THE BOARD OF PENSIONS AND RETIREMENT
INVESTMENT COMMITTEE MEETING
AUGUST 25, 2011

MEETING MINUTES

There being a quorum, Paula Weiss, Esquire, opened the Investment Committee Meeting at 10:15 a.m., 16th Floor, Board Conference Room, 2 Penn Center Plaza.

Present:

Paula Weiss, Esquire (Alternate)
Alan Butkovitz, Esquire
Harvey Rice, Esquire (Alternate)
Brian Albert (Alternate)
James Leonard, Esquire (Alternate)
Celia O'Leary (Alternate)
Ronald Stagliano
John A. Reilly
Carol G. Stukes
Veronica M. Pankey
Anne- Kelly King (Non-Voting Board Member)

Executive Director:	Francis X. Bielli, Esquire
Deputy Executive Director:	Mark J. Murphy
Chief Investment Officer:	Sumit Handa, Esquire
Deputy Chief Investment Officer:	Rhonda McNavish
Investment Officer:	John Foulkes, Esquire
Investment Officer:	Brad Woolworth
Investment Associate:	Daniel Falkowski

Also Attending:

Joseph Costin – Finance Department
Robert O'Donnell – O'Donnell Associates
Christopher Difusco, Esquire – Law
Joshua Stein, Esquire – Law
Benjamin Hinerfeld, Esquire - Law
Tina Byles-Williams – FIS
Shalonda Epps – FIS
Larry Bernstein – FIS
Sara McEnery – FIS
Jay Womack - FIS
Brad Atkins – Franklin Park
Ray Jackson – Franklin Park
Steve Novick – Courtland Partners

Benjamin Blakney – Courtland Partners
John Place – GTS
Stephen Malinowski – GTS
Maximillian Marine – Summer Intern
Andrew Thomas – Firefighters – Local #22
Arlene Sawyer – Investments
Donna Darby – Investments
Carmen Heyward- Investments
Harvey Kelly – Leumas Advisors
Will Greene – Loop Capital Markets
Kevin Norton – BNY Mellon
Chester Skaziak – Retiree
Wayne Pollock – Citizen
Bob Warner – Philadelphia Inquirer
Catherine Lucey – Philadelphia Daily News
Jeff Moody – Hewitt Ennis Knupp
Michael Hinkelman – Philadelphia Daily News

<u>Agenda Item #1 – Approval of Minutes</u>

Ms. Weiss opened the meeting and requested a motion to approve the July 28, 2011 Minutes. Rhonda McNavish said that the minutes were not yet ready to be approved by the Board and would be available for the September meeting.

Carol Stukes made a motion to table the minutes. Brian Albert seconded the motion. The motion passed unanimously.

<u>Agenda Item #2- General Consultant Performance Report for the Second Quarter 2011</u>

Ms. Byles-Williams reported on the 2nd Quarter Fund account activity. Beginning market value at March 31, 2011 was $4.1 billion. Net cash flows were a negative $166.8 million and investment earnings were $71.7 million. The ending market value at June 30, 2011 was $4.0 billion.

The Fund's performance was ahead of the implementation target for the 2nd Quarter and year-to-date. The current allocation with respect to Domestic Equity as of June 30, 2011, was 25.3. The allocation is above target and outside the bounds of the allocation range. Non-U.S. Equity was on target and within range. Fixed Income was well above the target allocation and slightly below the interim implementation allocation range.

Total passive implementation target fund return attribution for the trailing year was 22.22% The passive current target return attribution at 22.86% outperformed the fund return of 20.47% net of fees. For the Quarter, the fund outperformed the passive implementation target fund return attribution of 79 basis points at 1.73, gross of fees and 1.66 net of fees. For the trailing twelve months there was was outperformance in the public equity and bond portfolios and underperformance during the Quarter with private equity and real estate.

Ms. Weiss asked if the report was gross of fees. Ms. Byles-Williams said, right, the net of fees was done on the total fund level, and FIS could, in the future add net of fees at the manager contribution level. Ms. Weiss said that she would like to see that.

