

**THE BOARD OF PENSIONS AND RETIREMENT
INVESTMENT COMMITTEE MEETING
July 23, 2020**

There being a quorum, Rob Dubow, Board Chair, called the Investment Committee Meeting to order at 10:10 a.m., via Teams Video-Conference Call

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 Pankey, Trustee
Matthew Stitt, City Council Representative

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
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
Leontyne Freeman, Pension Program Administrator
Jacqueline Dunn, First Deputy City Treasurer
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
Jeffrey Francis, Nationwide

Kweku Obed, Marquette Associates
David Smith, Marquette Associates
Nat Kellogg, Marquette Associates
Jesus Jimenez, Marquette Associates
William Greene, Loop Capital
Nick Hand, City Controller's Office
Sara DeNault, City Controller's Office
Lindsay Saienni, FIN Daily
Don Triveline, Palisade
Molly LeStage, Meketa
John Haggerty, Meketa
Stephen McCourt, Meketa
Judy Chambers, Meketa
Tad Fergusson, Meketa

Agenda Item #1 – Approval of the Investment Committee Minutes of June 25, 2020.

Mr. Dubow requested approval of the minutes of the Investment Committee Meeting for June 25, 2020, as amended to include Matthew Still in attendance. Motion was made and seconded. On a roll call vote, The motion passed.

Agenda Item #2 – Private Equity Consultant Presentation

Mr. DiFusco thanked the Philadelphia Pension Investment Staff (“Staff”) for their hard work in vetting and recommending candidates during the Private Equity (PE) Consultant Search. After conducting proper due-diligence and reviewing proposals, Staff determined that two firms, Meketa and Marquette, would present to the Philadelphia Board of Pensions & Retirement (“Board”) for its review and consideration. Mr. DiFusco referred to the Staff Report provided to the Board which contained, an overview of both PE firms and details of their professional business background, their respective processes, performances and personnel. Mr. DiFusco further noted that reference checks on both firms were positive and that each finalist had submitted a “best, last, and final” proposal on fees.

Ms. Greene-Jones inquired whether Meketa had given out executive bonuses following receipt of a “PPP” Loan. The matter was deferred to Meketa’s presentation as a direct question to Meketa presenters.

There were no additional questions from the Trustees, and Meketa began its virtual presentation to the Board.

Ms. Molly LeStage, along with Mr. John Haggerty, Mr. Stephen McCourt, Ms. Judy Chambers and Tad Fergusson of Meketa, made their presentation using the Meketa materials provided to the Board.

Mr. Dubow asked why Meketa prefers smaller PE firms (enterprise value and lower-middle market capitalization) for evaluation and due-diligence. Mr. Haggerty explained that Meketa tends to see less efficiency in the lower-middle market space of the PE universe where experienced and skilled management can lead to finding undervalued investment opportunities.

Mr. Bielli asked, if Meketa was acting as private equity consultant for Calpers. Mr. Haggerty stated that they do serve as the private equity consultant for Calpers. Mr. Bielli added that it was reported that Calpers was considering using up to 20% leverage for their private market (equity & debt) investments, which could be a risk for the Calpers pension system. Mr. Bielli asked, if someone from Meketa, could comment on his question regarding the use of leverage in a PE investment program and the risks, associated with it. Mr. McCourt explained that there was discussion within Calpers to consider employing up to 20% leverage and that the total fund would not be impacted by that amount of leverage in the PE allocation.

Mr. DiFusco revisited Ms. Greene-Jones’s question during previous discussion regarding Meketa’s application for and receipt of a loan from the Federal Government

through the Paycheck Protection Program (PPP) loan program and also questioned when was Meketa's fiscal year end date and whether Meketa's employees received bonuses.

Mr. McCourt responded that Meketa's fiscal year ends December 31st; the loan was received in late March-early April; it was a responsible decision to protect employees; and Meketa did not give out extraordinary bonuses from the PPP loan. There were no further questions from members of the Board.

Marquette Staff made their PE presentation.

Mr. Kweku Obed, Mr. David Smith, Mr. Nat Kellogg and Mr. Jesus Jimenez presented for Marquette, referring to their presentation materials provided to the Board.

Ms. Stukes-Baylor asked where the rest of the Marquette Private Markets Team was and how long has Marquette handled PE. Mr. Kellogg responded that the Marquette Private Markets Team is deeper than just himself, noting that there were a few other members of the team who would handle the Philadelphia Pension account as shown in their materials. Mr. Kellogg also responded that Marquette has handled Private Equity since he has been with the firm which is over 10 years. Ms. Stukes-Baylor asked, if there was a list of Marquette's PE clients in their materials. Mr. Kellogg responded there was not a list included in the presentation material; however, Mr. Kellogg identified a few of Marquette's PE clients, including Iowa Police & Fire, City of Cincinnati and the City of Milwaukee.

Ms. Rhynhart asked, what was the dollar value of Private Equity Assets that are in the public plans served by Marquette as consultant? Mr. Kellogg stated he would have to follow up with an answer to that question.

Ms. Stukes-Baylor inquired whether Marquette acted as both PE and General Consultant in all the Pension Plans where they served as PE consultant. Mr. Kellogg responded that in vast majority, they acted in both consulting capacities.

Mr. Coughlin noted the comfort provided by two sets of eyes but commended Marquette for its work and consulting advice on behalf of the Board in overcoming many challenges.

Mr. Bielli asked, if there was ever an occasion where the Marquette Private Equity Investment Committee presented an idea to the Private Equity Consultant and the General Consultant team did not agree with the idea. Mr. Kellogg stated that this does happen occasionally, and he explained that Marquette always makes sure, that its Private Market recommendations for its client's portfolios are logical and well-thought out and consistent with the client's investment profile and goals.

There were no further questions.

Mr. Stagliano made a motion to hire Marquette as the Private Equity Consultant. Mr. Coughlin seconded. There was discussion among the Trustees on the motion. The motion passed on a roll call vote, 6-2. Mr. Coughlin, Ms. Greene-Jones, Mr.

Pratt, Ms. Rhynhart, Mr. Rupe, and Mr. Stagliano voted in favor of the motion. Ms. Stukes-Baylor and Ms. Pankey voted in opposition to the motion.

Agenda Item #3 – Flash Report for The Period Ending June 2020

Mr. DiFusco announced that Staff and Marquette would provide a memo next month detailing Elizabeth Park's performance.

Mr. DiFusco presented the investment reports for the period ending June 2020. For the month of June 2020, the Fund returned 1.4% net of fees and 10.8% for the quarter. Through the close of business on Tuesday July 21st, 2020, the plan was estimated to be up 3.32% month-to-date slightly ahead of benchmark, and 1.5% fiscal year-to-date. Mr. DiFusco stated that Staff did not have any actionable concerns regarding managers.

Mr. Obed briefly discussed returns and the overall market outlook for the 2nd quarter.

There were no questions.

Agenda Item #4 – Investment Staff's Report

Mr. DiFusco presented the Investment Staff's reports regarding diversity and local manager AUM and securities lending income summary.

The upcoming Board meetings are August 27th, September 24th and October 22nd, 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 11:52 a.m., Mr. Dubow requested a motion to adjourn the Investment Committee Meeting. A motion was made and properly seconded. On a roll call vote, the motion passed unanimously

At 11:54 a.m., Mr. Dubow convened a meeting of the full Board and a motion to affirm all actions taken during the Deferred Compensation Meeting and Investment Committee Meeting was made and seconded. On a roll call vote, the motion carried unanimously, with all Trustees voting in favor.

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

Rob Dubow
Finance Director
Chair, Board of Pensions and Retirement