Transcript of CMPFT Meeting

Date: May 2, 2024
Case: CMPTF Board Meeting, In Re:

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IN RE: :
CITY OF PITTSBURGH CMPTF BOARD :
MEETING :
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PUBLIC HEARING
Pittsburgh, Pennsylvania
Thursday, May 2, 2024
1:03 p.m.

Job No.: 534570
Pages: 1 - 84
Recorded By: Jacob Balistreri

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Public Hearing, held at the offices of:

PITTSBURGH MAYOR'S OFFICE
414 Grant Street
Pittsburgh, Pennsylvania 15219

Pursuant to agreement, before Jacob Balistreri, Notary Public in and for the Commonwealth of Pennsylvania.

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A P P E A R A N C E S

MR. RALPH SICURO - CMPTF Chairperson
THE HONORABLE DANIEL LAVELLE - Council President, Fireman's Relief and Pension Fund Representative
RACHAEL HEISLER - City Controller
MR. RICHARD RUFFOLO - CMPTF Treasurer, Policeman's Relief and Pension Fund Representative
JENNIFER GULA - Director/Treasurer of Finance, City Of Pittsburgh
FELICITY WILLIAMS - Deputy Chief of Staff
PATRICK CORNELL - Secretary
FREDERICK N. FRANK, ESQUIRE - Attorney for CMPTF
SAM GERBER - Twin Capital
TIM LEECH - Pittsburgh Firefighters
ROBIN THOMPSON - Financial Analyst
JAMES WESNER - Investment Consultant

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C O N T E N T S

E X H I B I T S
(Attached to transcript)

P R O C E E D I N G S

(Whereupon, the court reporter was duly sworn.)

MR. SICURO: Good? All right. Mayor Ed Gainey? No. Counsel President Lavelle? No. Controller Rachael Heisler?

MS. HEISLER: Present.

MR. SICURO: Deputy Chief of Staff Felicity Williams?

MS. WILLIAMS: Present.

MR. SICURO: Ralph Sicuro, here. Richard Ruffolo?

MR. RUFFOLO: Here.

MR. SICURO: Patrick Cornell?

MR. CORNELL: Present.

MR. SICURO: All right. We have a quorum. Do we have anybody here for public comment? Seeing none, we are under approval of minutes. We have two minutes to approve. The first is the approval -- Mr. Lavelle is here. Please note that for the record. We are under approval of minutes. We have the approval minutes from the last quarterly meeting of February 1st, 2024.

MS. HEISLER: Motion to approve.

MR. SICURO: We have a motion.

MR. LAVELLE: I second.

MR. SICURO: Second by Mr. Lavelle. Any discussion on a motion?

MR. RUFFOLO: Do you know of a mix-up, I think, on my email? I didn't get them, so I didn't get a chance to review them. I talked to Robin.

MR. SICURO: Okay.

MR. RUFFOLO: I -- I'm good. I have them now, but --

MR. SICURO: Are you good with proceeding?

MR. RUFFOLO: Yes.

MR. SICURO: Okay. Any other discussion on the motion? Seeing none, all those in favor, signify by saying, aye.

MS. HEISLER: Aye.

MR. LAVELLE: Aye.

MR. SICURO: Aye.

MR. CORNELL: Aye.

MR. SICURO: Opposed? And the motion moves. Next will be approval of the minutes from the Special Board Meeting.

MS. WILLIAMS: Ralph, I wanted to document me as an abstain just because I wasn't

here for the last meeting, so thank you.

MR. SICURO: Can we note that for the record, please? Approval of the minutes from the special board meeting held on February 27th, 2024.

MR. LAVELLE: So moved.

MR. SICURO: We have a motion by Mr. Lavelle. We have a second?

MS. HEISLER: Second.

MR. SICURO: Ms. Heisler. Any discussion on the motion? Seeing none, all those in favor, signify by saying, aye.

MS. HEISLER: Aye.

MR. RUFFOLO: Aye.