Tina responded to Board questions related to the Fund's asset allocation categories and how they were correlated, focusing on the asset allocation strategy. She advised to think of asset allocation as a buy and hold strategy designed to give balanced exposure in different kinds of economic environments. She cautioned that in order to do that, the Board had to have stability in their position relative to a given asset class and relative to rebalancing and trading.

Mr. Handa cautioned that staff did not consider real estate as a bad investment, but there were liquidity issues related to real estate. In looking at the return, they were down 13% through March 31, 2011, since inception. The world was different from last year, and while it was a wonderful investment, with good, long-term potential, it was not appropriate at this time.

Ms. Byes-Williams talked about the fund's stated strategy, with the asset categories, using risk versus correlation and the position of the portfolio relative to volatility.

Mr. Womack presented FIS' analysis that looked at periods of significant return in sectors during different time periods, relative to bear and bull markets, looking at the fund asset classes.

Ms. Byles-Williams followed with a backdrop discussion, comparing Developed and Emerging Countries in risk environments, showing why the Fund made money from its emerging markets overweight.

Mr. Womack touched (page 20) on FIS detailed analysis with return assumption for each asset class, showing their assumption for every asset class from a return perspective with weighted expected return level, looking across asset classes based on the yield curve and inflation expectation, most risk factors related to the portfolio. It was FIS' assessment of expected return. Base case expectation with low inflation followed by high inflation.

Ms. Byles-Williams advised the Board to focus on the decisions over which they had control leading to long-term impact. That was the asset allocation. Avoid decisions based on fear and short-term data, which were volatile and subject to revisions, leading to missteps. Her advice was that the Board's asset allocation was designed to give economic exposure in different environments, but they needed to implement it.

FIS suggested implementation ideas were to understand the strategies involved and what were the trigger points. It is one thing to say, "I will trade opportunistically, but what are the trigger points for which to determine that there is an opportunity to trade. What are the guidelines involved. What is the risk management protocol involved? On a position level, is there leverage, which can magnify losses and gains? So, not a bad idea in concept, but, again, caution on the implementation.

<u>Agenda Item #3- International Equity and Hedge Fund Manager Updates</u>

Mr. Falkowski provided an update on Trilogy through the second quarter and recommended that the ranking be moved to Watch -1.

Ms. McNavish provided updates for Caspian and Regiment and recommended maintaining their rankings at Satisfactory.

<u>Agenda Item #4 – Private markets 1st Quarter 2011 Portfolio Report and 2nd Quarter 2011 Update</u>

Mr. Atkins thanked the Board for hiring Franklin Park as their advisor, adding that the team has enjoyed working with the City over the last eight years and they hope to have the privilege to serve the Board for another eight years.

Mr. Atkins and Mr. Jackson presented the 1st quarter performance and market report through March 31, 2011, and Mr. Woolworth provided the 2nd quarter update about the Board's approval of the Wicks IV, private equity fund, and the fund's cash flow activity and return performance during the last quarter.

Mr. Atkins reported that net returns since inception earned 9.3%, net of fees and expenses since 1987 versus the public market equivalent of 3.8%. This was a nice spread versus the fund's benchmark. The one-year return was 19.9%, representing a recovery from the depressed private asset values from prior periods.

Since inception, from 1987 to 1999, vintage year returns performed below the median benchmark versus the Fund's peer universe, but since 2000, returns have been above the median and, in many cases, above the top quartile. So, good relative returns for the last decade.

Mr. Jackson provided market statistics within the sub-asset classes of private equity for corporate finance, private debt and venture capital and discussed the primary return drivers within each category. He reported that the public markets had been volatile, but that there was a lag of a couple of quarters in correlation between private equity and the public equity markets. The recent public equity performance had not yet affected the private equity returns. The most significant impact from the recent market volatility was in investment and exit activity, causing several planned IPO's to be delayed. Venture capital experienced an increase in exits of IPO's during 2010 versus 2009.

Mr. Woolworth reported that the fund allocation target was 13%, with the Fund's March 31, 2011 allocation coming in at 12.9%, in-line with expectations. Target levels were achieved principally through the denominator effect created by the City's payment in March, which increased overall assets in the Plan. There were several fund closings, with Avenue Special Situations Fund VI, L.P., closing their fund and Blackstone Capital Partners VI, L.P., planning to close their fund in January 2012.

