know, the outlook for
14 fixed income with rising rates. That being said, we
15 have seen some volatility injected into the markets to
16 start this year. Markets are up -- the equity markets
17 are up, even in the year to date as of yesterday, but
18 they've been up six percent. They'd been down ten
19 percent.

20 We feel that it is an appropriate time,
21 especially given that we have to do a little bit to
22 maintain compliance to take some of that equity
23 overweight off the table. It's still maintaining a
24 2.25 percent overweight to equities but, again,

1 lowering the overall risk at a time when volatility
2 has increased. There's a lot going on if there are
3 any questions or reviews?

4 MR. SCOTT: I think this is the first
5 time that I'm participating in a meeting where we've
6 actually done rebalancing; is that accurate?

7 MR. DIFUSCO: Yes. I think the reason
8 why in this case is because it's in initial funding
9 for Sky Harbor. And my recollection is that when you
10 and the commissioners, Rasheida and the prior
11 controller, approved Sky Harbor, we had indicated that
12 when we funded that, we would come back and discuss
13 the sources and the timing and, you know, when we
14 would do it.

15 There was that caveat when we approved it.
16 That's my recollection, that we indicated -- you know,
17 we weren't going to fund them the exact amount without
18 coming back and talking to the commissioners.

19 MR. GOLDSMITH: And that's how we
20 typically do most of the -- one of the managers
21 approves the manager and then we approve their
22 funding.

23 MR. DIFUSCO: As opposed to the normal
24 benefits draw where I'll send out an e-mail around the

1 time we make the benefits draw. That way if folks
2 have concerns or questions, they can come to me or
3 PFM, you know, prior to taking money to pay the
4 pensioners.

5 MR. GOLDSMITH: One thing I will
6 mention on Donn's statement, while I know this -- it
7 does represent I would say a little bit of
8 rebalancing, again primarily to the funding of Sky
9 Harbor. Every time -- not every time but for the, you
10 know, most of the recent periods when we were drawing
11 to pay benefits, we have drawn on the margin from
12 equities. And so that represents significant
13 rebalancing but it represents -- you know, if we
14 hadn't been doing that, I think the allocation
15 would've gotten significantly out of whack.

16 And then the last thing I'll say, you know,
17 again even given the relative performance of equities
18 and fixed income this year, our outlook, I'm a little
19 -- I'm comfortable doing this because equities and
20 fixed income are highly correlated. The most highly
21 correlated fixed income asset class to equities is
22 high yield.

23 You know, that's related to -- again, it's
24 overemphasis on the quality performance of these

1 companies. And so you're again taking a little bit of
2 the risk off from equities but, you know, still adding
3 a riskier asset class within fixed income. So I think
4 that helps make the case a little bit.

5 MR. SCOTT: So there's an action step
6 that we need to take to rebalance here? I'll make a
7 motion that we approve the recommended rebalancing.
8 Is there a second?

9 MS. REINHART: I second that.

10 MR. SCOTT: Motion has been made. All
11 those in favor?

12 MS. REINHART: Aye.

13 MR. SCOTT: All right. Thank you very
14 much. Now we're going to do item number five, the
15 Investment Performance Review.

16 MR. AMMATURO: I'll start with the
17 fourth-quarter report. I was going to go very high
18 level. I'll start with the December 31, 2017, just
19 very high level on December. We'll spend more time on
20 February but I was going to start with that just so
21 you know how the year closed out. So there should be
22 a report in your book that's labeled December 31,
23 2017. I'll be very high level.

24 Just by way of introduction, Marc Ammaturo.

1 I've been at PFM for 13 years. I'm a managing
2 director at the firm. Thank you for the confidence in
3 PFM. Just again, I'll go over high level December
4 2017. I'll hand it to Alex to go over January and
5 February in a little bit more detail. But in terms of
6 2017, just so you know how the year ended, I'm going
7 to flip ahead to 2.1. It looks like everyone is there
8 already.

9 So the market value for your pension plan,
10 PGW's pension plan, at the end of last year was
11 \$500,433,661. The year of return, if you look at the
12 2017 column, it was almost 17 percent last year, so
13 16.97. A very strong fourth quarter as well; the
14 number to the left there, 4.3. So again, the fourth
15 quarter, the plan was up 4.3 percent for the year.
16 Your plan was up almost 17 percent, 16.97. So
17 obviously strong on an absolute basis.

18 It's also noteworthy to see the relative
19 outperformance so if you look at the quarter, 4.3
20 versus 3.9. If you look at the year, 16.9 versus
21 15.8. The main driver of that relative outperformance
22 is what Alex just mentioned, the overweight to the
23 equity market. So your overweight domestic equity,
24 your overweight international equity, and your

1 underweight on the bond market, and I'll show that to
2 you in a second. But that overweight, that
3 positioning is really where PFM concentrates.