MR. LAVELLE: Aye.

MR. SICURO: Opposed? And any abstentions? Seeing none, motion moves. Next order of business will be election of officers. The current officers are myself for office of, of course, chair. We have a vacancy in our vice chair. Mr. Ruffolo is the treasurer, and Patrick Cornell is the secretary. We'll take one at a time. If we will have any nominations for the chairman's or chairperson spot?

MR. RUFFOLO: I'd like to nominate Ralph Sicuro, our current -- current chair. He's done a

great job the last term to remain on as chairperson.

MR. LAVELLE: Second.

MR. SICURO: Well, thank you. Any other nominees for chair? All right. Seeing none, all those in favor, signify by saying, aye.

MS. WILLIAMS: Aye.

MR. RUFFOLO: Aye.

MS. HEISLER: Aye.

MR. LAVELLE: Aye.

MR. CORNELL: Aye.

MR. SICURO: Thank you very much. Now, for nominees for vice chair, anyone for vice chair? I will nominate Ms. Heisler.

MS. HEISLER: I accept.

MR. SICURO: That's fine.

MS. HEISLER: Thank you.

MR. SICURO: Are there any other nominees for vice chair?

MR. FRANK: You need a second.

MR. SICURO: Oh, we need a second.

MR. RUFFOLO: I'll second.

MR. SICURO: Any other nominees? Seeing none, all those in favor, signify by saying, aye.

MR. RUFFOLO: Aye.

MS. WILLIAMS: Aye.

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MR. LAVELLE: Aye.
MR. CORNELL: Aye.
MR. SICURO: Aye. Opposed?
Thank you, Ms. Heisler.
Nominees for treasurer. Do we have any nominees for treasurer?
MS. WILLIAMS: I would like to nominate Rich Ruffolo as treasurer.
MR. RUFFOLO: Accept.
MR. FRANK: Need a second.
MR. LAVELLE: Second.
MR. SICURO: Second. Any other nominees for treasurer? Seeing none, all those in favor, signify by saying, aye.
MR. LAVELLE: Aye.
MS. HEISLER: Aye.
MS. WILLIAMS: Aye.
MR. RUFFOLO: Aye.
MR. CORNELL: Aye.
MR. SICURO: Opposed? Mr. Ruffolo. And for secretary, do we have any nominees for secretary?
MR. RUFFOLO: I nominate Patrick Cornell.
MR. SICURO: All right.
MS. HEISLER: Second.

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MR. SICURO: We have a -- nominee?
MS. HEISLER: I assumed.
MR. SICURO: Patrick, do --
MR. CORNELL: I'll accept.
MR. SICURO: He accepts.
MR. CORNELL: Yeah.
MR. SICURO: And --
MS. HEISLER: I second.
MR. SICURO: Second. Okay. Any other nominees? Seeing none, all those in favor, signify by saying, aye.
MR. LAVELLE: Aye.
MS. WILLIAMS: Aye.
MS. HEISLER: Aye.
MR. RUFFOLO: Aye.
MR. SICURO: Aye. Opposed? Motion moves. Thank you, everybody. Now we'll be under bills and communications report from our executive director.
MS. GULA: Good afternoon, everyone. Funding of the pension is at $1.099 billion, which is 71.18 percent funded as of the first quarter end March 31st, 2024. The return on the portfolio over the last 12 months ending in March -- on March 31st, 2024, is 14.2 percent for the invested

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portfolio and 12 percent for the composite. Year-to-date, the portfolio is 5.3 percent in the invested portion and 4.2 percent for the total fund. The parking asset, which is valued through March 31st, 2024, is valued at 331.9 million. There is also a statement in your individual packets with all the funding levels and the overall liability as of March 31st, 2024. Does anybody have any questions?
MR. SICURO: Seeing none. Thank you very much.
MS. GULA: You are welcome.
MR. SICURO: Next we have our investment consultant report (indiscernible) Marquette.
MR. WESNER: Thank you, Mr. Chairman. Good afternoon, everyone. We will be working off of the Marquette book that's in your folders.
(Exhibit 1 was marked.)
MR. WESNER: It'll highlight the market performance through the end of March. It also has your portfolio performance through the end of March as well, and then we have a few slides to discuss a few other additional matters. One will be our manager diversity reporting, which we have for year-end 2023, and then we also have a discussion