The Board approved Wicks IV on April 28, 2011. All term negotiations were completed among Law, Staff and Franklin Park with the General Partner. Last week, the Chief Investment Officer signed the subscription agreement, and the fund is now currently active.

On the cash flow side, the last three quarters had been good on a net basis. This quarter, the fund generated almost $10.0 million in net cash flow. Approximately, $18.0 million was drawn, with $27.8 million distributed back. A lot of the dollars that came back were from investments by the Fund's two distressed focused funds, Avenue Special Situations Fund V, L.P., and Oaktree Capital Management Opportunities Fund VII-b, L.P., related to opportunities in the market during 2009. Avenue and Oaktree bought in and recycled capital during the trough of the market, and the fund is seeing the fruits of that labor today. Eventually, they will fully drawdown that performance. Last quarter, January 1st through March 31, 2011, was showing, approximately, $24.0 million net positive cash flow. This quarter, it was, approximately, $10.0 million. This year, in looking at July and August to date, the net cash flows were trending negative, which is not surprising, considering the volatile market and company hold-back in new acquisitions.

At 12:00 p.m., Paula Weiss recessed the Board for lunch, and they returned at 12:20 p.m.

<u>Agenda Item #5 – Real Estate 1st Quarter 2011 Portfolio Report and 2nd Quarter 2011 Update</u>

Mr. Novick reported that there was a 90-day lag for the June 30, 2011, numbers, and that they would not be completed until the next 30 days. As of March 31, 2011, the portfolio value was 3.2% of total fund, and the market value was approximately $131 million, with $36 million in commitments left to invest. Current market value plus unfunded commitments was about $167 million, below the 5% target. Expected risk-return of existing investments was at the 10% to 14% net return level.

First Quarter returns were very good, at 3.8% net, and 18.3% for the one-year, reflective, mainly, of the Core valuations improving in the 1st Quarter. That magnitude of returns was not expected to continue. Core Real Estate was expected, on a net basis, to be 6% to 9%. The return profile would be 40% Core, 50% Value and 10% Opportunistic, with a blend needed to produce the total return of 3.8% for the quarter and 18.3% for the one-year. The Core was up 3.4% for the quarter, 18% for the one-year. Value-added was 4.5% for the quarter, 18%, almost 19%, for the one-year and Opportunistic was up 2.3%, 16.2% one-year.

Mr. Novick provided an update for the Core space for the 1st Quarter, reporting that $30. million was originally put into both Invesco and J.P. Morgan, with $10 million funded after the 1st Quarter into Invesco, and with J.P. Morgan, an additional $10 million that will not go in until 1st Quarter 2012, based on their demand for new capital. Market for Core was stabilizing. Value-added real estate was a good market, but there was concern about global issues, and the Board needed to be cautious in investing. Courtland's advice was that it was the best time to invest with the best 1st quartile managers in that space, which they tried to do earlier in 2011. Opportunistic managers were experiencing good returns.

Mr. Novick reported on manager performance, with an update on the funds' tactical strategy. DRA Growth & Income Fund VII and L & B Realty Advisors. In terms of capital allocated at the January 2011 meeting, spend an additional $20 million in Value-Add and $10 million in Core in fiscal year 2011and $20 million in Value-Add in fiscal year 2012 and $20 million in Value-Add in fiscal year 2013. On April 28, 2011, the Board approved L&B Core and DRA Value-Added. As to DRA, they need an answer as to whether they are moving forward. L&B is not in a crisis situation. It is opened-ended, and the Board can go into it through the next few meetings.

Mr. Rice asked Mr. Novick what had changed with the two funds since the recent volatility. Mr. Novick said that the DRA fund had raised $1.0 billion overnight, and Courtland's opinion was that it was not stupid money. So, if there was volatility, if they bought at the right basis they will get a good investment.

Board discussion with the consultant ensued related to manager performance, market volatility, fund acquisitions, and consultant and Board transparency and mutual communication.

Mr. Foulkes said that Staff's report was on where the funds were in terms of activity, on which Mr. Novick touched. In the 1st Quarter, the Market Value of the portfolio increased 8.7%, but it was an old number. [Due to time constraints, an oral report on the remainder of the Staff Report was skipped. A copy of the report was included in the meeting binder.]