4 Where do we want to be overweight? Where do
5 we want to be underweight? And that drove the
6 relative outperformance. And if you look out longer
7 term, you know, your trailer returns are fairly
8 strong. The one year, as we just talked about, 17
9 percent. But even if you look at the three-year
10 column, almost eight percent and the five year at 9.6.
11 There's a couple more pages I want to -- I'm not going
12 to go through the managed. I think Alex may take you
13 through that. But I think it's important to talk
14 about the cash flow of the plan, the 2.5.

15 I think you should have an understanding of
16 not just the investments but what's going on in terms
17 of payments to retirees relative to contributions, so
18 that's what you see on 2.5. So if you look at the
19 bottom row, 12 months ago this plan was \$488,840,000.
20 This plan was cash flow negative; 26.9 million last
21 year. Again, that has nothing to do with investments.

22 MS. REINHART: So when you do cash, do
23 you do -- what do you use? You don't take into
24 account the investment return? So you keep that at

1 zero?

2 MR. AMMATURO: Yes. That's essentially

3 --

4 MS. REINHART: So this is the same way
5 that, Chris, we look at it from the large fund? Okay.

6 Which has much larger negative --

7 MR. DIFUSCO: Correct.

8 MS. REINHART: Okay.

9 MR. AMMATURO: So that flows column is
10 simply how much is being contributed to the plan
11 relative to how much is paid out to retirees. That's
12 the only two numbers that factor into that net flow
13 figure. The column to the right of that is 100
14 percent related to investments and how did your
15 investments do last year. So from a cash flow
16 perspective --

17 MS. REINHART: Interesting.

18 MR. AMMATURO: Yes. So from a cash
19 flow perspective, you're negative 26 million -- almost
20 27 million last year but that was completely offset on
21 an investment that may be one million. So that's how
22 we got to the 543 million dollar figure I quoted
23 earlier. That's important to keep that in mind in
24 terms of the growth of the plan. The other important

1 slide is on 2.6. I mentioned --

2 MR. SCOTT: Where do you see the fees?
3 Where are the net fees?

4 MR. AMMATURO: The fees -- if it's a
5 mutual fund, it would be netted out in that return on
6 investment column. So if you have the mutual fund
7 vehicle in your pension plan, Donn, there's a net
8 asset value struck every day. When they strike the
9 NAV, they're taking out the expense issue so that
10 would be kind of netted out. That doesn't include,
11 and correct me if I'm wrong, but this doesn't have
12 separate account fees. This doesn't have PFM's fee if
13 that's what you're asking.

14 MS. REINHART: Oh, yeah. That is a
15 good question.

16 MR. AMMATURO: No, that's not in
17 this.

18 MR. SCOTT: So if we're looking at 81,
19 that 81 is actually a return to 81 net fees?

20 MS. REINHART: Some of the fees but not
21 all of them.

22 MR. GOLDSMITH: I think we have -- I
23 would like to confirm about that because the number
24 that's shown -- you know, performance numbers are in

1 net of manager fees. They are not net of the PFM fees
2 so this number may be net of manager fees as well.

3 MS. REINHART: Wouldn't that be in the
4 net flows though, the fees, because it would be an
5 outflow?

6 MR. AMMATURO: My understanding is net
7 flow is simply contribution and is relative to retired
8 payments.

9 MS. REINHART: So there might need to
10 be like another column here?

11 MR. AMMATURO: We have some clients
12 that actually customize the sheet and add expenses.

13 MS. REINHART: Yeah, that would be
14 great.

15 MR. DIFUSCO: I agree. That's a good
16 idea. Alex will confirm but I agree with that.

17 MR. GOLDSMITH: I would like to confirm
18 because there may be some and others elsewhere so
19 we'll pull all the expenses out.

20 MR. AMMATURO: So 2.6 is the other
21 important page before I hand it over to Alex to go
22 into an update, but 2.6 again, I think Alex mentioned
23 this but it's important to understand. If you look at
24 the bar chart on the bottom of 2.6, it shows you how

1 your pension plan is allocated relative to your
2 investment policy statement in terms of targets to
3 individual asset classes.

4 So if you look at domestic equity, the darker
5 bar if you will is 47.6 so this is just demonstrating
6 your overweight in domestic equity by over 2.5 percent
7 and that's of year end. And that's one of the big
8 reasons why you outperformed last year on a relative
9 basis because equity market obviously was up over 20
10 percent last year. International equity, you're
11 overweight by about two percent as well. Again,
12 international markets were up even more in domestic
13 last year. That's another reason you outperform on a
14 relative basis.

15 And then commercially, underweight in fixed
16 income and asset class was, you know, up but nowhere
17 near as strong as the domestic international stock
18 market. So this is really kind of where PFM spends a
19 lot of time and effort into how should your portfolio
20 be allocated relative to targets that are in your
21 investment policy statement. So just want to
22 reiterate that.

23 MS. REINHART: A question that, Chris,
24 you might have -- it has a little bit to do with this

1 but also the City's main pension fund.

