

BOARD OF PENSIONS AND RETIREMENT  
DEFERRED COMPENSATION PLAN COMMITTEE MEETING  
MARCH 28, 2013

MEETING MINUTES

There being a quorum, Paula Weiss, Esquire, Alternate Board Chair, called the Deferred Compensation Plan Committee Meeting to order at 9:20 a.m., 2 Penn Center Plaza, 16<sup>th</sup> Floor, in the Board Conference Room.

Present:

Paula Weiss, Esquire, Deputy Director of Finance, (Alternate)  
Harvey Rice, Esquire, First Deputy City Controller, (Alternate)  
James Leonard, Esquire, Chief Deputy City Solicitor, (Alternate)  
Brian Albert, (Alternate)  
Celia O'Leary, Director of Human Resources, (Alternate)  
Ronald Stagliano, Vice Chair, Employee Trustee  
Carol G. Stukes-Baylor, Employee Trustee  
Andrew P. Thomas, Employee Trustee  
Veronica M. Pankey, Employee Trustee  
Folasade A. Olanipekun-Lewis, City Council Designee

Executive Director:	Francis X. Bielli, Esquire
Chief Investment Officer:	Sumit Handa, Esquire
Deputy Chief Investment Officer:	Brad Woolworth
Director of Investments:	Christopher R. DiFusco, Esquire
Investment Officer:	John Foulkes, Esquire
Investment Officer:	Dominique A. Cherry
Investment Officer:	Daniel Falkowski

Also Attending:

Jacob Walthour – Cliffwater  
Krista Noel – ICMA-RC  
Brad Nyce – ICMA-RC  
John A. Reilly – Firefighters, Local #22  
Daina Stanford – Administrative Services Supervisor  
Donna Darby – Clerk-Stenographer II  
Carmen Heyward – Clerk-Stenographer II  
Sean Walsh – Philadelphia Daily News  
Will Greene – Loop Capital Management

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Agenda Item #1 – Approval of Minutes of February 28, 2013

Ms. Weiss opened the meeting and requested a motion to approve the February 28, 2013 Minutes. Mr. Rice made the motion. Mr. Albert seconded. The motion passed.

Agenda Item #2 – Deferred Compensation Plan Update/Activity Report for February 2013

Ms. Cherry said that there were no updates. She invited Mr. Nyce to report on February's activity.

Mr. Nyce reported for the end of February, total participants of 16,735. Total Plan assets were \$678,017,442. There were 127 new applicants during the month.

Agenda Item #3 – Vanguard Funds Staff Report

Ms. Cherry provided Staff's search results, as requested by the Board, to find potential replacements for the Vanguard options in the Deferred Compensation Plan.

With the exception of the Vanguard Windsor II Fund and the Mid-Cap Index Fund, all screens resulted in the Vanguard Funds as the best option for the Plan with the criteria used. Ms. Cherry noted, however, that when comparing a hypothetical growth of \$10,000 over the same time period for each fund, the Vanguard Mid-Cap Fund significantly outperformed its alternate fund, while the Windsor II earned approximately \$1500 less than its alternate fund. Ms. Cherry explained that while this was the case, Staff considered that there was currently over \$35M in participant driven assets allocated to this fund. It was Staff's recommendation that given the impact to the number of participants involved, there was no significant benefit to a change at this time.

Ms. Stukes-Baylor said that she did not agree with this assessment of the impact outweighing the \$1500 and felt that \$1500 after 10 years was worth the change. She noted that she did not support the decision to remain in the Vanguard Funds because it was her opinion that there are too many Vanguard Funds in the Plan.

Mr. Leonard asked Ms. Cherry what was the difference in fees in T. Rowe Price Equity Income and Vanguard Windsor II. She did not have the exact numbers but recalled that Vanguard had the lower expense ratio.

Ms. Weiss asked Ms. Cherry if the charts were net of fees or gross of fees. She said that they were net of fees.

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Ms. Stukes-Baylor noted that the fees were lower, but every fund was Vanguard. It was her thought that Staff should ask Vanguard to give another reduced rate, because it meant that the members paid Vanguard fees for every one of their funds. Ms. Cherry said that the expense ratio was not a fee to the participants, but an expense to the fund. Vanguard allowed participants to enter into the lower share class funds, which would be a lower expense ratio based on assets. The participants are being offered the lowest eligible share class funds. For example, the Board recently added the Total Bond Market Index to the portfolio, and they allowed it to be entered into the Signal Share Class, which is a lower share class than what would typically be the investor class.

Ms. Stukes-Baylor asked Ms. Cherry if they were giving the Board a discount, because there was a difference between lower class funds and a discount. She was asking for a discount rate on the fees because of the number of Vanguard funds in the Plan.

Mr. Handa said that Staff would contact Vanguard in the coming month to see if they could get some reductions in fees.

Ms. Weiss asked if there was more business for Deferred Compensation.

**At 9:32 a.m., Ms. Weiss, Alternate Board Chair, requested a motion to adjourn the Deferred Compensation Plan Committee Meeting. Mr. Rice made the motion. Mr. Albert seconded. The motion passed.**

The Deferred Compensation Plan Committee of the Board of Pensions and Retirement approved the Minutes on \_\_\_\_\_.

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Paula Weiss, Esquire  
Alternate Board Chair