

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
July 26, 2018**

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 10:45 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16<sup>th</sup> Floor.

Present:

Rob Dubow, Finance Director  
Ronald Stagliano, Vice Chairman, Trustee  
Pedro Rodriguez, Director of Human Resources  
Rebecca Rhyhart, City Controller  
Christopher Rupe, Chief of Staff, Office of the Managing Director  
Carol G. Stukes-Baylor, Trustee  
Veronica M. Pankey, Trustee  
Francois Dutchie, Chief Deputy City Solicitor  
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  
Kristyn Bair, Senior Investment Analyst

Also Attending:

Kellan White, First Deputy Controller  
Jacqueline Dunn, Alternate, Chief of Staff, Office of the Director of Finance  
Sharolyn L. Murphy, Esquire, Senior Attorney  
Lavonia Jenkins, Administrative Assistant  
Kweku Obed, Marquette  
Dave Smith, Marquette  
Jeffrey Francis, Nationwide  
Natalie Toumazos-Flowers, Legal Counsel, Nationwide  
Bina Kumar, Nationwide  
Aaron Tellier, Merkle  
Marc Metzger, AVP Participant Solutions  
Will Greene, Loop Capital  
Pam McCue, Financial News  
Erwin Gant, Sturdivant & Co.

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
July 26, 2018**

**Agenda Item #1 – Approval of the Investment Committee Minutes of June 28, 2018**

**Mr. Dubow requested approval of the Minutes for June 28, 2018 (as amended to note that Marsha Greene-Jones was present for the meeting). Mr. Rodriguez made the motion. Ms. Pankey seconded. The motion carried unanimously.**

**Agenda Item #2 – Manager Reviews**

Mr. DiFusco, Mr. Smith and Mr. Obed presented the Investment Flash Report. Mr. DiFusco recalled that at the Board's request from the prior meeting, Staff & Marquette had prepared reports addressing the performance of both Brandywine and Ariel. He noted that currently, there were no long-term concerns about either of the investment managers' performance. Mr. Smith referenced the reports and provided attribution on Brandywine's performance. Mr. Smith explained that as a result of exposures in Brandywine's portfolio that are not contained in the benchmark, periods of significant differences in relative performance against the benchmark are expected. He added that despite these differences, it was still the most appropriate benchmark for the strategy and Brandywine's long-term performance was strong.

Mr. Dubow questioned how we could be certain that the strategy was performing as the Board desired or expected if the strategy was so different than the benchmark?

Mr. Smith answered that when considering currency exposure and Brandywine's role in the overall asset allocation, the expectation is that over time, the manager's returns will be superior to that of Core Fixed Income managers, outperforming its benchmark and adding value in the long term. The manager's long-term performance is strong.

Mr. Dubow asked whether Marquette expected them (Brandywine) to recover? Mr. Obed stated the outlook is promising.

Ms. Rynhart inquired on the since inception return of 7% given the data points shown and asked how Marquette arrived at this number.

Mr. Obed referenced the strategy's annualized performance and explained that the data shown was only a snapshot at a specific moment in time. He added that the since inception return was calculated using a formula which takes into account many more data points and cash flows. He also noted Brandywine's consistent outperformance versus the benchmark and its peers. Staff and Marquette indicated that they would follow-up and provide the Trustees w/ additional information on how annualized returns are calculated, making the data specific to Brandywine.

Mr. Obed provided a brief overview of Ariel and their strategy and noted that their performance is consistent with their strategy. He reiterated that neither Staff nor Marquette had any long-term concerns with the manager.

Mr. Dubow asked if there were any questions. There were none.

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
July 26, 2018**

**Agenda Item #3 - Core Open-end Real Estate**

Mr. Obed and Mr. Smith gave the report on open ended real estate. Staff and Marquette recommended adding approximately \$105M or 2% of assets to the two current Real Estate managers, UBS and Clarion, in the portfolio with the bulk of the assets going to UBS.

Mr. Bielli inquired about a recent article indicating that some commentators forecasted a slowdown in real estate purchases by Chinese investors. He asked how that might impact the proposed investments. Mr. Obed acknowledged the article but stated that Marquette did not believe the type of slowdown being forecast would have a material impact on the core, open-ended managers Clarion and UBS.”

**Mr. Dubow requested a motion for the Board to approve the recommendation to make the added allocations. Mr. Stagliano made the motion. Ms. Pankey seconded. The Motion passed unanimously.**

**Agenda Item #4 - Flash Report for The Period Ending June 2018**

Mr. DiFusco and Mr. Smith presented the Investment Flash Report. Mr. DiFusco reported that the Fund’s return for FY 2018 was 8.1%, 40 basis points over the benchmark. He added that the preliminary median return of a broader set of pension plan peers was 7.5%.

**Agenda Item #5 - Investment Staff’s Report**

Mr. DiFusco presented the reports on Securities Lending, AUM for Diversity and Local Managers and the Board Calendar.

The upcoming Board meetings are August 23, 2018, September 27, 2018 and October 25, 2018.

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

Mr. Dubow asked if there was any new or old business, or any other business.

**Mr. Stagliano made a motion to the Board to issue an RFP for a DCP Third Party Administrator. Ms. Pankey seconded. The motion carried unanimously.**

**At 11:15 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. Ms. Stukes-Baylor made the motion. Mr. Stagliano seconded. The motion carried unanimously.**

**At 11:15 a.m., Mr. Dubow 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. Rodriguez seconded. The motion passed unanimously.**

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
July 26, 2018**

**At 11:15 a.m., Mr. Dubow requested a motion to adjourn the Board of Pensions and Retirement Meeting. Mr. Rodriguez made the motion. Ms. Stukes-Baylor 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