Mr. Bielli asked Mr. Handa why he thought the investments were good or bad.

Mr. Handa said that he had no criticism of Courtland or Real Estate and no issues with investing with Real Estate. He said that there was no idea what was going on with the issues of risk management and what was going on in Private Equity and Public Equity and how it related to the Real Estate book until he came on board. It took 6.5 weeks to complete the accounting of what was going on with the fund. There is $40 plus million tied up in private equity Real Estate that should be accounted for in the Real Estate book. He advised if the Board wanted to hold on to Real Estate with 5% exposure, they would be above that, by any metric, and that was why he was suggesting caution. In the last two months, volatility increased, where the Board would have plenty of deals happening in the future. So, for every DRA, there will be one hundred more opportunities coming.

He reported that the fund had $300 million of real estate exposure, for the Private Equity book. They had to include that into the Real Estate book, over $200 million already. If that was what the Board wanted, then they could go forward and make their decision, but not to say that they were not informed. The Board has to make a decision on this. He was trying to be opportunistic, as well.

Ms. Pankey asked Mr. Handa if it was true of the fund's other classes. He answered, yes. She asked what steps were being taken as it pertained to that? Mr. Handa said that staff conducted a review of over $200 million of exposure, of oil and gas exposure, showing industry exposure across the board, and they had to know that before making a decision.

Mr. Bielli asked if the Board was going to rescind on what they voted four months ago, where do they put the money that was already allocated. Ms. McNavish said that for alternative asset classes, they were not up to full allocation, and it was in Equities and Fixed Income and always had been. It was on the Flash Report every month.

Mr. Rice motioned to table until the next meeting, for Courtland to return with a fund analysis on the two funds, and for Mr. Handa to do an analysis on the two funds, and on why the Board should wait.

Mr. Novick said if the Board was not comfortable with DRA, then they had to wait, but Courtland's opinion was to close it.

Ms. Stukes made a motion that the contract with DRA Growth & Income Fund VII be rescinded. Harvey Rice seconded. The one opposition was Ms. Pankey. There were no abstentions. The motion passed.

Mr. Bielli stressed the importance of fiduciary responsibility and transparency to Staff both for the Board and for the consultants.

Agenda Item #6 – Global Transitions Solutions Brokerage Project Update

Mr. Falkowski introduced John Place and Stephen Malinowski of GTS (Global Transitions Solutions) to provide an update on some of the brokerage projects.

Mr. Place thanked the Board for personally engaging with them. He told the Board that they were locally based in Philadelphia and served over 75 pension funds in cities and counties around the country.

Mr. Place added that GTS engaged with staff throughout June, implementing several transition management assignments. Their report provided a summary of those activities with the Board, with a layout of some additional projects on which they would be working throughout the year.

Mr. Malinowski reported on GTS' summary of all of the brokerage trading of the funds' external managers in the last 12 calendar months, showing that, across that period, all of the managers' trading performance was very good, outperforming their peer group and industry average. During the last year, the managers executed 19,000 individual security transactions.

Mr. Malinowski said that both policies versus oversight requirements were functioning very well, and minority and locally-owned firms received 22.1% of the total commissions, close to the fund's stated objective of 25%. Within the coming months, GTS and staff should be able to increase to the Policy's 25% objective. He informed that GTS would now be responsible for due diligence on new inquiries about joining the program, and they were in communication and finalizing the additional participants to the program. They would be monitoring and reviewing both the external managers' program transaction costs, as well as the status of achieving the 25% target rate to report to Staff and the Board on a quarterly basis.

Ms. Weiss noted a disparity in GTS' report for local minority participation with the Board's monthly report. Mr. Place said that they would work with Staff to make sure that their reports were the same as the Board's reports, and it could be reconciled with the custodian from June-to-June.

Ms. Weiss noted that there was a wide disparity with manager participation and emphasized to GTS the importance of participation in the program.

Mr. Place provided fund's June activity, under GTS' trade oversight team and Staff, with the transition management changes and the resulting assignments. The five transactions totaled almost $425.0 million worth of system assets, across various asset classes. The industry average and benchmarks for the transactions were met and outperformed by $375,000, or alpha generation of almost nine basis points. The assignments integrated four qualified minority brokers in the execution of the transactions, and the 25% target was met.

