



Board of Investment Commissioners

Regular Meeting

~ Meeting Minutes ~

Thursday, February 25, 2016

12:00 PM

Committee "B" (City Hall 3rd Floor)

PRESENT: Mayor Jorge O. Elorza, Vice-Chairman James J. Lombardi, III, Lawrence J. Mancini, Finance Director and Normand G. Benoit – 4.

ABSENT: Councilman John J. Igliazzi, Doris Blanchard and Ted Mocarski – 3.

Also present are Kenneth Chiavarini, Deputy City Solicitor, Law Department; Eric Bertonazzi, President/Chief Investment Officer, Wainwright Investment Counsel LLC; Jeffrey D. Fabrizio, Wainwright Investment Counsel LLC; Lori L. Hagen, City Clerk and Dawn E. Ostiguy, Assistant Clerk.

(Subsequently, Councilman Igliazzi joins the meeting.)

I. INVESTMENT PERFORMANCE ANALYSIS

1. Recent Performance Estimate
2. Portfolio Structure and Performance Summary: Asset Class
3. Manager Performance: Benchmark vs. Manager Analysis
 - A.) US Equity Managers
 - B.) International Equity Manager
 - C.) Fixed Income Managers

RESULT:	ACCEPTED [UNANIMOUS]
MOVER:	Mr. Mancini
SECONDER:	Councilman Igliazzi
AYES:	Mayor Elorza, Vice-Chairman Lombardi, Mr. Mancini, Councilman Igliazzi and Mr. Benoit - 5
ABSENT:	Ms. Blanchard and Mr. Mocarski - 2

II. DISCUSSION RELATIVE TO THE DEXTER DONATION FUND AND OTHER TRUST ACCOUNTS INCLUDING THE CASH BALANCE OF THE FUNDS.

III. DISCUSSION AND/OR DECISION RELATIVE TO SSgA EMERGING MARKETS FUND HELD IN THE DEXTER DONATION TRUST ACCOUNTS.

MAYOR ELORZA: Eric, Number two.

MR. BERTONAZZI: Yes, sir. If you look at your other book entitled with the Dexter Donation Trust Board of Investment Commissioners, etc. and if you will turn to Tab one, page one, this month we do have a recommendation, and I will get to the performance in a moment, we do have a recommendation for a small change in the portfolio. We would like to replace the SSgA Emerging Markets Fund, that is the Emerging Markets Equity Fund run by State Street, we would like to replace it in all accounts with reference to Dexter Accounts with the T. Rowe Price Emerging Markets Fund, and we have showed you the returns of T. Rowe Price Emerging Markets Fund on that page relative to the relevant index, which is in the emerging markets index. We're happy with those returns. We believe they are better. The data shows that they are better than SSgA. SSgA's assets have been shrinking somewhat. There have been some changes with the management style of that fund, so throughout our organization, throughout our client recommendations – for all of our clients, we are making this change. So, our recommendation for the Board's consideration is to replace the SSgA Emerging Markets Mutual Fund with the T. Rowe Price Emerging Markets Stock Mutual Fund.

MAYOR ELORZA: Okay. Do we have a comparison between the SSgA and the T. Rowe Price?

MR. BERTONAZZI: We do not for you on this page because in the past we were asked to remove it so we didn't do it this time, but we can certainly provide it to you. You can see what T. Rowe Price has done. The returns have been noticeably better for T. Rowe Price. We can certainly give that to you next time if you wish or delay your decision, but the returns are noticeably better.

MAYOR ELORZA: Okay, and how does the SSgA perform relative to the index fund, the MSCI?

MR. BERTONAZZI: It's much weaker relative to the –

MAYOR ELORZA: It's weaker than the index fund?

MR. BERTONAZZI: Well, in some cases. What do we have here? We have some yearly numbers. They have under-performed in many recent years relative to the index. Not every single one, but several. So we've been watching it closely and we think it's time to make a change for all of our clients with respect to this account. We'd like to provide that at the next meeting if you would like.

MAYOR ELORZA: How heavy is our rating on emerging markets?

MR. BERTONAZZI: If you turn to Tab two on page one, excuse me, it's actually the first page of Tab two, which is page nine, you can see that we have just under 3% of the fund in emerging markets in the case of Dexter. The others are going to be very close; they will vary slightly, but run around 3%, so it's small allocations.

MAYOR ELORZA: A small allocation. Okay. Any questions?

COUNCILMAN IGLIOZZI: Why would we go into a fund that has been performing better over the last I don't know how many years versus going into emerging markets?

