

**THE BOARD OF PENSIONS AND RETIREMENT  
INVESTMENT COMMITTEE MEETING  
December 5, 2019**

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 10:00 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16<sup>th</sup> Floor.

Present:

Rob Dubow, Finance Director  
Jacqueline Dunn, Alternate, Chief of Staff, Office of the Director of Finance  
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

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:

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, Office Clerk II  
Brad Nyce, Nationwide  
Bina Kumar, Nationwide  
Kweku Obed, Marquette Associates  
David Smith, Marquette Associates  
Matthew Coyne, Torrey Cove  
Michelle Davidson, Torrey Cove  
Nick Hand, City Controller's Office  
Sarah DeNault, City Controller's Office  
Pam McCue, Financial Investment News  
Keith Graham, Bergamot Asset Management  
Kass Everett, Janney Montgomery Scott LLC  
David Robb, Janney Montgomery Scott LLC  
Patti Melcher, EIV Capital  
David Finan, EIV Capital  
James Kirby, Deerpath Capital  
Natalie Garcia, Deerpath Capital  
Antonella Napolitano, Deerpath Capital

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**Agenda Item #1 – Approval of the Investment Committee Minutes of November 14, 2019**

**The minutes of the Investment Committee meeting held on November 14, 2019 will be provided at the next Board meeting.**

**Agenda Item #2 – Private Equity Investment Recommendation: EIV**

Ms. Cherry presented the Investment Staff Report, along with Michelle Davidson from Torrey Cove. Staff and Torrey Cove recommended that the Pension Fund invest a total commitment of \$45 million into the EIV Capital Fund IV and the EIV Capital IV Top-Up Fund (“Top-Up Fund”). The Top-Up Fund will co-invest alongside Fund IV in one to two high conviction, larger investments.

Staff in conjunction with Torrey Cove have concluded that EIV Capital Fund IV offers the Board an attractive investment opportunity in U.S.-based midstream focused energy businesses, which includes a separately managed co-investment account. Ms. Cherry noted that the Board had previously committed capital to EIV Fund II and III. Ms. Cherry added that EIV is a women-owned firm, the investment offered downside protection and a European distribution waterfall, and the higher fees are supported by its performance and the sidecar co-investment.

Ms. Patti Melcher and David Finan of EIV Capital provided a brief overview of the firm, performance and strategy. The fund generally invests in companies that independently generate positive operating profit based on agreements with credit-worthy counterparties and the potential for mid to long-term appreciation.

Ms. Rhynhart asked if the fund invested only in companies domiciled in the U.S, to which Ms. Melcher replied affirmatively. Ms. Rhynhart asked what was done with the water generated from the drilling operations. Ms. Melcher explained is water produced as a byproduct during the extraction of oil and natural gas is pumped back into the ground.

Mr. Stagliano asked about the decision-making process for deal approval. Ms. Melcher explained that a majority vote by the investment committee is required for approval of an investment. Each partner is given the opportunity to vote.

Mr. Dubow asked has there ever been a “no” vote. Mr. Finan stated that it has not happened yet.

Mr. Pratt inquired how the City would respond if questioned about this investment’s consistency with the City’s sustainability initiatives. Mr. Finan & Ms. Melcher stated that EIV is an energy service business that removes emissions out from the air and their focus is environmental safety and responsible business activities.

Mr. Coughlin inquired about the change to the key person provision. Ms. Davidson and Staff responded that they were comfortable with the two-person trigger and believed internal firm dynamics was the reason for the change.

Ms. Stukes-Baylor inquired about the no-fault cancellation threshold and whether it had increased. Staff determined it had not changed from the previous investment with EIV.

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**Mr. Stagliano made the motion to accept Staff and Torrey Cove's recommended commitment of \$45 million to EIV Fund IV. Mr. Coughlin seconded the motion. The motion passed unanimously.**

**Agenda Item #3 – Private Equity Investment Recommendation: Deerpath**

Investment Staff's report was presented by Mr. Buckley and Mr. Ibrahim and Mr. Matthew Coyne from TorreyCove.

Staff in conjunction with Torrey Cove concluded that Deerpath Capital V offers the Board an attractive investment opportunity in first lien senior secured loans made to lower middle market companies owned by private equity sponsors.

Staff and Torrey Cove recommend a commitment of \$45 million to this investment with Deerpath. As with Deerpath Fund IV, Staff and Torrey Cove are proposing to invest in the unlevered vehicle.

Mr. Coyne stated that Deerpath's previous unlevered funds have produced an average gross return of 10%-12% and net Internal Rate of Return (IRR) of 6%-9%. Ms. Rhynhart asked about the spread between the gross and net returns. Mr. Coyne explained the process by (and when) fees were calculated and paid during the loan repayment cycle(s).

Deerpath presenters - Mr. James Kirby, Antonella Napolitano, and Ms. Natalie Garcia. Mr. Kirby provided a brief overview of the firm, as along with an update on performance and strategy. Mr. Dubow asked how often a payment default occurs. Mr. Kirby stated it is very rare and more common to have a ratio default. Ms. Rhynhart asked if the quarterly consent provisions mean they are unable to get another loan. Mr. Kirby states that with the consent language, the borrower would have to pay off the loan before another one is issued.

Mr. Bielli asked how does the firm handle competition from other lenders. Mr. Kirby stated they will compete on loan pricing but will not compete on risk. Deerpath tries to differentiate itself with a focused top-tier service-based approach and relying on their reputation and experience in the business community Mr. Bielli asked if they have seen any of the companies diminish relationships with the firm. Mr. Kirby stated that they have not and are growing relationships with other companies.

**Mr. Stagliano made the motion to accept Staff and Torrey Cove's recommended commitment of \$45 million to Deerpath Fund V. Mr. Coughlin seconded the motion. The motion passed unanimously.**

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

Mr. DiFusco presented the reports as of October 31, 2019.

Mr. Obed stated they are working for a strong finish going into 2020 for the portfolio.

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Ms. Rhyhart asked Mr. DiFusco if he thought Elizabeth Park was losing their “edge” as the investment seemed to be dragging. Mr. DiFusco stated since October returns have increased, and Staff has confidence in the manager.

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

Mr. DiFusco presented the reports.

The upcoming Board meetings are January 23, 2020, February 27, 2020 and March 26, 2020.

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 11:34 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. Mr. Stagliano made the motion. Ms. Stukes-Baylor seconded. The motion passed.** The Investment Committee of the Board of Pensions and Retirement approved the Minutes on

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Rob Dubow  
Finance Director  
Chair, Board of Pensions and Retirement