Agenda Item #7 – Flash Report for the Period July 31, 2011

Ms. Epps reported that Equities were down, with Fixed Income up, outperforming the index by 61 basis points. The value-added came from the domestic equity managers and non-U.S equity managers. The Fund's non-U.S equity managers outperformed the index by 97 basis points. All of the non-U.S. Developed and emerging markets equity managers outperformed their respective benchmarks for the month (except for Mondrian which was flat). On the domestic equity side, the drag amongst the managers was with the small cap managers. July was a risk-adverse month. Fixed Income was positive, but many managers underperformed the benchmark. Anything other than U.S. Treasuries underperformed. Again, high-quality did well, and lower-yielding companies did poorly.

Overall, the total Fund outperformed by 61 basis points and protected on the downside.

Agenda Item #8 – Second Quarter 2011 Opportunity Fund Report

Ms. McNavish informed that FIS would present their quarterly report.

Ms. McNavish reported that for the 2nd quarter, both opportunity fund consultants outperformed their respective indices net of fees. FIS returned 61 basis points versus 15 basis points for the index and PFM returned 29 basis points versus 19 basis points for the index. Since inception both opportunity fund consultants outperformed their respective indices net of fees.

FIS's assets were $3.1 billion, as of July 31, 2011. The firm gained two new clients during the quarter, worth $50.0 million, and lost a client that had $38.0 million in assets. The City of Philadelphia total assets was $82.0 million as of June 30, 2011. There were no personnel changes for FIS. The relative outperformance for the quarter was driven by the non-U.S. submanager performance of WCM Investment Capital and Ativo Capital Management. The domestic equity portfolio slightly outperformed its target. FIS placed

Moody Aldrich on Probation status. They underperformed the benchmark by 424 basis points in the Quarter.

PFM outperformed, returning 29 basis points net of fees versus 19 basis points for their respective index in the quarter. Since inception, PFM has returned 4.39% since inception versus 2.98% for the index net of fees. There were no organizational or personnel changes to report. As of June, Piedmont was terminated from the portfolio, and the proceeds were allocated to Philadelphia Trust, G.W. Fixed Income and Garcia Hamilton. PFM completed its transition into the International managers in May. They underperformed EAFE for May and June. The relative outperformance of about 10 basis points net during the quarter, was driven by the domestic equity line-up. Herndon Large Cap Value and GW Small Cap Value were the main contributors to performance. The Fixed Income managers underperformed the index. The place to be was Treasuries, and the fixed income managers were underweight Treasuries.

PFM is concerned about Profit and Mar Vista. They are being monitored closely.

Ms. Byles-Williams, Mr. Larry Bernstein and Ms. Sara Guice updated the Board about changes at FIS in personnel resources and portfolio operations, followed by the 2nd Quarter Opportunity Fund Report.

Ms. Byles-Williams reported on their various products, highlighting the fund's blended, 60% U.S. all cap and 40% MSCI, showing that all global products were doing well. FIS' Sector Rotation (tactical product) product was up by 157 basis points since May.

Second Quarter performance for the portfolio was up by 131 basis points, with relative contribution of different components going to July. As of July, in the ex-U.S. component, up 43 basis points and since inception, up 137 basis points.

Ms. Weiss asked Ms. Byles-Williams (page 12) if FIS' active return for Domestic Equity managers for the fund was gross of fees. She answered, yes, and reported for the 2nd Quarter that the fund was up 57 basis points, net of fees.

Through yesterday, the performance, year-to-date, was up 177 basis points, a decent August.

The Directed Brokerage Commission Recapture percentage was 35.9% of commissions. The percentage of commissions directed to local/minority-owned brokers was 26.4%.

Mr. Bernstein reported on 2nd quarter performance for the fund's submanagers versus their benchmarks, showing that eight of the thirteen submanagers beat their respective benchmarks. Three of the four U.S. managers and five of the non-U.S. managers beat their benchmark. Updated performance (not in the report) through August 23, 2011, quarter-to-date, with volatility in the market, eight of the 13 submanagers beat their benchmarks, including the four non-U.S. managers. Since inception to August 23, 2011, eight of 13 are ahead of their respective benchmarks, showing good downside protection.