MR. BERTONAZZI: Our philosophy in the long run strategic asset allocation calls for approximately a 3% allocation to emerging markets across time, so even though those assets, that entire asset class has been performing poorly recently, we believe in the long run the returns are worth involatility and, therefore, should be a part of this and other portfolios, so it's really a strategic asset allocation decision based on the long-term as opposed to performance of the asset class in recent times.

MAYOR ELORZA: Thank you. Just let me understand, please, Eric. So, this same fund – now is this part of our entire retirement system?

MR. BERTONAZZI: No, it's just in these smaller funds.

MAYOR ELORZA: Just in the smaller funds?

MR. BERTONAZZI: Yes, these are not pension monies.

MAYOR ELORZA: And why is that?

MR. BERTONAZZI: Well, we have – we get some emerging market exposure from Brandes, our international manager, so we have used that for how to get some emerging market exposure.

MAYOR ELORZA: I wasn't aware that we had different investment strategies for the pension fund and for these smaller funds.

MR. BERTONAZZI: You do. The pension fund needs much more of a critiquing than these funds, because of the high spending rate. It's also much larger so it's able to hold alternative investments, such as hedge funds. Whereas, these portfolios are much smaller and, therefore, it makes it much more difficult to hold alternative investments.

MAYOR ELORZA: Okay. Any questions or discussion on Eric's suggestion to change our investment strategy well – I'm sorry – to change from the SSgA fund to the T. Rowe Price fund? Councilman.

COUNCILMAN IGLIOZZI: I guess first of all, I notice – you said it's just for the Dexter one, not all the other ones, right?

MR. BERTONAZZI: It should have, but that could be a typo on our part. It should reference all funds.

COUNCILMAN IGLIOZZI: Because this is just for one. Are you asking for all of trust funds? All the trust accounts have that in so if you're asking if all, that's another question. Second question I have is, at least for the Dexter one –

MR. BERTONAZZI: It's all of the funds in here is what we're saying. That's our fault – we should have made it clear, it's not just the Dexter Trust, it is all of the funds in this book.

COUNCILMAN IGLIOZZI: This is a form of housekeeping. I just need to make sure that, can we make that motion? I'm not saying that I'm against it, I'm just saying are we okay with it if we end up changing all of the funds and make

that change, we have to repost that. That's something to think about because I don't know.

MR. BERTONAZZI: It does say discussion relative to Dexter Donation Fund and other trust accounts.

COUNCILMAN IGLIOZZI: Okay.

MAYOR ELORZA: Hold on a second gentlemen, hold on a second.

DEPUTY CITY SOLICITOR CHIAVARINI: I think that based on the notification that you could make the motion and the transfer without having to repost.

MAYOR ELORZA: Okay.

COUNCILMAN IGLIOZZI: I just want to make sure this way –

CITY CLERK HAGEN: Under Item three Kenny because it's a separate agenda item?

COUNCILMAN IGLIOZZI: That's the issue.

MAYOR ELORZA: But that seems duplicative.

DEPUTY CITY SOLICITOR CHIAVARINI: Right.

MR. BERTONAZZI: I guess we added it. We decided to add it as a specific item to make it clear that we were going to make a recommendation for the trusts.

MAYOR ELORZA: I feel comfortable with the Solicitor's recommendation. We'll treat these matters under Item two, and Item three is simply redundant.

COUNCILMAN IGLIOZZI: I'm just looking at Dexter for the sake of conversation. If I may, it's \$54,000, is that right?

MR. BERTONAZZI: I'm sorry, say again?

COUNCILMAN IGLIOZZI: How much is the Dexter Donation Trust? 2.7%, it's \$54,000 we're talking about transferring, correct? Did I read that right, \$54,147.00?

MR. BERTONAZZI: Yes, as of that date.

COUNCILMAN IGLIOZZI: So my question, just for this sake, does it make sense to just transfer just a small amount into another account or would it be better to just put it into, I don't know, a better account or a better investment? You know I don't really – does it make sense to keep it, you know, you got the Brandes, what? Even today it's, what, 5.2, so it's still doing better in theory than T. Rowe. I just don't know if it makes sense.

MAYOR ELORZA: Councilman, if I can suggest, I think that's a legitimate question, with a legitimate point. That's an asset allocation decision and I'd be happy to put that on the agenda if we want to discuss that. Whether or not we take that on in the future, for today you know, we should still consider moving to a better performing fund than what we have now. But I think that's a legitimate question that we should consider.

COUNCILMAN IGLIOZZI: And then for fees and stuff, my question is I don't want to have to convert from cash on that. What are the fees?

MR. FABRIZIO: The SSgA shows an expense ratio of 1.25%. Where T. Rowe Price emerging markets fund, which we are proposing has an expense ratio of 1.24%.

MAYOR ELORZA: Treasurer?