2 MR. DIFUSCO: Okay.

3 MS. REINHART: Obviously, this plan is
4 -- the returns have been good and there's zero real
5 estate here, right?

6 MR. DIFUSCO: Yes.

7 MS. REINHART: And I'm just curious
8 about, you know, we have sort of this -- a big ramp up
9 expected on the City's pension plan on real estate but
10 there's zero. And what makes the difference -- is
11 there a rationale for the different target allocation
12 or is it more just like different boards came up with
13 -- and different advisors came up with different
14 suggestions?

15 MR. DIFUSCO: So I would say it's a
16 combination of things. Historically, to the best of
17 my knowledge going back, there's being very little
18 exposure in this plan to alternatives. There is one
19 very old real -- I mean, very old real estate
20 investment that's down -- I think you and I talked
21 about it last year, Donn, it's under \$50,000, if that.
22 It's 10 to 15 years old.

23 So there was -- historically, for whatever
24 reason, there has not been. I think some of it, as

1 you and your staff had asked yesterday, has to do with
2 the funding level. Historically, this plan has been
3 better funded. At one time, and not -- you know, 10,
4 15, 20 years ago, I believe it was over 100 percent
5 funded so there wasn't the need necessarily before,
6 you know, alternatives and private equities.

7 MS. REINHART: You mean there wasn't
8 the need to get the additional yield --

9 MR. DIFUSCO: Correct.

10 MS. REINHART: -- the attempt to bring
11 in the additional yield which brings in the additional
12 risk?

13 MR. DIFUSCO: Correct, because it's
14 been better funded. I believe the other thing that I
15 would bring up is that some of the alternatives that
16 were suggested by particularly prior consultants
17 didn't ever even make it in front of the board in
18 large part because I had a strong feeling that they
19 were inappropriate. You know, I had no interest in
20 asking the commissioners to entertain hedge funded
21 funds, for example, with double layers of fees and
22 other things.

23 Now, I know the longer term asset allocation,
24 and I know Alex or Marc may want to discuss this,

1 would possibly include some introduction of
2 alternatives. They would be at a much smaller level
3 and I believe we had discussed with Donn and some of
4 the other folks previously during an education session
5 around the risks and the merits of various asset
6 classes in that space. I don't know if folks want to
7 add to that or if there's follow-up?

8 MS. REINHART: I mean, I was coming
9 from the perspective actually of it's nice to see --
10 it's almost -- you know, there's a lower risk level
11 and there's good returns and there's some -- and I
12 think I feel a little anxiety around some of those for
13 the main pension plan so I was just curious. It
14 wasn't as a -- that I was going to push for
15 alternatives here.

16 MR. DIFUSCO: Oh, no.

17 MR. GOLDSMITH: I can maybe speak a
18 little to some of the history of discussions at least
19 since we've been involved over the last two years. I
20 mentioned a couple of initiatives that have already
21 taken place that are still underway, among them going
22 from value growth to core, diversifying within fixed
23 income, et cetera. So these have been the issues that
24 have taken place.

1 You know, on that initial list I think when
2 it was presented, like I said, two years ago and then
3 last year updated, down the line was a discussion
4 around the possible introduction of alternatives. Our
5 firm view I think in general might be a little
6 different than others. You know, we don't view
7 alternatives as just the class that could enhance
8 return overall. I think there's a lot of different
9 types of alternative investments for trustees, for
10 fiduciaries.

11 I think you certainly need to understand
12 exactly what you're getting into and what reason.
13 Alternatives can, like I said, can be used to enhance
14 return overall. They can also be used as pure
15 diversifiers, you know, uncorrelated asset classes
16 that, you know, don't move with broad equities or
17 fixed income. And they can also be yield providers.
18 And real estate tends to fall into the yield bucket
19 but there are also private debts which is, you know,
20 like a private equity that is a locked up period. But
21 these are, you know, negotiated loans not traded, et
22 cetera. When we looked at alternatives, we looked at
23 it for one of those specific reasons.

24 MR. AMMATURO: We're very, very

1 skeptical about alternatives in general.

2 MS. REINHART: Okay.

3 MR. GOLDSMITH: I think the reason
4 needs to warrant whether it's the additional fees or
5 the additional lock up on liquidity.

6 MR. AMMATURO: Do you want to
7 transition to the January, February update? I think I
8 went through that. This was the 2017 kind of rundown.

9 MS. HOWARD: If it's possible to add
10 duration as a column on performance, if that's a
11 customizable thing that you can do, it would be great
12 to see that.

13 MR. AMMATURO: I'm sorry. What page?

14 MS. HOWARD: Well, any of those
15 performance pages would be great. It seems like we're
16 making investment decisions about Sky Harbor based a
17 bit on duration and specifications of the IPS. And so
18 it would just be good to see especially like, you
19 know, given the volatility of interest rates that we
20 might be anticipating if we could add like a weighted
21 average duration column to monitor that as part of
22 this.