He updated on the domestic equity submanagers that underperformed; Moody Aldrich; Inview and Hanseatic.

He informed that FIS added alpha, year-to-date, on the domestic and non-U.S. side.

Agenda Item #9 – Second Quarter 2011 Directed Commissions Report

Mr. Falkowski reported for the 2^{nd} Quarter, the fund's equity managers directed just under 17% of trades to local minority brokers and 16%, calendar-year-to-date. He added that GTS' (Global Transition Solutions) numbers were different, because they included Cabrera Capital, which is a minority-owned firm ,but was previously on the Board's Commission Recapture list. The calculations by GTS were under the assumption that Cabrera participated in the local/minority brokerage program over the last twelve months, when in reality they were only participating over the last few months, concurrent with when they exited the commission recapture business. Therefore this caused the numbers quoted by GTS to be inflated as participation with Cabrera Capital was substantial.

The Fund's equity managers directed 12% of their trades to the Commission Recapture brokers during the Quarter and 17% for the calendar-year-to-date. Over the last few Quarters, the percentages have been volatile, and this was not the first time in seeing the numbers fluctuate.

Agenda Item #10 – Flash Report for Opportunity Fund Managers for the Period July 31, 2011

For FIS, in July the fund outperformed by 43 basis points. Moody Aldrich Partners underperformed versus its index. The firm is on probation.

For PFM, The fund underperformed its benchmark by 31 basis points. Large cap growth managers Profit and Mar Vista underperformed their benchmarks.

Agenda Item #11 – Chief Investment Officer's Report

Mr. Handa invited the Board members to offer suggestions for naming the Strategic Fund. Suggestions were to be submitted by August 31, 2011, to Ms. Sawyer. The Strategic Fund has not executed trades to-date. Staff was finishing with the paperwork and working with State Street and should be completed by Labor Day. Staff was planning to use capable diversity brokers to execute the trades and communicating with four or five of them this week. FIS was not asked to do any upfront due diligence on the Strategic Fund.

Ms. Pankey asked Mr. Handa if the investment would be made before he met with the Executive Committee first. He said that he would be executing the trades and notifying the Board. She asked about if the guidelines were established, yet. He said, no, that the Law Department was working on it. She asked if the Board would see the guidelines before investments were made, and the terms of how long he would invest in any one piece, as to whether or not it was long-term, short-term, or day-to-day. He said that he did not invest unless it was worth, at least, 50% or 100% more than what it was trading, on the long or short side. So, he did not envision Staff doing day-to-day trading. However, when opportunities did arise, which they did, Staff would conduct research on the businesses, and they had done several appraisals on them, already. So, they would invest, accordingly. In terms of the supporting $43.0 million, he did not envision them having more than five our six positions at any given time, and they would get out when the values were realized with the securities. He did not day trade in the past and did not envision doing that in the future.

Ms. Weiss and Ms. Pankey requested guidelines for the Board and the Executive Committee, which included guidelines related to investments in the Sudan and in Iran as well as guidelines related to concentration in specific investments and sectors. Mr. Handa said that everything would be on paper with the Law Department.

Ms. Stukes said that she was removing herself from the Executive Committee, for the reasons that she stated earlier. She voted no against the Strategic and Tactical Fund. She was not comfortable with it and the way that it was set up, because the Board was coming in after the fact. Ms. Weiss asked the Board members if a vote was needed. No vote was needed.

For Securities Lending, the numbers were provided in the report. Mr. Handa recalled Board discussion at the last meeting where it was reported that the fund lost money over the prior fiscal year, due to collateral damage. Staff had an RFP out with the Custodians and met with all of the parties. They will meet with the Subcommittee during the week of September 14, 2011, and the finalist presentations will be on the 27th.

Mr. Handa said that the loss was fiscal-year-to-date. He informed that, because of market volatility, the high-yield, CMBS and RMBS indices dropped a couple of points during the last three weeks and would be part of the bad collateral on the quality “D” paper. It will not be .97 cents, as marked at the end of July and would be less.

