

**THE BOARD OF PENSIONS AND RETIREMENT
INVESTMENT COMMITTEE MEETING
May 30, 2019**

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 10:19 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16th Floor.

Present:

Rob Dubow, Finance Director
Ronald Stagliano, Vice Chairman, Trustee
Rebecca Rhyhart, City Controller
Marcel Pratt, City Solicitor
Christopher Rupe, Chief of Staff, Office of the Managing Director
Leontyne Freeman, Alternate, Office of Human Resources
Brian P. Coughlin, Trustee
Carol Stukes-Baylor, Trustee
Matt Stitt, City Council Designee

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
Abdel-Aziz Ibrahim, Investment Officer

Also Attending:

Kellan White, First Deputy Controller
Francois Dutchie, Chief Deputy City Solicitor
Ellen Berkowitz, Esquire, Senior Attorney
Sharolyn L. Murphy, Esquire, Senior Attorney
Lavonia Jenkins, Administrative Assistant
Neshea Bumpus, Clerk Typist I
Brad Nyce, Nationwide
Bina Kumar, Nationwide
Kweku Obed, Marquette Associates
Jesus Jimenez, Marquette Associates
Nick Hand, City Controller's Office
Matthew Vegari, City Controller's Office
Will Greene, Loop Capital

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Agenda Item #1 – Approval of the Investment Committee Minutes of February 21, 2019, March 21, 2019 and April 25, 2019.

Mr. Dubow requested approval of the minutes of the Investment Committee meeting for February 21, 2019, March 21, 2019 and April 25, 2019. Mr. Stagliano made the motion. Ms. Stukes-Baylor seconded. The motion passed unanimously

Agenda Item #2 – Flash Report for The Period Ending April 2019

Mr. DiFusco presented the flash report. He also reported on reduction of fees by two equity managers: Fisher Asset Management (\$8,000) and Rhumblin (from 10 to 6 bps) for our international index funds. These reductions will result in a savings of approximately \$100,000 per year for the Pension Fund. Ms. Rhynhart asked whether the discounted fees were offered by the managers or were negotiated. Mr. DiFusco stated Fisher offered the reduced fee as part of their standard process and that Staff was continuing discussions with them. Mr. DiFusco added that Staff asked Rhumblin to lower their fees in light of the reductions by others in the space. Mr. DiFusco added that the fee schedule for all managers is provided in the back of every monthly flash report.

Ms. Rhynhart asked whether the flash report's fee schedule included carried interest. Mr. Obed stated that carried interest is not included; however, he will look into whether Marquette can include carried interest, and he will report back to the Board at an upcoming meeting. Mr. DiFusco stated that the full dollar amount of paid carried interest will be provided in July by Torrey Cove.

Mr. DiFusco and Mr. Obed reported on performance of SGA and Mackenzie (Investors Group). Mr. Obed reported that while both have underperformed, they have not deviated from their investment philosophies or processes. He noted that active managers will have periods where they lag their benchmarks and 2018 was a challenging environment for active managers within the international small-cap space. Mr. Obed recommended that both strategies stay "In-Compliance" and that no action be taken against either Mackenzie or SGA at this time.

Ms. Rhynhart requested that Marquette & Staff report back on SGA & Mackenzie (Investors Group) in three months. Ms. Rhynhart also requested updating of the reports to reflect the name change from Investors Group to Mackenzie. Mr. Obed agreed.

Mr. Dubow asked what factors would make Marquette change their recommendation. Mr. Obed explained that if, for example, Mackenzie suddenly made significant changes to buy momentum equities or SGA suddenly turned bearish on Japan, that deviation from their philosophies may trigger Marquette's loss of confidence and their consideration of recommending changes.

Mr. Stitt asked what length of time is the best practice to gauge performance of managers. Mr. Coyne and Mr. Obed responded that 1-3 years was the optimal time horizon: less than 1 year would be too short of time period according to industry best practices.

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Mr. Coughlin inquired about the spread in the Total Fund Composite return from the Fiscal YTD and 1-year performance numbers. Mr. DiFusco explained that the spread between the Fund's Fiscal YTD number and 1-Year performance number was primarily a result of sell-off by both bonds and equities simultaneously during the 4th quarter of 2018.

Mr. Dubow asked for any questions. There were none.

Agenda Item #3 – Investment Staff's Report

Mr. DiFusco presented the reports.

Mr. DiFusco announced that he communicated with representatives of Nationwide between the DCP and ICM meetings and was informed that there will not be a \$60 cap on Nationwide's expense reimbursement. All participants will provide receipts for any amount paid to correct/amend their tax returns and Nationwide will reimburse the participant.

Mr. DiFusco reported that Torrey Cove's contract will expire in late fall 2019. Mr. DiFusco added that Staff will begin the process to post an RFP for the Pension Fund's PE Consultant.

The upcoming Board meetings are June 27, 2019, July 25, 2019 and August 22, 2019.

Mr. Dubow asked for any questions. There were none.

Mr. Dubow asked if there was any new or old business. Mr. Dubow asked if there was any other business. There was none.

At 11:01 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. Mr. Stagliano made the motion. Mr. Coughlin seconded. The motion passed unanimously.

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

Rob Dubow
Finance Director
Chair, Board of Pensions and Retirement