23 MR. AMMATURO: We look at it on a
24 manager level. It's in the report, actually.

1 MS. HOWARD: Oh, it is?

2 MR. AMMATURO: At the manager level,
3 yes. So if you look at, for instance, 5.8 like last
4 of the quarterly report, all the way in the back,
5 there's individual manager pages. So if you look at
6 like Logan's Circle, their effective duration is
7 actually the first characteristic listed there.

8 MS. HOWARD: Oh, great. Okay.

9 MR. AMMATURO: So it's by manager in
10 the back of the book.

11 MS. HOWARD: Okay, great. Do you have
12 it also just rolled up for all of fixed income?

13 MR. AMMATURO: We look at that
14 internally. That is not part of the deck today.

15 MS. REINHART: It doesn't have to be
16 today.

17 MS. HOWARD: Yes, it certainly doesn't
18 have to be today. It's easy enough to add.

19 MR. GOLDSMITH: Off the top of my head,
20 I believe it's 4.88 right now. But, yeah, I think we
21 can add a role of exhibit to the future reports.

22 MS. HOWARD: Thank you.

23 MR. GOLDSMITH: All right. I will
24 transition -- you all have the handout that was passed

1 out, the color copy of the February monthly flash
2 performance. We discussed -- actually, we did not
3 discuss January because it was sent out at the prior
4 meeting, but I think I'll focus on February and
5 include the January returns.

6 MR. AMMATURO: Does everybody have a
7 copy?

8 MR. GOLDSMITH: Just really to set the
9 context because if you look at this handout, you know,
10 it's a negative return for the total plan for the
11 month, negative returns across domestic international
12 equity and fixed income. So, you know, it provides
13 some context for why those returns look the way they
14 do. You know, obviously Marc gave an update through
15 the end of 2017. We started off 2018 with, you know,
16 equity markets up, you know, around six percent in one
17 month alone.

18 Towards the end of the year, the tax plan was
19 passed and while a lot of I think expectations of that
20 were already factored into market performance in 2017,
21 there was a very favorable reaction from participants
22 in the market and equities were up about six percent.
23 You might recall then in early February, I think it
24 was the first Friday of the month, a jobs report was

1 released.

2 I would say it was mixed news but some
3 investors took some elements of that negatively,
4 particularly I think, you know, the evidence that --
5 or there have been additional jobs and there are a lot
6 of hirings but hours overall were down. So you've got
7 a larger employment pool competing for, you know,
8 fewer hours, et cetera. So maybe that adds some
9 weakness into what people had been perceiving as a
10 strong jobs market.

11 There was a selloff in the market that Friday
12 followed by, you know, a bit of a rebound and then an
13 additional selloff to the point where in one point in
14 early February, U.S. stocks were down 10 percent from
15 their highs at the end of January. So that's
16 officially -- that's correction mode. I think in the
17 ensuing week prior -- the following week, it was the
18 middle of earning season. Earnings results continued
19 to be released that were at or ahead of estimates.

20 Economic data continued to be released that
21 was positive here in the U.S. And so, you know, value
22 investors, investors that had cash on the sidelines
23 used that downturn as an opportunity to get -- to add
24 some allocation to equities to the point that, you

1 know, mid-February, towards the end of February,
2 markets had rebounded. So in fact, they were at or
3 slightly ahead of the figure where they were at the
4 end of 2017.

5 So I mentioned that that's the volatile ride
6 we've had; up six percent, down 10 percent, then
7 leveling out somewhere in between. That's continued I
8 think in late February into March. Certainly there
9 was another Friday I believe when it was the
10 president's announcements of possible steel and
11 aluminum tariffs. That injected a lot of volatility
12 in the market. Certainly, even members of his own
13 party, a lot of economists and I think Micro 101 that
14 when you add a tariff, that's passed on down to
15 consumer prices, et cetera.

16 So that was the next round of volatility we
17 saw in the sharp selloff followed by a rebound. And
18 then the last several days, you know, once we were
19 back into positive territory for the year within
20 equities, but daily volatility even over the last
21 three days here. So I think that exhibits -- that
22 further provided some rationale for us to again draw
23 from equities to fund the fixed income allocation.

24 Where we as of the end of yesterday, just for

1 some context, the Russell 3000, the total U.S. stock
2 market, is up 3.8 percent year to date. So again,
3 even with that rough ride, it's still in positive
4 territory. International markets are slightly lower,
5 up 1.4 percent. Again, I think that they had a
6 significant outperformance last year. There are some
7 I would say increased geopolitical tensions.

8 That's been one thing we've considered one of
9 the higher risks to the overall global equity market.
10 Certainly, our relationship with Russia has become
11 more volatile this year, Syria as well. There's been
12 some issues around the cease fire there and then
13 continued fallout from any potential British exit.
14 So, again, we continue to look for those but positive
15 equity markets at this point in 2018.

