

**THE BOARD OF PENSIONS AND RETIREMENT INVESTMENT COMMITTEE MEETING
February 25, 2016**

MEETING MINUTES

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 10:06 a.m., in the Board Conference Room, 2 Penn Center Plaza, 16th Floor.

Present:

Rob Dubow, Finance Director
Paula Weiss, Esquire, Alternate, Deputy Director of Finance
Alan Butkovitz, Esquire, City Controller
William Rubin, Alternate, First Deputy City Controller
James Leonard, Esquire, Alternate, Chief Deputy City Solicitor
Brian Abernathy, Alternate, First Deputy Managing Director
Brian Albert, Alternate, Deputy Human Resources Director
Carol G. Stukes-Baylor, Trustee
Ronald Stagliano, Vice Chair, Trustee
Veronica M. Pankey, Trustee
Matt Stitt, City Council Designee

Francis X. Bielli, Esquire, Executive Director
Shamika Taliaferro, Deputy Pension Director
Brad Woolworth, Chief Investment Officer
Christopher DiFusco, Esquire, Director of Investments
Dominique A. Cherry, Senior Investment Officer
Daniel Falkowski, Senior Investment Officer
Aubrey Hassan, Investment Analyst
Kristyn Bair, Investment Analyst

Also Attending:

Patricia Fitzgerald, Hiring Service Manager
Ellen Berkowitz, Esquire, Deputy City Solicitor
Adam Coleman, Esquire, Assistant City Solicitor
Jo Rosenberger-Altman, Esquire, Divisional Deputy City Solicitor
Jackie Dunn, Finance
Jeffrey Hornstein, Director of Financial & Policy Analysis, Office of the City Controller
Lavonia Jenkins, Administrative Technician
Erica Marable, Clerk Typist I
Steve Nesbitt, Cliffwater
Kenneth Kent, Cheiron
Anu Patel, Cheiron

Mike Dunn, Deputy Communications Director
Isaiah Thomas, Director of Community Affairs
Claudia Vargas, Philadelphia Inquirer

Agenda Item #1 – Approval of Minutes for February 25, 2016

Mr. Dubow opened the meeting and requested approval of the Minutes for February 25, 2016. Mr. Stagliano made the motion. Mr. Rubin seconded. The motion passed.

Agenda Item #2 – Cheiron – Annual Actuarial Valuation Presentation for fiscal year ending June 30, 2015

Kenneth Kent, of Cheiron, presented the annual actuarial valuation for FY ending June 30, 2015. The report was compiled as of July 1st, 2015.

Agenda Item #3 – Pension Adjustment Fund (“PAF”) Update

Mr. Butkovitz asked if 10% of the pre 1987 Plan personnel are still active and Mr. Kent answered it was roughly 2,500. Nearly \$5 billion of \$5.7 billion in unfunded liability is for Plan 67.

Mr. Butkovitz asked if Cheiron had the ability to calculate the impact of offering active employees and retirees in Plan 67 full buyouts or partial buyouts with a transition to Plan 87 as a way to reduce the unfunded liability. Mr. Kent answered yes but it will take a while. Mr. Butkovitz indicated he would like the analysis within 30 days. Ms. Pankey reiterated the Controller's request with respect to the partial buyout and transition from Plan J to Plan Y.

Mr. Butkovitz asked when the MMO would peak and Mr. Kent answered in about 10 years, in 2025.

Mr. Stagliano made a motion to lower the assumed rate of return to 7.75%. Mr. Brian Coughlin seconded the motion. The motion passed.

Mr. Stagliano made a motion on the PAF - that the excess \$7.8 million be moved to a third year payment since the Board has already setup to do the calculation from the previous year's excess earnings for a current year payment. Mr. Butkovitz seconded. The motion passed.

Mrs. Veronica M. Pankey asked if the parameters are going to remain the same for the third payment. Mr. Stagliano answered the parameters would be the same, just the year will advance so there would be a small portion of new people who will become eligible and the multiplier will change slightly.

Agenda Item 4: Hedge Fund Portfolio Review & Recommendation

Mr. Brad Woolworth made the presentation. Mr. Woolworth made the recommendation that we move out of the majority of hedge funds, excluding three: 400 Capital, Axonic and Elizabeth Park. The staff plans to reach out to these managers to negotiate lower fees and better overall terms.

Mr. Dubow asked if this was due to the number of funds that are not producing earnings. Mr. Woolworth confirmed.

Ms. Weiss wanted to clarify that the authority he was requesting involved going back and restructuring the fee agreements with the remaining hedge funds and asked if a particular structure is being

pursued. Mr. Woolworth said yes and indicated lower fees and inclusion of fund expenses were among the items being pursued.

Mr. Dubow requested a motion. Brian Abernathy made the motion, Mr. Albert seconded. The motion carried with one abstention (Ms. Stukes-Baylor).

Carol Stukes Baylor asked if any legal action was needed. Mr. Leonard answered briefly that the Board has the right at any time to terminate a manager.

Agenda Item 5: Flash Report for the Period ending in January 2016

Mr. Steve Nesbitt of Cliffwater made the presentation to the Board.

Agenda Item 6: Fourth Quarter 2015 Directed Commissions Report

Mr. Brad Woolworth commented that managers are doing a great job.

Mr. Leonard asked what changed within the last 3 to 5 years that resulted in the numbers being materially better. Mr. Woolworth said electronic trading has increased efficiency and acted as an equalizer; allowing smaller firms to have as many advantages as a larger firm.

Mr. Bielli added that the subcommittee that Mr. Ron Stagliano and Ms. Carol Stukes – Baylor spearheaded also was a factor in better numbers.

Agenda Item 7: CIO's Report

Mr. Brad Woolworth presented the reports. The total security lending income for the month of January 2016 was \$116,810, which is in line with expectations.

Mr. Woolworth updated the Board on Quality D and also the Plan's percentages for diversity, local and female assets under management. He said a few managers have come off as managers but Ariel, an African-American firm, was added at a total of approximately \$30 million dollars.

Mr. Woolworth shared the next scheduled board meetings are: March 24th, April 28th and May 26th. Ms. Carol Stukes – Baylor requested the May 26th meeting be moved to the following Thursday on June 2nd. The May meeting was moved to June 2nd.

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

At 11:52 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. Mr. Abernathy made the motion. Mr. Albert seconded.

At 11:53 p.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. Albert made the motion. Mr. Stagliano seconded. The motion passed.

At 11:54 p.m., Mr. Dubow requested a motion to adjourn the Board of Pensions and Retirement Meeting. Mr. Stagliano made the motion. Mr. Albert seconded. The motions passed

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

Rob Dubow
Board Chair