

**THE BOARD OF PENSIONS AND RETIREMENT
INVESTMENT COMMITTEE MEETING
November 14, 2019**

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 9:58 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16th Floor.

Present:

Rob Dubow, Finance Director
Ronald Stagliano, Vice Chairman, Trustee
Rebecca Rhynhart, City Controller
Marcel Pratt, City Solicitor
Christopher Rupe, Alternate, Chief of Staff, Office of the Managing Director
Marsha Greene-Jones, Alternate, Deputy Director of Human Resources
Brian P. Coughlin, Trustee
Carol Stukes-Baylor, Trustee
Veronica M. Pankey, 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
James Cousounis, Chief Compliance Officer
Shamika Taliaferro, Deputy Director of Pensions
William Rubin, Audit Manager
Dominique A. Cherry, Head of Private Markets
Tyrone Jordan, Senior Investment Officer
Kristyn Bair, Investment Officer II
Abdel-Aziz Ibrahim, Investment Officer

Also Attending:

Kellan White, First Deputy Controller
Francois Dutchie, Chief Deputy City Solicitor
Adam Coleman, Assistant 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
Jeffrey Francis, Nationwide
Bina Kumar, Nationwide
Kweku Obed, Marquette Associates
Greg Leonberger, Marquette Associates
Matthew Coyne, Torrey Cove
Nick Hand, City Controller's Office
Pam McCue, Financial Investment News
Anu Patel, Cheiron
Brett Warren, Cheiron
Will Greene, Loop Capital
Arnold West, GIA Partners
Laura McCrystal, Philadelphia Inquirer
Keith Graham, Bergamot Asset Management
Kass Everett, Janney Montgomery Scott LLC
David Robb, Janney Montgomery Scott LLC

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Agenda Item #1 – Approval of the Investment Committee Minutes of September 26, 2019

Mr. Dubow requested approval of the minutes of the Investment Committee meeting for September 26, 2019. Mr. Stagliano made the motion. Ms. Stukes-Baylor seconded. The motion passed.

Agenda Item #2 – Asset Allocation Review and Recommendation(s)

Mr. Obed presented the Marquette Asset Allocation Review and Recommendation. Mr. Obed recommended Portfolio A of the Asset Allocation as it was projected to achieve the long-term target rate of return with lower expected volatility than the other portfolio mixes profiled.

Marquette also recommended incorporating a 10% allocation to Global Low Volatility (GLV) Equities as part of the new long-term asset allocation plan. He noted that this allocation will provide the Pension Fund with the opportunity to reduce the overall total volatility of the portfolio while also pursuing the long-term target rate of return goal.

For background, Mr. Obed added that when the asset allocation was changed in 2016, the Plan had a long-term target rate of return of 7.75%; over the past three (3) years, the target rate had steadily declined from 7.75% to 7.60%, and a further decline in the target rate from 7.60% to 7.55% was approved for FY2020. These declines allow a plan sponsor like the CPBPR to lower the longer-term expected volatility within the portfolio.

Mr. Bielli asked how quickly Marquette anticipated it would take to implement the 10% allocation to GLV. Mr. Obed responded it could take up to one (1) year, considering the RFP process, due diligence, and contract negotiations.

Mr. Coughlin inquired if it would take as long to reach GLV target as it has to reach private equity's allocation. Mr. Obed responded no: using International Small Cap as an example, it took several quarters; for private equity, it has taken over 3 years to increase from 6% to 9%.

Mr. Dubow asked about the actual exposure between U.S Equity and International within the 10% GLV allocation. Mr. Obed replied 52% US and 48% non-US, based on current market cap breakdowns; however, the benefit of having global exposure is that it enables the portfolio to tilt naturally and gradually to the global market segments that exhibit favorable fundamentals.

Mr. Pratt asked for the rationale for including Portfolio D option. Mr. Obed described its inclusion as a cautionary one to show the impact on the allocation of having no allocation to PE.

Mr. Dubow asked about the 2% decrease in Portfolio A's allocation to real assets. Mr. Obed replied that the decrease results from the natural exit from closed-end funds.

Ms. Pankey asked how much longer the Fund would remain in closed end real-estate holdings. Mr. DiFusco stated that, considering for example the most recent closed end real-estate fund which was 2016 vintage, realistically 10 to 12 years. Mr. DiFusco noted that some of the recent closed-end real estate funds had performed very well, some with 24%-25% positive returns.

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Ms. Stukes-Baylor asked about some of the managers in this space and Mr. Obed provided the names of a few prominent managers.

Mr. Stagliano made the motion to accept Portfolio A option of Marquette's recommended Asset Allocation. Ms. Rhynhart seconded the motion. The motion passed unanimously.

Agenda Item #3 – Private Equity Investment Recommendation: Brightwood

TABLED UNTIL FURTHER NOTICE.

Agenda Item #4 – Flash Report for The Period Ending September 2019

Mr. DiFusco reported the returns as of September 30, 2019. Mr. DiFusco stated the Plan returned +11.4% YTD, slightly behind the Total Fund Policy Benchmark of + 11.6%. The Pension Fund's 3-month return was 0.3%, which was in line with the Policy Benchmark. He added that the Fund had a +1.3% net return for the month and outperformed the Policy Benchmark by 10 basis points.

Mr. DiFusco provided the estimated returns for October. The Fund was up almost 1.7% for the month, ahead of the benchmark by 30 basis points, and was up slightly over 2% for the fiscal year, also ahead of the benchmark by 30 basis points.

Mr. DiFusco noted that Elizabeth Park's performance had improved: currently up 6% YTD through the end of October and up 65 basis points for the month. Mr. Dubow asked about the explanation for their negative returns and Mr. DiFusco responded that they were positioned "net long", did not have a significant amount of short positions (relative to their longs), and that Staff had no concerns.

Ms. Rhynhart noted that the UBS Trumbull Fund had stabilized as Mr. Obed previously said it would. Ms. Rhynhart inquired about Brandywine. Mr. DiFusco responded that Staff did not have actionable concerns: their long-term performance had been good, and they have remained compliant with their strategy.

Ms. Stukes-Baylor asked what investment manager Staff would recommend to replace Fisher. Mr. DiFusco stated Staff recommended posting an RFP to replace Fisher.

Ms. Rhynhart inquired about Causeway. Mr. DiFusco noted that Staff planned to reduce Causeway's allocation by \$25-35 million to raise funds for benefits, which will still leave the Fund with a sizeable allocation of about 75-80 million with this manager. Ms. Rhynhart noted she supported reduction due to their underperformance and high fees.

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

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Agenda Item #5 – Investment Staff’s Report

Mr. DiFusco presented the reports and updated the Board meeting schedule. The upcoming Board meetings were December 5, 2019 and January 23, 2020.

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

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

At 11:25 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. Mr. Stagliano made the motion. Mr. Coughlin seconded. The motion passed.

At 11:25 a.m., Mr. Dubow convened a meeting of the full Board and the Board unanimously affirmed the actions taken at the Deferred Compensation Plan Meeting and at the Investment Committee Meeting.

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

Rob Dubow
Finance Director
Chair, Board of Pensions and Retirement