16 Within fixed income, interest rates were
17 raised three times in 2017. It's expected that that
18 will be the case again this year. And there was
19 actually a very positive employment announcement last
20 Friday. And again, the Fed, when they look to raise
21 rates, they look to inflation, employment. And, you
22 know, I think with an inflation check and unemployment
23 looking positive, it's expected that the Fed will act
24 to raise rates.

1 So interest rates, you know, especially in
2 the shorter end of the curve, have picked up so that's
3 why you see that Barkley's aggregate is down two
4 percent in 2018 to start the year. So that's, you
5 know, the context that we're looking at in this
6 February performance. So you've got -- based on the
7 way of the end point, you've got a month where the
8 plan was down 2.88 percent. Fortunately, even net of
9 all investment manager fees, that outperformed the
10 benchmark slightly.

11 You know, again, I think moving through the
12 managers, broadly at the allocation level again as of
13 the date of this report, the overweight to equities
14 did detract relative to fixed income, but again, if we
15 were to fast forward to looking at this as of today,
16 the overweight to equities again would've been
17 contributory. So again, you're looking at this as of
18 the end of the day on February 28th with market
19 volatility with the situation changing week to week.

20 Particularly, we're looking at the shorter
21 term as one month, one quarter. But I'll move through
22 some of the active managers and point out some
23 highlights. Pine Ridge, one of the newer managers,
24 was funded towards the end of last year so they've

1 really just got one full quarter in of performance
2 essentially right on top of the benchmark. They are
3 more closely aligned with that benchmark.

4 And you can see again from the corner the
5 slow lag fees. With the small cap managers, you know,
6 you can see some performance from Vaughan Nelson. You
7 might recall that Vaughan Nelson is on the watchlist.
8 They've had their own watch list for the last two
9 quarters. Largely --

10 MR. SCOTT: Where should I be at?

11 MR. GOLDSMITH: I'm sorry, Donn. We're
12 looking at --

13 MR. SCOTT: Still here? Okay.

14 MR. GOLDSMITH: We're just moving
15 through these managers.

16 MR. SCOTT: Okay. I got it.

17 MR. GOLDSMITH: You know, Vaughan
18 Nelson, their watchlist was really just tied to I
19 would say a rough year of performance in 2016. They
20 were pretty significantly overweight to the energy
21 sector. They are a valued investor looking to commit
22 to undervalued sectors that they view as attractive
23 valuations. That was the wrong call and they
24 underperformed their benchmark by 10 percent in 2016.

1 Now, that being said, they still did better
2 in calendar year 2016; a positive 21 percent return.
3 The benchmark was up 31 percent so I think that a 10
4 percent miss is not ideal. We prefer to see them, you
5 know, miss on the upside and add value on the down
6 side. That's positive to see they've done that. So
7 far year to date in the down market as of the end of
8 February, you can see down 3.8 versus the benchmark
9 down 5 and for the last quarter down 2.6, you know,
10 two percent higher than the benchmark.

11 So they do remain on the watchlist. You
12 know, they had some -- again, I speak to 2016. I also
13 speak to, you know, they had some selections issues
14 through the first three quarters of 2017. That
15 precipitated their addition. But they've exhibited,
16 you know, I would say good performance in a volatile
17 market since then. There's been no change to the
18 team, their style.

19 And so again, we were going to leave them on
20 the watch list for monitoring but this is the type of
21 performance that we like to see from managers that are
22 being highly scrutinized. When it comes to Eagle,
23 again, this is the small cap growth manager. You
24 know, again, they demonstrated nice outperformance

1 when in strong growth markets. They've also
2 demonstrated downside protection, at least in the
3 month of February.

4 When it comes to international equity, again,
5 you can see a bit of a greater negative absolute
6 return. Here, you have down four or five percent
7 versus three or so in the equity markets. Therefore,
8 I would say it's a mixed bag of active outperformance
9 and underperformance essentially right on top of the
10 benchmark. You can see monitoring lags slightly, you
11 know, for the month and the quarter. Harding
12 Loevener, you know, slightly outperforming its growth
13 benchmark, the MSCI, Etha growth. That's the second
14 one under that component.

15 And then you have Rhumblin obviously as the
16 passive component. And DFA Dimensional is the
17 dedicated emerging markets manager. You know, fairly
18 slight positive performance for the month, lagging by
19 about a percent for the quarter and, you know, about a
20 percent or so on the year-to-date basis of the plan
21 and calendar year to date. Dimensional is -- I'll
22 call it an enhanced index strategy.

23 It's a pragmatic portfolio, you know, run in
24 part by some quantitative models and it's designed to

1 generate a higher quality portfolio than the
2 benchmark. It does have a bit of a value bias as a
3 result. You know, they're looking -- really the
4 models are designed to look for attractive pricing in
5 the stocks that they have. And in a period where over
6 longer, you know, the one year number certainly when
7 growth stocks and sectors have outperformed, their
8 value bias will be a detractor slightly.