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on asset allocation and active manager selection for a new asset class. So it might sound like a lot, but I think we'll be able to get through it in the -- the normal amount of time.
So going inside that front cover, just an update on Marquette. I kind of leave that for you to look at on your own. In terms of the market tracker, which is on the next page, March performance, I'll kind of make the comment, happy. that we're not having to talk through April figures. April was a more challenging month for the overall markets, equity and bonds. What's here on the page for March, very positive numbers, so the first three months of the year were exceptionally positive, particularly for the equity markets. The drivers for market performance continue to be inflation and the Fed's response with interest rates.
The Federal Reserve met yesterday and, consistent with expectations, kept interest rates constant, so the target Fed funds rate is between five and a quarter and five and a half. We've been at that level since last July. The expectation coming into this year was that we would see multiple rate cuts in 2024. Inflationary

figures have continued to come in higher than anticipated, thus, the Fed has guided the markets and their expectations down so that we are really only expecting now potentially one rate cut in 2024, and I don't think we would be surprised if there was zero rate cuts in 2024.

That all is predicated on the economy continuing to grow, the job market continuing to be as resilient as it has been. Typically, when you see a rate increase from basically zero where we were up to 5 percent plus, you would anticipate to see even a modest -- or at a minimum a modest increase in unemployment. We were starting at an exceptionally low unemployment rate to begin with, sub 4 percent, and the market's expectation was that with interest rates going up, the unemployment rate might go up modestly. We've actually seen the unemployment rate continue to be below 4 percent. GDP growth has continued to be resilient, so the Fed has almost been given additional flexibility in keeping rates higher for longer making sure that inflation is really fully stomped out before they start to cut rates.

And then, the markets. You know, as displayed on this page here, the markets have

been resilient. So the Fed will always say that they are not really focused on what the market is doing, but if the market was significantly lower, they might be a little bit more inclined to cut rates. But the market has been resilient. The economy measured by GDP has been resilient. The labor market has been resilient. The Fed can say, we're going to stay higher for longer to make sure we get inflation under control. So it -- it -- it is unfortunate that good news leads to higher rates, but it's -- it's nice that we have, you know, pretty solid news in terms of -- of economic output.

With interest rates going up, the bond market -- you know, we have that inverse relationship between interest rates and bond prices, so the bond market has been negative. If you look at the fixed income table in the upper right-hand corner of the page, through the end of the first quarter, only modestly negative in terms of the bond market, and we see year-to-date, the top row there, that the aggregate benchmark is down eight-tenths of a percent. Unfortunately, April rates have gone up significantly, so where we stand today as of -- you know, through four months of the

year, the bond market is actually down 3 percent.

Equity markets, over on the left-hand side of the page, you know, very -- very strong numbers here. You can see year-to-date through March, the equity markets were up almost 11 percent for the S&P 500, the one-year returns up nearly 30 percent year-over-year. April, we did give back four to 5 percent in the equity markets, but year-to-date, we still stand with equity market returns of about 5 percent. So, you know, we're still in a pretty strong position only four months into the year.

International equities, which are, you know, the next table down -- international equities, the second row, the second benchmark there, the ACWI ex U.S., is the benchmark to reference for broad international equities. Positive, but only up about half as much as the U.S. markets. Silver lining to April's performance is that international is only down about half as much.

