**THE BOARD OF PENSIONS AND RETIREMENT**
**INVESTMENT COMMITTEE MEETING**
**JUNE 26, 2014**

# MEETING MINUTES

There being a quorum, Rob Dubow, Finance Director, Board Chair, called the Investment Committee Meeting to order at 9:45 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
Francois Dutchie, Esquire, Alternate, Divisional Deputy City Solicitor
Brian Albert, Alternate, Deputy Human Resources Director
Albert D'Attilio, Director of Human Resources
Carol G. Stukes-Baylor, Employer Trustee
Ronald Stagliano, Employee Trustee
Andrew P. Thomas, Employee Trustee
Veronica M. Pankey, Employee Trustee
Folasade A. Olanipekun-Lewis, City Council Designee

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

Also Attending:

Jo Rosenberger-Altman, Esquire, Divisional Deputy City Solicitor
Katherine Janoski, Esquire, Assistant City Solicitor
Mark J. Murphy, Board of Pensions
Patricia Fitzgerald, Human Resources Program Specialist
Jackie Dunn, Finance
Richard Sensenbrener, Finance, (Accounting)
Daina Stanford, Administrative Assistant
Donna Darby, Clerk-Stenographer II
Carmen Heyward, Clerk-Stenographer II

Steve Camp-Landis, PICA
Mark Johnson, Cliffwater
Stephen Nesbitt, Cliffwater
Robert O'Donnell, Esquire, O'Donnell Associates
Ken Kent, Cheiron
Anu Patel, Cheiron
Karen Zangara, Cheiron
Brad Atkins, Franklin Park
Ray Jackson, Franklin Park
Ramzi M. Musallam, Veritas Capital
Hugh D. Evans, Veritas Capital
Benjamin M. Polk, Veritas Capital
Terry A. Williams, Sturdivant & Company, Inc
Pam McCue, Finance Investment News
Joe DiStefano, Philadelphia Inquirer
Will Greene, Loop Capital
Tyler Schantz , Mayor's Internship Program

## Agenda Item #1 – Approval of the Minutes of June 3, 2014

Mr. Dubow opened the meeting and requested a motion to approve the June 3, 2014 Minutes. He was advised that the minutes were pending.

## Agenda Item #2 – Cheiron Experience Study Update

Mr. Dubow advised that there were technical problems with the electronic presentation, and Cheiron would be using the hard copy of their presentation.

Mr. Kent said that Cheiron would talk about the cost implications of the alternative assumptions that were presented back in March, as part of the experience study filed in March with the State.

The first set (page 2) of alternative assumptions dealt with four items. Just to review, they talked about marginal changes to the salary scale. The salary scale was what they expected the person's pay growth to be through their career with the City under the different divisions of uniform and non-uniform groups. It was based on their age. So, it was anticipated that the older the participant, the lower the rate of growth because the expectation was to get productivity growth early in a participant's career as they become more proficient in the job.

For retirement rates, Cherion increased the rates for 67 Plan participants, and, overall, decreased rates for 87 Plan participants. They not only saw that experience with the City, but generally, across the country because those employees, particularly in public plans, who had the opportunity to participate in defined benefit plans were retiring at later ages. They are capable of performing their services longer, and the security provided them with more benefits, both as active employees and as retirees. For disability rates, there was an increase seen in the uniform employee disability rates and some modifications in the rates for the non-uniform employee. These changes were all reflected in the experience study.

For mortality rates, in this instance, Cheiron was going to look at the cost of two alternatives. One alternative, which was traditional, was to move the mortality rate expectation or the longevity of life of the participants closer to the actual experience. There were a number of different philosophies about that: How long could they continue to see improvement in life expectancy? Was it the ultimate age that they could expect people to live and continue to grow, or was it that people were working for a larger portion of that age.

There is a lot of friction about changing attitudes about retirement. The IRS code held age 65 as the normal retirement age for private plans. Social Security was moving to age 68, and it probably would not be long before it moved to age 70 before being eligible for Social Security.

Mr. Kent moved to (page 3) the cost implications of each of the four assumption changes. The first was the salary scale. The changes in the salary scale would reduce the liabilities because of reducing the projected benefits that they anticipated the Plan would have to pay because salaries would grow slower than previously expected. That had a component of a liability change, which was amortized over 15 years, and then a component to the benefits being earned each year or the normal cost. The report was showing the two components, the amortization of the liability gained and the normal costs to show the impact for the MMO. In this instance, the MMO would go down $8.2 million in a year or about 1.48% payroll.