9 But again, going back to sort of what sort of
10 roles we're looking for here, you know, DFA generated
11 a 26.6 percent net return in a period where their
12 benchmark was up 30 percent. I think we again prefer
13 to see defensive downside protection when markets are
14 down even slightly.

15 MR. DIFUSCO: I know we talked about
16 this briefly at the beginning, but it's also just
17 important that that portion of the portfolio come May
18 is --

19 MR. GOLDSMITH: Yes, thank you.

20 MR. DIFUSCO: -- will look completely
21 different because you'll have Rhumblin assuming --
22 and I shouldn't be that presumptuous, assuming the
23 Commission accepts the recommendation, you'll have
24 Rhumblin, you'll have one index manager, and then

1 you'll have one active manager.

2 So you'll have presumably lower fees, you'll
3 have less managers, and you'll have an index manager
4 and a core active manager. So less monitoring and
5 hopefully lower fees and a more streamlined,
6 simplified portion of that.

7 MS. REINHART: When are we voting on
8 that?

9 MR. DIFUSCO: May. We'll bring in two
10 or three candidates for folks to interview and ask
11 questions, 20-to-30 minute presentations,
12 deliberations, et cetera. We're going through the --
13 Alex and I are calling the lists down now, you know,
14 to be more manageable. We'll do phone interviews and
15 then bring usually three acceptable candidates in.

16 MR. AMMATURO: That's the same thought
17 that we're going to have for small cap going forward
18 actually. Right now, you have a value manager,
19 Vaughan Nelson, and a growth manager, Eagle. The
20 thought is kind of you're investing on both ends of
21 the spectrum, you know, value and growth so why not
22 hire a core manager that's going to have maybe
23 characteristics of both and that would dampen the
24 volatility and would definitely lower fees because

1 you're moving a lot of assets to one manager as
2 opposed to splitting assets between two managers. So
3 that's coming as well.

4 MR. DIFUSCO: And we have -- it's not
5 on here because they haven't been funded but we do
6 have Rhumblin approved as a small cap index option.
7 I know I talked a little bit with Rosemund too about
8 the fees and I shared -- I've talked to Alex as well
9 and I do agree with Alex. I've also talked about this
10 before. I do find Vaughan Nelson's fee in small caps
11 to be high.

12 MR. GOLDSMITH: Yes.

13 MR. DIFUSCO: I think 20 percent is
14 high. Just by way of comparison, the three small cap
15 manager -- well, two small cap and one mid cap that we
16 have for large funds, one is 63 basis points, one is
17 81 basis points, and this Smith cap manager is 45. So
18 being at one percent with a manager that has some
19 volatility has I think exhibited some periods of
20 underperformance as folks, you know, at the table are
21 noting, I think looking for the core approach coupled
22 with the index manager is probably appropriate.
23 That's just my two cents on that.

24 MS. REINHART: When will that come up

1 for --

2 MR. GOLDSMITH: Well --

3 MR. DIFUSCO: The index is available.

4 MR. GOLDSMITH: The index is approved.

5 I think given -- I mentioned that Vaughan Nelson has
6 exhibited a pretty nice turnaround and performance the
7 second half of last year and year to date this year.
8 That is netted fees so that's netted at a one percent
9 investment fee. That certainly is high.

10 You know, I think our recommendation is to
11 maintain the current allocation but to fasttrack the
12 issuance of that small cap RFP so that we can see what
13 active managers are in the market, what sort of fees
14 they are willing to propose, and perhaps, you know,
15 hold a vote for that, not in May but it would probably
16 be July.

17 MR. AMMATURO: The second half of the
18 year, summertime.

19 MR. GOLDSMITH: I'll just -- really
20 quickly to get back to -- this has been a theme that
21 again was put in place when we started about two years
22 ago. We've accomplished this in the domestic large
23 cap. There was a value manager and a growth manager
24 that was combined and replaced with Pine Ridge.

1 You know, again, we're in the process of
2 doing that with international equity. I think that
3 would be our recommendation for fixed income as well.
4 So I don't know if there needs to be a motion to issue
5 an RFP?

6 MR. DIFUSCO: If we're going to
7 fasttrack it, yes, we traditionally ask for a motion
8 before we approve an RFP.

9 MS. REINHART: Is that what you're
10 asking?

11 MR. DIFUSCO: Please.

12 MS. REINHART: Oh, okay.

13 MR. DIFUSCO: I'm sorry.

14 MS. REINHART: No, that's okay. I
15 wanted to make sure that's what you wanted.

16 MR. DIFUSCO: Assuming we're in
17 agreement with that, we'd like to flow the small cap
18 quarter of RPF and attempt to fasttrack it.