In emerging markets, which you have direct exposure to in your portfolio, and so emerging markets, as a reminder, think China, India, Brazil, those markets had been up the least

in 2024. And they actually were positive in April, when the rest of the markets were negative. So, you know, diversification is very important, and we're certainly seeing that as we enter periods of more volatility. As a reminder, the international markets are certainly more sensitive to a lot of the geopolitical conflict around the world, mainly because that geopolitical conflict is closer in proximity to those international markets. We'd seen the Ukraine-Russia conflict, you know, affect Europe much more. Obviously, it was affecting, you know, grain prices, their natural gas prices.

And then as we look at the conflict in the Middle East over the last six months, there, you have the issue of, you know, container shipping, you know, not being able to go through waterways in the Middle East, you know, going down around the Horn of Africa instead. You know, that's a lot of additional costs to get goods, you know, to Europe, so those costs end up slowing the economy down and just slowing down GDP growth because products can't get there as quickly. So a lot of these factors, I think it makes it further impressive how the markets have been resilient, not only in the face of higher interest rates, but in

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the face of, you know, a lot of geopolitical conflict as well.

And then, the final thing that -- I guess I shouldn't book the page quite yet. The final thing, bottom left-hand side of the page, real estate -- real estate continues to be probably the biggest headwind for the markets. With real estate, as a reminder, you know, your institutional real estate is really made up of -- of the four major food groups of real estate, industrial, multifamily housing, office, and retail. Office has obviously been the one that's been in the biggest headlines with occupancy rates being rather low.

Real estate, we think, is getting close to putting in a bottom. We're never going to try to guess exactly where the bottom is for real estate, but industrials, multifamily housing, those areas remain pretty strong, and we would anticipate that those markets will start to lift the overall real estate market back in the positive territory. So there's still a lot to be worked through, but, you know, I think the majority of the pain for real estate has been felt during this low point in the cycle.

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Any questions on the broad market before we take a look at the portfolio performance?

And so, as we look at portfolio performance, I -- I'll guide you to, you know, Pages 2 and 3, you know, really, on Page 3, just looking at overall performance. You know, as we look here at performance, we can see that, you know, for the one-year period, up 12 percent. You know, obviously, the parking asset, we talk about it quite a bit here. The parking asset -- it's very hard to benchmark the parking asset. And you can see in the bottom left chart on Page 3 that shows us versus our target allocation. You know, it's hard to benchmark how much we're going to have in the parking asset because that's predicated on how the other asset classes perform. We have zero control over the assets in the parking asset, so what we're going to start to recommend is -- is focusing more on our asset allocation conversation on being just on the invested portfolio.

MR. RUFFOLO: Can you repeat that again, the beginning of the parking asset?

MR. WESNER: So with the parking asset, we have -- in our broad asset allocation, we've always said the parking asset will be about 40

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percent of the total portfolio, but we don't have any control over that. We don't ever add. We can't rebalance into the parking asset or -- or pull any assets out. And right now, and for good reasons, the parking asset is a smaller percentage of the portfolio. Those good reasons are that everything else has been going up, especially equities, and your portfolio, as -- as your executive director just outlined, you know, just shy of $1.1 billion. So as the total assets go up, the percentage of the parking asset as a share of your overall assets continues to come down. So a -- a good thing, but just want to make sure we're drawing attention to that.

(Exhibit 2 was marked.)

MR. RUFFOLO: Thank you.

MR. WESNER: In the bottom right-hand chart -- I think this is always just a helpful one to see -- when you look at the beginning market value of portfolio five years ago, you know, net cash flow is very minimal. Cash flow is out over the last five years for benefit payments. You're pretty close to cash flow neutral, but investment gains of -- of $228 million plus. So that is how you get to the -- the $1.1 billion current market

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value of all your assets.

And then, Pages 4 and 5, as you look at Pages 4 and 5, that's your total assets. That includes the parking asset at the top. What I'm going to do just for connect -- to lead into our asset allocation conversation today, I'm going to focus you more on Pages 6 and 7. 6 and 7, it looks like almost the same layout, but it just excludes the parking asset. So these are just the investible assets. These are just the assets we actually have control and can make decisions on what our asset allocation is and who are the active managers within that allocation. And you can see here that our fixed income allocation is pretty light compared to, you know, most public plans, but your parking asset is a steady income-producing asset as we look at it. So we've always kept your fixed income allocation lower than what you might see amongst, you know, your peers in the public pension fund -- public pension fund universe.