The retirement change increased the liabilities but decreased the normal cost. They wanted to illustrate why that happened because it seemed counterintuitive. If one was increased, why would the other not go up?

The disability rates decreased the liability and increased normal costs. What occurred when changing the liabilities? They looked at the impact of the change of the benefits that had been earned versus the impact to the benefits that would be earned in the future.

The fundamental nature of the funding method, the entry age normal method used by public plans, looked at the projected benefit to define how much had to be paid over a working person's entire working life from the date that they entered to the day they were expected to retire and get a normal amount. That was how they defined the normal costs. The actuarial liability was the accumulation of the normal costs. In looking at changes in demographics, it changed that period of time that a person would be in the Plan. If it was assumed that they would retire later, that extended that period of time. So, the normal costs could go down. If they changed disability rates, they were pulling people out at a different time than they previously assumed, which could compress the normal costs, causing it to go up. At the same time, they would reduce the benefits that they thought they would have to pay, which would reduce the liability.

The mortality assumption was the second biggest driver of the experience in the Plan behind investment returns, and increased the liabilities by $220.0 million and increased the normal costs by $1.8 million, resulting in $25.4 million increase in the MMO.

Mr. Kent (page 13) recalled from the previous experience study there were similar increases in the mortality assumptions, where the mortality assumption increased the liability by $240.0 million. They also had dramatically larger decreases in the salary scale. It was right after the market declined, and the expectation was that salary rate would not grow in the way that it used to grow. They offset each other. There was a

$26.0 million decrease in the MMO for salary scale, which offset the $29.0 million increase for mortality assumptions.

If we assumed that people would retire at different ages, as long as they had not yet retired, they might be exposed to turnover or disability during that period. If they retired later, they were subjected to a couple of more years of risk for disability. So, they were interrelated, and Cherion looked at all of the probabilities of what was going to happen to each individual next year in a combined fashion. The sum of the pieces did not exactly equal the total, but what they were showing in the total was that if all of the assumptions were made, then the liabilities would go up by $191.3 million. The normal cost would go down by, about, $2.0 million. The net impact on the MMO would be a $17.9 million increase.

Mr. Dubow asked Mr. Kent if the increase was offset by $16.0 million. Mr. Kent answered that he was correct.

Mr. Rubin asked Mr. Kent when they looked at the salary scale was that the 3% growth that he was explaining. He answered that the salary scale was probably not 3.3%. In looking at what they expected an individual's salary growth to be, the 3.3% was in looking at the total payroll of June 30, 2014 compared to the total payroll of June 30, 2013.

Mr. Rubin asked Mr. Kent if payroll had not grown. He answered that during the study period it decreased, because the active roles decreased, as an effort of the City to hold down payroll growth. For the longer term, over 30 years, they would anticipate that the payroll growth would grow by something like inflation plus.

Mr. Rubin asked Mr. Kent if the Board should analyze it based on the numbers from the last seven years or eight years going forward for the next three or four years based on that same model. Mr. Kent said the point was that the payroll growth assumption, the 3.3%, used to be very important because whether calculating the MMO or the City's funding policy, the major portion of the amortization of the unfunded was being amortized on an increasing basis, and that would increase by the payroll growth. So that, in theory, it would remain level as a percent of pay. So, if they assumed that the cost was 20% of pay, they were trying to achieve a 20% cost each year. As payroll was anticipated to grow, that dollar amount would grow, but they would still remain at 20%.

Mr. Rubin asked Mr. Kent if the dollar amount was trying to cover the liability because they assumed that the employees would have bigger pensions because of raises. He answered that it was year-over-year payroll growth. So, the cost was at level percent of pay. It was appropriate when they benchmarked the City's funding policy, which they still maintained in their valuation reports for historic purposes. For the MMO purposes, back in 2009, instead of amortizing the unfunded as a level percent of pay, which meant paying less now, it was assumed that it would grow by 3.3%

In getting back to Mr. Rubin's question, the actual growth in payroll based on individuals that worked for the City and on what they were granted each year, was accounted for in the salary scale, in item number one, that anticipated what they expected with each person's pay and that they expected would improve with age over time. That salary scale was used to define the person's projected benefit.

Mr. Dubow asked Mr. Kent if it made an assumption about how salaries would grow. He said yes. Mr. Dubow asked if that was Mr. Rubin's question, and if what it assumed related to growth. He answered that it was a tabular rate.

