

**THE BOARD OF PENSIONS AND RETIREMENT
DEFERRED COMPENSATION PLAN MEETING
September 27, 2018**

There being a quorum, Jackie Dunn, Alternate Chair, called the Deferred Committee Plan Meeting to order at 9:52 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16th Floor.

Present:

Jacqueline Dunn, Alternate, Chief of Staff, Office of the Director of Finance
Ronald Stagliano, Vice Chairman, Trustee
Rebecca Rhynhart, City Controller
Christopher Rupe, Chief of Staff, Office of the Managing Director
Marsha Greene-Jones, Acting Director, Office of Human Resources
Brian P. Coughlin, Trustee
Carol G. Stukes-Baylor, Trustee
Veronica M. Pankey, Trustee
Francois Dutchie, Divisional Deputy City Solicitor

Francis X. Bielli, Esquire, Executive Director
Christopher DiFusco, Esquire, Chief Investment Officer
Bernard J. Buckley Jr., Deputy Chief Investment Officer
Shamika Taliaferro, Deputy Director of Pensions
James Cousounis, Chief Compliance Officer
William Rubin, Audit Manager
Dominique A. Cherry, Head of Private Markets
Tyrone Jordan, Senior Investment Officer
Kristyn Bair, Investment Officer II

Also Attending:

Kellan White, First Deputy Controller
Adam Coleman, Assistant City Solicitor
Ellen Berkowitz, Esquire, Senior Attorney
Sharolyn L. Murphy, Esquire, Senior Attorney
Lavonia Jenkins, Administrative Assistant
Jeffrey Francis, Nationwide
Bina Kumar, Nationwide
Brad Nyce, Nationwide
Kweku Obed, Marquette Associates
David Smith, Marquette Associates
Matt Coyne, Torrey Cove
Pam McCue, Financial Investment News
Matthew Vegari, City Controller's Office
Nick Hand, City Controller's Office
Tony Agentowicz, Voya Financial

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Agenda Item #1 – Approval of the Minutes of August 23, 2018 Board Meeting

Ms. Dunn requested approval of the Deferred Compensation Meeting Minutes for August 23, 2018. Ms. Stukes-Baylor made the motion to approve the minutes. Mr. Dutchie seconded. The motion carried unanimously.

Agenda Item #2 – Deferred Compensation Plan Update/Activity Report – August 2018

Ms. Kumar presented the activity report for the month of August 2018. The total 457 plan assets administered by Nationwide were \$1,196,617,882. Total participant accounts were 22,780 of which 79% are actively contributing to the plan. Ms. Kumar stated the 401A plan held over \$599,000 with 559 participants. Ms. Kumar noted there was an increase in telephone calls handled by the service line since July totaling 3,566 for the month of August and there were 90 incoming calls at the local office for the month. Mr. Nyce stated that there were 403 consultations, and 96 enrollments with Retirement Specialist and PRC. Nationwide held an Investing 101 workshop in the Board of Pensions training room with 30 attendees. Nationwide also held 2 lunch and learn workshops at MSB with a total of 111 attendees. The local office had 123 walk-ins for the month.

Mr. Stagliano commended the Pension and Deferred Compensation Staff for a job well done with the Police Retirement Seminar at FOP Building and also at the New Recruit Ceremony held at the Police Academy.

Agenda Item #3 – 2nd Quarter 2018 Deferred Compensation Plan Investment Performance

Ms. Cherry presented the DCP investment performance report. She stated as of June 30th DCP assets were nearly \$1.16 Billion and the total 401A assets were slightly over \$317,000. Three of the 24 funds in the lineup ranked below median for the 3 and 5-year periods: Dodge and Cox, Ariel, and Allianz. Staff is not recommending any action for Ariel or Dodge and Cox at this time but will monitor over the next 3-6 months. Staff is recommending the replacement of Allianz due to persistent underperformance.

Ms. Cherry stated Dodge and Cox underperformed against its benchmark in the second quarter due to poor May and June performance. She contrasted strong March-April performance. The fund has performed above median in 6 of the last 10 calendar years and in 3 of the last 5. The manager is ranked in the 1st percentile since inception. As it relates to Ariel, she noted that Ariel was the only Socially Responsible Option for participants in the lineup at a reasonable price and that the fund had less than a 1% participation rate. Given the low interest, the other Socially Responsible option was previously eliminated. Ms. Cherry explained that Staff was not concerned about Ariel at this point given that they were ranked in the 31st percentile since inception and had a solid first quarter performance where the fund was ranked in the 2nd percentile.

Ms. Rynhart suggested that the Staff Report include any supporting rankings or performance data, specifically any referenced calendar year returns, going forward.

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September 27, 2018**

Mr. Coughlin inquired whether Dodge and Cox had experienced any senior personnel turnover. Ms. Cherry responded that this information was sent to Staff from Nationwide monthly and that there had been none to her knowledge.

Mr. Stagliano inquired about a recent news release which referenced the addition of fund options specific to retired members. He asked whether the reference to a “post-retirement fund” referred to an entirely separate lineup of funds after retirement and whether Staff should consider this option for participants. Ms. Cherry responded that Target Date Funds are often categorized as either “to or through” retirement, and that in the latter category, there is usually an “income fund” within the respective target date family that meets the changing risk profile and income needs of the retiree should they decide to leave their assets in the DC plan. The Vanguard Target Date funds, which is the fund family offered to Board participants, does include a “post-retirement” or income option.

Ms. Stukes asked whether participants were aware of this option. Ms. Cherry advised that Nationwide Staff was educating participants on suitable investment options on an ongoing basis and that there was approximately \$25M currently in the Target Date Income Fund representing about 2% of total assets in the lineup.

Agenda Item #4 – Allianz Small Cap Value Recommendation

Ms. Cherry stated as of August 31, 2018 the assets in the Allianz Small Cap Value Fund were \$7.8M, representing approximately 0.65% of total assets in the DCP Fund. Staff is recommending a replacement for Allianz due to continued underperformance against its benchmark and peer universe. After screening and other due diligence, including consideration of criteria such as style, tenure of team, fees, risk and performance, Staff narrowed the candidates to two suitable options: Goldman Sachs Small Cap Value Insights R6 (“Goldman Sachs SCVI”); and Nuveen Small Cap Value R6. Based on comparison of risk/reward matrix which showed Goldman Sachs SCVI achieves greater return for risk incurred, and longer tenure of its portfolio team, among other factors, Staff recommended Goldman Sachs SCVI Fund.

Mr. Coughlin made a motion to accept Staff’s recommendation. Mr. Dutchie seconded. The motion passed with 2 abstentions.

Agenda Item #5 – 2nd Quarter 2018 Vanguard Money Market Report

Ms. Cherry stated as of June 30th the balance in the money market account was slightly over \$506,000. The total income through the second quarter was \$90,696. There were no expenses through the second quarter.

Ms. Cherry noted that the policy for issuing a participant rebate was when the account balance in the money market reached \$1M and Mr. Stagliano and Mr. Coughlin confirmed that the Board had adopted such a policy and rebate threshold.

**THE BOARD OF PENSIONS AND RETIREMENT
DEFERRED COMPENSATION PLAN MEETING
September 27, 2018**

Ms. Dunn asked if there were any new or old business. There were none.

At 10:10 a.m., Ms. Dunn requested a motion to adjourn the Deferred Compensation Plan Meeting. Mr. Stagliano made the motion. Ms. Pankey seconded. The motion passed.

Rob Dubow
Board Chair