19 MS. REINHART: That makes sense.

20 MR. SCOTT: So there's a motion to flow
21 the small cap domestic RFP. Is there a second?

22 MS. REINHART: There's a second, yes.

23 MR. SCOTT: A motion is made and
24 properly seconded. All those in favor?

1 MS. REINHART: Aye.

2 MR. SCOTT: Okay. Thank you.

3 MR. GOLDSMITH: Again, that you for
4 reminding me, Chris, that again the international
5 equity component of this plan, you know, the changes
6 are in process. And at some point when that decision
7 is made and the contract is approved, these mutual
8 funds, Mardrian, Harding, and DFA, will presumably be
9 out of the portfolio.

10 I'll flip to the back of this and speak to
11 the fixed income managers very briefly. You can see
12 for the overall component within fixed income
13 outperformance, you know, for the months, for the
14 quarter, year to date and the overtrailing periods.
15 That's again based not on the allocation because it's
16 not taking into account just for the asset class only.
17 But the active investment managers have incremental
18 value, you know, in the intermediate term.

19 Largely through diversification and the
20 addition of corporate credit that the Barkley's
21 benchmark is really a government and agency security
22 benchmark, adding the diversification and higher yield
23 of corporates has generally benefited these managers.
24 And then, you know, I think certainly the addition of

1 some of the intermediate duration managers over the
2 longer periods has been as well. So a more muted, you
3 know, lower volatility is just inherent with fixed
4 income so you can see it there.

5 MS. HOWARD: The performance on fixed
6 income is really impressive. That was the first thing
7 I noticed about this portfolio is all active
8 management. I mean, this is a space where people
9 fight over, you know, one or two basis points.

10 MR. GOLDSMITH: Right, exactly.

11 MS. HOWARD: So I guess my only comment
12 is you've brought on some managers that are really
13 proven especially in like interest rate volatility
14 environments and finding out how to seek out tiny
15 returns being short the yield curve which is hard to
16 do. That's what Logan's Circle made a name for itself
17 doing.

18 So, you know, I know that they're held to the
19 investment policy statement of being 80 percent of the
20 duration of the index but it may be worth just talking
21 to them about what limitations they, you know, may put
22 on their investment strategy, especially given, you
23 know, it sounds like PFM's own predictions on interest
24 rate volatility going forward.

1 MR. AMMATURO: We don't like to be in
2 the business of interest rate movements to be quite
3 honest so that's a very risky proposition. So we'd
4 rather hire managers with risk we can get our arms
5 around which is more like credit risk. So that's why
6 we're layering high yield today.

7 That's why you have a corporate only manager.
8 We really as a firm do not like to make bets on
9 interest rates, what the direction of interest rates
10 are going to be over the next one or two years.

11 MS. HOWARD: But Logan's Circle makes
12 those bets and that's why they were brought on as a
13 manager. So I guess what I'm saying is if you guys
14 were to basically compare their public strategies, so
15 their, you know, mutual funds with the SMA strategy
16 and you see that the same SMA strategy that they're
17 using to adhere to our IPS is very different from
18 their mutual fund strategy, then that may suggest
19 that, you know, we're not necessarily playing with
20 their strengths and the value that they could deliver
21 for us.

22 MR. AMMATURO: So you're implying
23 giving them more rope to make the --

24 MS. HOWARD: No. All I'm implying is

1 that perhaps now we don't know if we are like limiting
2 their ability to deliver on the short end of the yield
3 curve with our IPS.

4 MR. GOLDSMITH: I can actually add some
5 color there. So the IPS restriction applies to fixed
6 income as a whole not every individual manager. So
7 there are individual investment management agreements
8 outside of the investment policy statement that govern
9 things like credit quality, diversification, and
10 duration guidelines.

11 So Logan's Circle, I believe -- I think
12 they're typically wider than the overall IPS
13 constraints so that allows for any one manager to take
14 active bets on duration or sectors or even within
15 equities against, you know, if you have a concentrated
16 investment manager that wants to significantly
17 overweight a sector or stock.

18 The constraint -- by having the constraints
19 at the investment policy level, it allows for those
20 concentrated types of managers and it still usually
21 works out well because of the high indexing component,
22 particularly within equities obviously, that the
23 overall still looks similar to the benchmark but it
24 allows for again those managers who do what they want

1 to do.

2 MS. HOWARD: Yes, but there is no
3 indexing in the fixed income.

4 MR. GOLDSMITH: You're correct. But I
5 think it still allows -- I think you've got to be more
6 let's call it defensive managers within fixed income.
7 I think Garcia Hamilton, Weaver Barksdale, they are a
8 little more conservative than their components and
9 they have their power parts. They have less
10 overweights to credit for corporates, et cetera.

11 So, you know, again, that allows the more
12 traditional fixed income managers and you've got some
13 -- a little more aggressive managers. PFM can allow
14 for that again because the constraints apply to the
15 allocation as a whole, not any one manager, if that
16 makes sense.