Mrs. Stukes-Baylor recalled that the Board had looked at changing the salary scale from what they did before and related to Mr. Rubin's question. Mr. Kent said that they were looking at modifying the scale. It was not 3.3%. In the previous report that they presented in March, it was a table that said from age 40 to age 44, average pay increases were 2.43% for municipal, 4.16% for Police and Fire and the combined rate of 3.2% coincidentally, because of the 3.3%. They expected it to be 4.3%. So, anybody that fell in that age group, on average, they expected was going to see a 4.3% pay increase in each of the last five years. The modification that they put forward was to bring that down to 4%. So, he understood that there was discussion that some people did not get pay increases or some of it was retroactive. That would be in the next study when those things were brought up to date.

Overall, they were seeing that the pay growth schedule, the expectation of salary growth for the City and across the country, had slowed down. This was obvious, when thinking about pay growth as typically a function of inflation, some productivity, and some merit or step for longevity. In that the further in their career that they were, pay growth was expected to drop related to recognition of improvement. New employees were expected to get productivity, and as they were in the system for a while, they would get merit, and some longevity. By reducing the expectations under the schedule, it reduced the benefits, where they had less liability than they thought they needed before changing the assumption, and it reduced the costs going forward.

Mr. Rubin asked Mr. Kent why they were using 2005 to 2009 instead of 2009 to 2013. He answered that was the previous study. Mr. Rubin asked if the study that they were doing now was 2013. He said yes. Mr. Rubin asked if that was what they used for the next year. Mr. Kent answered that the assumption changes that they identified were to be applied July 1, 2014, which would affect the fiscal year 2016 contribution. Mr. Rubin asked what they used for the 2009 to 2013 range. He answered that they used the 2009 to 2013 experience.

Mr. Dubow said that the alternative that Mr. Kent used looked slightly higher than the 2009 to 2013 experience. So, Cheiron was expecting some piece above what happened in 2009 to 2013. Mr. Kent said, yes, what was seen from 2009 to 2013, for ages 25 to 29 was 6.55%. Their assumption was 7.55% during the same period. Their assumption now was 7%.

Mrs. Stukes-Baylor said that pay growth was not held down. There was none. She asked if the experience study (the changes to the salary scale) was the period from 2004 or 2009. Mr. Kent said that it was 2009 to 2013. She said the main union that had an increase during that year was the Police. The other unions did not have increases, with very little hiring done for the non-uniform side, and the non-uniform and exempts were restored to their positions. It was her thought that the motion to change the salary scale the last time was to reflect it. She asked if was reflected. He said that his understanding was that she was saying that they did not get increases. She answered, of course. He said that the experience said there were increases. For the municipal, over the five years, the average increase was 2.69%. For Police and Fire the average increase was just under five percent a year. The combined increase was about 3.53%. There were increases. They might have been steps or merits.

She said that he looked at non-representatives and exempts that got increases. The people represented by District Councils 47 and 33 got nothing for the last five years. She asked if it included supervisors' unions who received the raises because the majority of the non-uniformed work force did not get increases.

She expressed her understanding that they discussed it and from the last time that they were supposed to look at this it was supposed to show the actual increase. His report had two unions, and actually, three, because the firefighters' award was challenged.

Mr. Thomas said that their award was appealed for four years, and it was settled. She said that it was September of the year 2013, which made it 2014 and not 2013, because it was settled in fiscal year 2014. Her point was that during that time nobody received a raise. Only the Police received a raise. She asked why the salary scale did not reflect this.

Mr. D'Attilio said that it may not make a difference, but the non-representatives and the Local 2186 members received a 2.5% raise in October of 2012.

Mr. Dubow asked Mr. Kent if the report included the people who were promoted. Mr. Kent said yes.

Mrs. Stukes-Baylor asked Mr. Dubow how many people were promoted. He said he did not know but they had a scale in the June 30, 2013 study. She said if they were going to be truthful and talk about the numbers, the truth was that the majority of the work force did not get a raise in the contracts negotiated, except for Police, who got a raise. For the most part, 80% percent of the work force did not get a raise. It was her recollection that they talked about it when they made the motion to change the salary scale.

Mr. Dubow asked if Mrs. Stukes-Baylor's thought was that the reduction should be bigger. She said yes.

Mr. Kent reminded everyone that the assumption was to be used going forward. That if people did not get raises, and it was assumed that they did according to the previous assumptions, there was an experience gain. The Plan received a gain because on a projected basis, their benefits would not be as high as assumed.