U.S. equities, we've always been a little bit higher allocated there. We do think that's an area where we do need to trim down and have less exposure to U.S. equities. But for the last several years, U.S. equities have been, far and away. one of the best performing asset classes. So it's been great that you've had an overweight, essentially, to U.S. equities. It's been very accretive to your overall performance.

And then, on the second page there, you'll see your non-U.S. equity, your global, and some of your alternatives, and, again, we're going to get into a little bit more detail on that. At the bottom, I do -- will just highlight on the cash side, you know, we are a little bit high in cash, 3 percent in cash right now, but, as a reminder, that cash is earning 5 percent in money market vehicles, so it -- cash has actually given us much better returns than fixed income over the last several years.

Page 8 kind of highlights a few of the things I -- I hit on earlier in terms of cash flows. It's -- then sometimes a -- a simple graph, I think, is always the most impactful, and this one just to see the growth of the assets in the plan and to see it basically at, you know, an -- an all-time high in terms of assets, right at that $1.1 billion level. So, you know, I've made the comment several times that the action that, you know, you've taken -- that the City has taken to,

you know, continue to make higher contributions to shore up the pension fund, you know, is certainly something that is not as common as you might think, so kudos to everyone who's involved for, you know, really getting this plan continuing to move in the right direction.

MR. SICURO: It seems like the last four years were more significant than -- as far as growth than anything.

MR. WESNER: When you look back --

MR. SICURO: (Indiscernible).

MR. WESNER: -- 2019, you know, we saw good growth in the market. Obviously, in March of 2020, we saw a pretty significant decline, but then with all the stimulus that came in post COVID, you see that, you know, significant increase in the markets for 2020, 2021. 2022 was a tough year for the markets, but then 2023 was another strong year. So kind of your diversified portfolio allows you to weather some of the painful periods better. And the fact that you are pretty cash flow neutral, you're not having to sell assets in a down market. That's the biggest challenge for many public pension plans and pension plans in general right now, is that when the markets are down, you're

having to sell assets to meet benefit payments, and then those assets aren't there to recover when the market comes back. So you've been in a very good position to be able to recover nicely when the markets bounce back.

I'll jump forward now to Pages 12 and 13. This is just the total market performance or total portfolio performance. The top few lines, you'll see it says, Total fund composite. That's the performance, including the parking asset. The kind of next section down is the total invested portfolio. That excludes the parking asset. I think the important thing to note is that when the market is up strongly, the parking asset is going to be diluted to performance. So 2023, the parking asset, that seven and a half or seven and a quarter percent rate of return you get off of it is holding you back. It's it seems a little counterintuitive that the return of that is -- is holding you back. 2022, it really helped you because the markets were negative, and then that was a big chunk of your assets that were getting that steady return higher.

What I think is most impressive is you look at your seven and -- and 10-year returns, it doesn't matter whether it's the invested

portfolio or the total fund portfolio; You know, you're in excess of your assumed rate of return net of fees, and your ranking amongst your peers is -- you know, for the total fund composite is the top quartile of public pension fund peers. And the invested portfolio is just outside of it, the 29th percentile. So, you know, lower is better here, so you're -- you're in the top quartile amongst your peers. So that's the goal, is to have consistent longterm performance for the portfolio.

Fixed income, you know, managers here are all doing exactly what we expect. Federated is your largest exposure, and they actually have the, you know, best rankings and out-performance. So that's good to see. Vanguard and BlackRock, you know, performing in a strong fashion as well. On the top of Page 13, U.S. equities, you'll see Xponance, which is your relatively new diverse-owned index fund provider, you know, doing exactly what we expect, you know, matching the benchmark. What has been a little diluted to performance has been your small cap and mid cap managers. Any exposure to small cap and mid cap has been dilutive. And you can see that your managers have actually continued to do, you know, a decent job, but it's just the overall, you know, market has been more challenging in small cap at mid cap.