17 MS. HOWARD: Okay.

18 MR. DIFUSCO: That being said, if you
19 have -- when you review the -- well, you have reviewed
20 it, but when you look at the IPS, if you have specific
21 suggestions, concerns, things you want to talk about
22 that you think that might be appropriate or that we
23 should have a discussion about, by all means I'm happy
24 to do that before the meeting and then if you'd like

1 to have it as an agenda item at a future meeting if
2 there's things in your opinion that should be
3 discussed and tweaked, we should do that.

4 MR. GOLDSMITH: Just real quickly just
5 getting back to Logan's Circle in general. I know
6 that they have in the past made some correct duration
7 calls and that's added value there. I think the
8 rationale behind their recommendation in hiring in
9 this plan was actually the superior quality of their
10 credit analysis. They employed a large staff of pure
11 credit analysts and that's their specialty, reviewing
12 corporate credits much like an equity analyst would.
13 So that's the role that we see them playing in this
14 portfolio.

15 MR. DIFUSCO: The only other thing I
16 wanted to add on to performance is just as an FYI that
17 the total fund value as of this morning is
18 significantly higher than it shows on the February
19 report so before the markets open, we were just at
20 under 555 million.

21 MR. GOLDSMITH: So, yes, things change
22 day to day.

23 MR. DIFUSCO: Things change day to day.

24 MS. REINHART: Can we join this pension

1 plan, the City pension plan?

2 MR. DIFUSCO: Well, you know, it's
3 funny that we're discussing the cash flows and such
4 before. I mean, you have -- not to go too far down
5 the road but you do have a little bit more -- I don't
6 want to say flexibility, but in my opinion you can
7 tolerate a little bit more volatility in this pension
8 plan because this plan is only needing to draw about
9 two million dollars.

10 I know it's a smaller plan but we only have
11 to push out two million dollars a month. The City
12 fund, which is obviously significantly less funded,
13 we're pushing out anywhere from 60 to 70 million
14 dollars a month in benefits. So when you have a
15 massive hit, you know, it makes it that much more
16 difficult if you're having to sell off assets towards
17 the bottom, right, because that's money you're never
18 going to get back. You're never going to -- when it
19 bounces back like this, it's gone.

20 MS. REINHART: Right.

21 MR. DIFUSCO: So I think -- again, not
22 to push for one strategy more than the other, but my
23 own personal view is we can tolerate a little more
24 volatility and we can give the cash flows the size and

1 we'll be able to push out.

2 MR. SCOTT: So you're saying the value
3 of the funds today --

4 MR. DIFUSCO: Correct, as of this
5 morning.

6 MR. SCOTT: -- was 555?

7 MR. DIFUSCO: Correct. It's about a 12
8 million dollar, 11 million dollar swing in the value
9 of nine, ten business days.

10 MR. GOLDSMITH: That's the end of my
11 prepared remarks but I tend to -- I think seeing where
12 we are, we've been very pleased with the performance
13 of this plan over the last year, year and a half and
14 even with the year to date now. So we continue to
15 move ahead with the initiatives that we've talked
16 about. And if there are any questions related to
17 those, related to the investment policies statement,
18 please reach out to Chris or reach out directly to us.
19 We have to address those.

20 MR. SCOTT: So let me just ask a very
21 simple -- this is a generic question. In terms of
22 your crystal ball for this year -- last year was
23 outstanding, right? So we can't duplicate that?

24 MR. AMMATURO: No. We're not going to

1 do that, no. But we're still -- as Alex already said,
2 we're still bullish on the equity markets on a
3 relative basis so that's why you see the positioning
4 in the portfolio. If we were concerned about economic
5 fundamentals and about the economy slowing down, about
6 a recession on the horizon, the portfolio would not be
7 positioned like this.

8 So we're still -- that's why you're
9 overweight in the equity portion of your portfolio
10 because the profitability is still strong. At the end
11 of the day, profitability drives stock prices. So we
12 can't sit here and say the stock market is going to be
13 up X percent but we can sit here and say we're more
14 bullish with the equity market than the bond market
15 and that's why your portfolio is structured like that
16 and you need that.

17 Obviously, incremental return, that's going
18 to be generated from the equity market to reach your
19 extra income which is north of 70 percent. But it's
20 hard to say, you know, what the number's going to be.
21 I'm not going to venture to guess that.

22 MR. SCOTT: No, no. Not what the
23 number's going to be.

24 MR. DIFUSCO: That's not part of your

1 contract.

2 MR. SCOTT: Is there any new business
3 that we need to address?

4 (No response).

5 MR. SCOTT: Then I guess there's a
6 motion for adjournment?

7 MS. REINHART: Motion to adjourn.

8 MR. SCOTT: All right. All in favor?

9 MS. REINHART: Aye.

10 - - -

11 (This concludes the hearing at 11:09
12 a.m.)

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C E R T I F I C A T I O N

I hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter dated March 14, 2018 and that this is a correct transcript of the same.

Amy Marzario
Court Reporter - Notary Public

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March 14, 2018

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