Mrs. Stukes-Baylor said that they were not. So, for the last five years, the non-uniformed peoples' pension was at the same place as they were five years ago. If they retired today, they would be calculated based on the same salary of the last three years, which was the same salary they received in 2005, except for those people who did overtime. Basically, the pension fund gained, but the employees were not gaining because it was based on the same salary from 2004 to 2009.

Mr. Kent said for study purposes, they would be studying the last five years of data to compare the actual increases to the assumed increases. If the increases were not in the data, and their experience as shown was lower than expected, it could be because it was understated. In that regard, the question was if the alternative was realistic in assuming that, going forward, salary growth rates would be lower than they were in the past.

Mrs. Stukes-Baylor's argument that the results were incorrect, and therefore to assume that they would grow in as slow a rate in the future, might not be realistic in looking at the experience of the last five years. Perhaps they should not address that change.

Mr. Rubin said that if the 4% did not happen, it was a net gain because they did not have to pay it. He said if they assumed 4.3% and people aged 40 to 45 only saw 1.5% during the five years, then there was a gain. In saying in some years it was zero, then in some years it had to be 5%, or there had to catch-up that was being recognized. It was the entire population. It was not parceled by bargaining groups.

Mr. Dubow stated Mr. Kent looked at what was happening compared to what was expected, and it was lower than expected. So, he was now saying, take down the expectation, part of the way and not all of the way, because of the expectation of changes in salaries over the next few years as compared to what would happen over the last five. His response was correct, unless the Board thought that the lower than expected would not be continued. In that case, it would go further, or it would not be the typical experience.

Mr. Kent considered what would happen if the rate was reduced as the alternative, and there were retroactive pay increases. The Fund would experience a loss. Cheiron's assumption was not dictating bargaining position, but what was the best estimate of how the pace would grow in the future.

Mrs. Stukes-Baylor asked if he combined and talked about total employees, not just representing bargaining positions, the greater part of employees did not get a raise. She requested that it be discussed later.

Mr. Rubin asked Mr. Kent if he was saying in putting in the number, and if it turned out that the retroactive salary increases were covered, because something was put in to cover it, then if it did not happen, the Fund would receive more money than was needed to pay out.

Mr. Kent said that the system was self-correcting. If their assumption was understated, e.g., pay growth, there would be a loss. Rates would be changed, and in the meantime, it would increase the City's cost. If the assumptions were left as they were, then they were not getting a change in assumption impact today, and the City would fund them. The Fund would experience a gain. If in fact, the underlying growth of salaries would be lower than in the past, then gains would be experienced and the City's cost would go down as a function of that. So, it would fix itself. It was not a make or break issue, but it was asking what was the best step to take in terms of where they thought the Fund was going. It will not be known how much the Plan costs until the last participant who was a retiree died.

Mr. Kent said that was what was going on with the salary scale. It was the table, and not the 3.3%. The 3.3% was what total payroll growth was thought to be that the City managed. It was a long-term assumption.

Mr. Kent moved to their discussion about termination rates from March's discussion. The recent experience during 2009 to 2013 was lower than expected terminations. Lower termination rates increased the cost of the Plan. In comparing the experience in the modifying termination rate table, it increased liability by $25.6 million. Normal cost was increased by $5.4 million. The total MMO was increased $8.4 million.

He looked at the 2004 to 2009 experience study (page 5) for the municipal division, showing that it did not change the assumption from the last study, as was assumed. He asked if they expected the behavior of City employees to revert to the pre-market recession, in which case the last five years would be unrealistic. That answer was that they would not be leaving the City as much as they did in 2004 to 2009.

The alternative presented to the Board was related to turnover, (page 6) and was asking if the last five years were indicative of the next 30 years, or were the last five years unusual, where they should leave the assumption alone.

Ms. Olanipekun-Lewis asked Mr. Kent why Police and Fire hiring was not on the chart. He said it was because at that point they were eligible for retirement. At that point, they could no longer terminate. They could retire at age 55.

Mr. Kent talked about the dynamics that occurred when retirement rates went up with the normal cost going down. They combined uniformed and non-uniformed. For the retirement rates that were suggested for the uniformed, the liability went down, and the normal cost went down, creating a $7.7 million reduction in the MMO. For the non-uniformed, the liabilities went up and normal cost went up, creating an increase of $7.1 million in the MMO. As a result, the sum of the columns created results that were not intuitive, but when it was seen split out, it made more sense. He suggested a similar relationship with disability rates.