Mr. Handa addressed the issues about searches, reporting about the first day that he arrived, when he attended a meeting with four Large Cap Growth managers. Three of them offered a fraud as an idea to purchase. It was the reason that he did not want to invest with any of the managers. So, he was considering another option for the Large Gap Growth. He informed that he asked one of the fund’s passive managers to conduct an evaluation, in terms of evaluating GARP, as Large Cap, as the managers would define it. Based on the analysis, performance over the last five years would be, about, 800 basis points above any index that was available, and net numbers that could be recreated within an index fund. Staff will analyze the program to consider as an option to recreate them out of the index fund.

He recommended the report for use to the Board, which was adjusted every quarter, by computer, with minimal costs, that was showing the number of securities that were involved and the portfolio return, over time.

Mr. Handa's proposal was an actively passive index, to replace the current index, using Rhumbline, who created it. The advantages were liquidity, transparency, control, costs, higher returns and diversity.

Ms. Weiss said if the Board still wanted a Large Cap Growth product, they would need to decide whether or not to issue a new RFP, and what it should say, for what they were looking, and if it was acceptable to the Board that they would entertain index managers if they respond to the RFP for a passive management tool.

Ms. Pankey asked Ms. Weiss how it was being defined. She said using a passive manager who would put together a fund that would meet the criteria in the RFP for a Large Cap Growth product.

Mr. Handa reported on Portable Alpha and Bridgewater which he believes belongs in the Hedge Fund portfolio, identified as a global macro-fund. Staff will do an on-site visit on the 12th of September to Bridgewater offices.

For Large Cap Value, Staff was meeting with Lombardia, who would be coming to the City's Investment Office on August 31, 2011.

Staff met with passive managers Rhumbline and Northern Trust. Staff's opinion of Rhumbline was that they were very high quality and did an excellent job of all products across the board. They were very client-oriented, as well, and very good with getting information right away. Staff had a very productive meeting with Northern Trust, as well.

For contract expirations, Staff had to put out a General Consultant RFP. The contract would be expiring the end of March.

Mr. Handa informed that the Commission Recapture Brokerage needed a contract and the RFP would be going out soon.

The Small Cap Value search contract expires February 2012. Staff met with Fisher, and an RFP will be going out, as well.

Mr. Handa informed that the Hedge Fund consultant contract would be up in October.

Mr. Handa responded to whether or not the Board had the validity to terminate the relationship, at any time, saying that, considering his background, he did not need a hedge fund consultant, and Staff was more than capable of handling hedge fund investments. He informed that the Hedge Fund consultant contract was up in October.

Ronald Stagliano made a motion to terminate Aksia. Harvey Rice seconded. Ms. Weiss requested a Board vote. Ms. Pankey abstained. The motion passed.

Mr. Rice asked that Board consideration for an RFP for hedge fund managers be put on hold.

Ms. Weiss requested for the next meeting that Mr. Handa talk about a review of Staff's process that was being re-engineered with different and additional responsibility and ability to handle it one-at-a-time.

Mr. Handa said, from what he knew about hedge funds, all of their investments were on a day-to-day basis with how they operate, and he knew the underlying positions. He requested that the Board provide staff with a Bloomberg Terminals to monitor things more effectively. The cost was $125,000 a year.

Mr. Handa provided the Board calendars, with Deferred Compensation and Investment Committee Meetings scheduled for September 27, 2011 and October 27th, 2011. There will be no meetings in November. The Board moved November's meeting to, Thursday, December 8, 2011.

At 3:00 p.m., Paula Weiss requested a motion to adjourn the Investment Committee Meeting. Brian Albert made the motion. Celia O'Leary seconded. The motion passed.

At 3:00 p.m., Paula Weiss reconvened the Board of Pensions and Retirement Meeting to affirm all actions taken at the Deferred Compensation Plan Committee Meeting and the Investment Committee Meeting. Harvey Rice made the motion. Celia O'Leary seconded. The motion passed.

At 3:00 p.m., Paula Weiss requested a motion to adjourn the Board of Pensions and Retirement Meeting. Harvey Rice made the motion. Celia O'Leary seconded. The motion passed.

The Investment Committee of the Board of Pensions and Retirement approved these Minutes on October 27, 2012.

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Paula Weiss, Esquire
Board Chairperson