MR. LOMBARDI: I think he's also asking is there a load, is there an early out penalty this month and you say we're not going to do it next month, is there a penalty?

MR. FABRIZIO: There is no such penalty. There is no such, what you were referring to as a deferred or a redemption fee, there is no such.

COUNCILMAN IGLIOZZI: I would just ask. I mean I don't necessarily have a problem against putting it in a better performing fund, but I just think that maybe you could have the next meeting, does it make sense to have such small amounts in these kinds of things and maybe, I don't know, get a better view.

MAYOR ELORZA: Let's do something, let's finish this discussion and then we'll treat that before we move on. Norm.

MR. BENOIT: What I zeroed in on was, on this report, I don't know what you could call it, the ranking of similar T. Rowe Price. The first page and I think they had some good years and they had some bad years. You know, there were years when they were in the 14 to 15% top category, 11% a couple of years ago and then they had a couple of years where it looks like things are going down and they didn't do as well, but, how do you feel about that average ranking over the years?

MR. BERTONAZZI: We do pay attention to rankings, but we pay somewhat less attention because not all of the players in the peer universe that the provider, they aren't necessarily doing the same thing in emerging markets. Some focus on Asia, some on Latin America, some on Eastern Europe. They have different ways to the different parts of the world. They take different levels of risk, yet they are all in the same period. So our regular losses looks at how the funds look, not only in the stand alone cases, but how it would work with the rest of the portfolio and the risk level that we're looking for, so that's why we chose this fund. It's the most universal looking to invest in the top ten peer ranking. There are multiple aspects that we judged and one of the things is that the peer rankings in this case could sometimes be misleading, depending on what the individual funds are trying to do.

MR. BENOIT: Thank you.

MAYOR ELORZA: Any other thoughts or comments or questions? So, with that said, I will entertain a motion to move our funds from the SSgA Emerging Markets Fund to the T. Rowe Price Emerging Markets Stock Fund.

MR. MANCINI: So moved.

MAYOR ELORZA: Is there a second.

MR. BENOIT: Second.

MAYOR ELORZA: Discussion on the motion.

DEPUTY CITY SOLICITOR CHIAVARINI: That includes all trust accounts, correct?

MAYOR ELORZA: That includes all the trust accounts, correct. There's no other discussion, no other comments. We'll take a vote. All those in favor please say Aye.

CITY CLERK HAGEN: Roll call.

MAYOR ELORZA: Roll call.

CITY CLERK HAGEN: Please.

MAYOR ELORZA: Okay, we'll do a roll call.

On motion of Mr. Mancini, seconded by Mr. Benoit, it is voted to move funds from the SSgA Emerging Market Funds to the T. Rowe Price Emerging Market Stock Fund by the following Roll Call Vote:

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Mr. Mancini
SECONDER:	Mr. Benoit
AYES:	Mayor Elorza, Vice-Chairman Lombardi, Mr. Mancini, Councilman Igliozi and Mr. Benoit - 5
ABSENT:	Ms. Blanchard and Mr. MocarSKI - 2

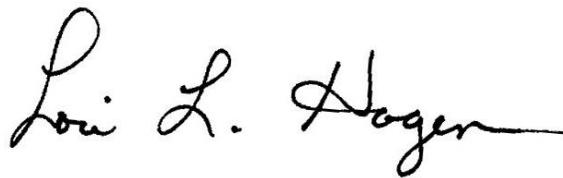
IV. DISCUSSION REGARDING ESTABLISHMENT AND/OR REVISION OF POLICIES PERTAINING TO THE DISBURSEMENT OF FUNDS RELATIVE TO VARIOUS CITY TRUSTS AND ENDOWMENTS.

Discussion was held relative to the foregoing matter and no votes were taken.

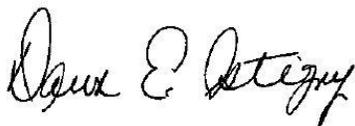
V. DISCUSSION RELATIVE TO CLAIMS AND LITIGATION (CLOSED SESSION RIGL 42-46-4 AND RIGL 42-46-5 (a) (2) PENDING LITIGATION) - LAW DEPARTMENT.

RESULT:	CONTINUED [UNANIMOUS]
MOVER:	Vice-Chairman Lombardi
SECONDER:	Mr. Mancini
AYES:	Mayor Elorza, Vice-Chairman Lombardi, Mr. Mancini, Councilman Igliazzi and Mr. Benoit - 5
ABSENT:	Ms. Blanchard and Mr. MocarSKI - 2

ADJOURNMENT: On motion of Councilman Igliazzi, Seconded by Mr. Mancini, it is voted to adjourn the meeting at 12:51 o'clock P.M.



City Clerk



Assistant Clerk