Mr. Kent talked about mortality assumptions, and from the March results, there was discussion about going part of the way or all of the way. The assumption was that even in going all of the way, continued improvements were going to occur.

Mr. Dubow asked Mr. Kent what was the report showing, part of the way, or all of the way. He answered that page three was showing the alternative assumption that Cheiron was presenting.

Mr. Dubow asked Mr. Kent if this was part of the way or all of the way. He answered part of the way.

Mr. Kent continued in saying that the more conservative assumption (page 12) was to go to the actual experience (all the way), where the liabilities would increase by $242.0 million. The increase in the MMO would be $27.5 million for the mortality assumption, which was an additional $2.0 million increase in the MMO to go all the way to the experience that was seen in the last five years.

Mr. Dubow asked Mr. Kent if there was a typical approach seen in funds, because he assumed that it was an issue that was confronting a lot of funds. His answer was that historically for the Fund, they had gone part of the way on the basis that five years was not the next 80. A lot of funds were getting more conservative and going to the actual experience. Professionally, their standards of practice said that they should be projecting mortality in improvements all of the way out or applying generational mortality. There are new mortality tables that say the year of birth defined longevity. Somebody born last year may have a longer life expectancy than somebody born this year, because circumstances occurred for each of those cohorts that affected their life expectancy.

Life expectancy improvements were occurring every year. So, to the extent that they recognized them up to the experience that was seen over the last period, it was possible to be more conservative in capturing them. Those improvements were gradual. Another consideration was to look at that assumption more often than every four years when the experience analysis was done and taking it in steps, similar to the steps that the Board was taking in looking at the long-term investment return assumption.

There were two options on the table, but one of the suggestions was if they went part of the way that they would also look at the opportunity to revisit getting the rest of the way before the next experience.

Mr. Dubow asked Mr. Kent in terms of the MMO if it was for about $2.0 million. He said that was correct.

Ms. Pankey asked Mr. Kent if it was for all of the way. He said that it was for all of the way.

Mrs. Stukes-Baylor asked Mr. Kent what if they could go part of the way. Mr. Kent said that page three was the cost impact of going part of the way.

Mr. Dubow asked Mr. Kent if the $25.4 was part of the way, and the $27.5 was all of the way. He said, correct.

Mr. Dubow said that the action item was whether to accept Cheiron's proposal on page three, which was to go all of the way.

**Mr. Dubow requested a motion. William Rubin made a motion of accept Cheiron's proposal to go all of the way [for mortality tables as it related to the experience]. Veronica Pankey seconded. The motion passed.**

Mrs. Stukes-Baylor requested from the Board Chair that the minutes reflect the full conversation of the discussion of the experience study and not show a cut. Mr. Dubow agreed.

## Agenda Item #3 – Private Markets – The Veritas Capital Fund V, L.P.

Mr. Handa said that Staff and Franklin Park were recommending a $60 million investment in The Veritas Fund V, L.P.

He described Veritas as a Private Equity firm primarily focused on government services, defense, healthcare, information technology, and other government related industries. He talked about the high barrier to entry to doing business with the federal government. Veritas had been very successful in going through the barrier and generating profits. He recalled from when the Board participated in Veritas in the past as the reason that Staff and Franklin Park were making the recommendation.

He advised that if the Board approved the recommendation, Staff negotiated a place on the Fund's advisory Board.

Ms. Olanipekun-Lewis asked Mr. Handa what it would do for the asset allocation. He said that the Fund was underweight Private Equity for the last year, with less than 11% of assets in Private Equity. The Plan, according to the asset allocation, should be at 17%. It would increase the number and decrease exposure elsewhere.

Mr. Rubin said that he had to leave the meeting. It seemed like a good idea, and it was his thought that it was a good item to get in front of the Board. The Controller's Office was in favor of it.

Presenting to the Board were Senior Partners, Messrs. Ramzi Musallam, Hugh D. Evans and Benjamin M. Polk. They talked about their unique strategy and focus and success of 15 years with government agencies, with a description of their process. They talked about their team of professionals and the resourcefulness of their advisory board members from CIA intelligence and military services providing specialized perspectives into their businesses, process and strategy.

**Mr. Dubow requested a motion. Ronald Stagliano made the motion to follow Staff's recommendation. Brian Albert seconded. The motion passed.**

Mr. Handa extended thanks to Mr. Woolworth, Franklin Park and Ms. Janoski in doing 95% of the heavy lifting. The contract was not easy. He thanked them for the professional manner that the contract was negotiated.

**Agenda Item #4 – Additional Capital Recommendation-Avenue COPPERS Opportunities Fund, L.P.**

Mr. Handa said that Staff and Cliffwater would like to make an additional recommendation to increase the current allocation with Avenue COPPERS Opportunities Fund from $50.0 million to $75.0 million.

He provided a brief snapshot of the deleveraging of the financial services industry in Europe. There has been a significant amount of investment opportunities that have come out of the European banking system. This is Avenue's focus.

He included Cliffwater's report that highlighted the manager's opportunity set of net return situations as one of the reasons why Staff and Cliffwater believed that the time was right for an additional allocation.

Mr. Dubow asked Mr. Handa when the first investment was made. He said in December of 2013.

**Mr. Dubow requested a motion. Brian Albert made the motion to approve the additional investment in Avenue COPPERS. Ronald Stagliano seconded. Veronica Pankey and Carol Stukes-Baylor opposed. The motion passed.**

## Agenda Item # 5 – Flash Report for the Period Ended May 2014

Mr. Johnson reported that markets remained positive through the spring and early summer. May was a good month overall for the portfolio, up 1.75 percent and beating the policy benchmark by 28 basis points. There were gains in the credit and alternative areas of the portfolio, while some of the equity managers slightly underperformed their benchmarks.

For the month, overall, (page 3) risk assets performed well, both equities and credit. Around the world there was a good rebound in overseas assets. He recalled some of the volatility seen in March and April, with some sectors of the economy and the stock market performing well, while others declined; with Growth versus Value stocks and Large Cap versus Small Cap returned to normalcy from last year, with outperformance by both Growth-oriented areas in the economy.

The overall (page 7) Fund performance was showing a continuation of the previous months, with the last one-to-three year periods showing strong outperformance relative to the policy benchmark that carried forward recently as well.

Mr. Johnson briefly (page 8) covered positive and negative contributors for the month. The MLP’s for 2014 were among the best performers every month, with prices rising and yields down. Mason Capital, an event-driven equity oriented hedge fund manager, was down -1.91%, related to a long position with a pharmaceutical merger. Every other manager and strategy was break even or positive for the month.

For the asset allocation, (page 10) the one remaining material underweight in the portfolio versus long-term allocation was Private Assets. Veritas will help the overweight to U.S Equities. As the Private Equities portfolio was funded over time, it was likely that the capital available for those capital calls would come out of the Public Equity bucket for the Fund.

## Agenda Item #6 – Flash Report for the Opportunity Fund Managers for the Period Ended May 2014

Ms. Cherry provided an update on the transition, and reported that Staff would have a recommendation for the International managers at the July meeting.

Both Opportunity Fund managers underperformed for the month, FIS by -41 basis points and PFM by -54, gross of fees.

## Agenda Item #7 – Chief Investment Officer's Report

Mr. Handa provided the numbers for Securities Lending, and noted that it had generated approximately $1.4 million for 2014. He highlighted the quality "D" portion and noted that the balance had improved to just under $400,000 today.

He highlighted the Diversity Manager report.

Mr. Dubow asked Mr. Handa to talk about what happened with one of the female owned firms. Mr. Woolworth said that Causeway was no longer female owned as the majority owner had distributed ownership interests to other employees and diluted her own ownership stake. Mr. Handa added that the Board investment was a little over $200.0 million with Causeway.

Mr. Handa discussed the next item, the Independence Fund. Mr. Dubow noted that the results looked good. Mr. Handa said that it was a team effort.

Mr. Handa presented the calendars, with no changes for calendar dates.

**At 11:29 a.m., Mr. Dubow, requested a motion to adjourn the Investment Committee Meeting. Brian Albert made the motion. Ronald Stagliano seconded. The motion passed.**

**At 11:29 a.m., Mr. Dubow called into session the full Board of Pensions and Retirement and requested a motion to confirm all actions taken at both the Deferred Compensation and the Investment Committee Meetings. Ronald Stagliano made the motion. Brian Albert seconded. The motion passed.**

**At 11:29 a.m., Mr. Dubow requested a motion to adjourn the Board of Pensions and Retirement. Ronald Stagliano made the motion. Brian Albert seconded. The motion passed.**

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

______________________________
Rob Dubow, Finance Director
Board Chair