We'll continue on Page 14 and 15. On the emerging manager composite side, you know, very mixed here because they're -- all these things vary differently. Gridiron, which is your newest manager, which is more of a fixed income strategy, exceptionally strong performance, so we're very pleased with what they're doing. TWIN Capital with an enhanced index strategy, their performance has been -- continued to be strong, short-term kind of the top third of the peer universe.

Our problem is CIM, so this is a small cap strategy. It has continued to underperform. This is a strategy where I think we are better suited to allocate those assets elsewhere. They've continued to underperform. They were on alert. We took them off alert. They're really just -- we don't see a value add within the portfolio, and, you know, they have not shown a -- a growing expertise in the small-cap space.

So just as a background, this -- just to remember names, this was one where the

marketer, Moss Murphy, was here in the past, and he passed away a few years ago.

MR. SICURO: So are you recommending at this time that we consider changing that -- that out of our portfolio?

MR. WESNER: I think it's worth, you know, reducing it -- sorry -- not reducing, eliminating it from the portfolio. They have continued to be -- they've been eliminated from some other local mandates as well. You know, we have some, I think, more exciting opportunities to allocate capital to new managers that can generate additional returns and much -- with, hopefully, higher likelihood of outperformance.

MS. WILLIAMS: And we would go out to RFP for those, or are you considering that we just --

MR. WESNER: Here, we don't I don't think we need to go out the RFP right now.

MS. WILLIAMS: Just -- okay.

MR. WESNER: You have the -- the more recently selected small cap manager within your portfolio. Within locally-owned firms --

MS. WILLIAMS: That's Gridiron, right?

MR. WESNER: That --

MS. WILLIAMS: Remind me; the small cap manager now?

MR. WESNER: The small cap is -- is Palisade.

MS. WILLIAMS: Thank you.

MR. WESNER: That was also -- that -- that is a woman-owned firm that you hired about a year, year and a half ago. We could consider giving an additional allocation to them. The challenge with your emerging manager program, as it's structured now with being focused on local firms, is there -- there aren't a tremendous number of local emerging firms here in Pittsburgh. We could have discussions of continue to try to do them more to diverse-owned firms. You know, there's a lot of other, you know, ways to -- to look at structuring in an emerging manager program.

MR. RUFFOLO: Is that something you're going to recommend to us, or you will just do on your own?

MR. WESNER: We would come back and bring to you a recommendation, so we'd have to do a couple things. One would be having a conversation about what the, you know, policy -- what our definition of an emerging manager would look like.

And we've talked about this before, that the definition of an emerging manager within your program is different than what we typically define an emerging manager as. For most of our public fund clients and clients in general, when we talk about an emerging managers, we're talking about managers that are below a certain dollar amount in assets under management. Some do it at -- at a $2 billion level; some do it at a $10 billion level. I know that's very different in those two numbers, but they also do for women and minority-owned firms.

And so, it's not based on geographic location, being local; it's based on, you know, the diversity of the organization. A and I think, you know, based on your local program, you have two of the best local managers in your program that would remain. I don't -- would not be recommending any changes there, but it's just further enhancing --

MS. WILLIAMS: Yeah.

MR. WESNER: -- your program.

MS. WILLIAMS: Because we passed the diverse investment managers policy, we added that into to our -- our policies here. I don't know that we need to change the definition of what our emerging managers program is because we -- we're tackling that through other policies. I think what I would want to consider is what that -- how much is allocated to that program, because we have a specific amount that's allocated to that, and that we would move that to perhaps a focus related to the diverse policy or -- I don't know -- one of our other categories, right, so that we still retain, as you say, a local program with the two strong performers that we have, but are able to reposition those funds.

MR. WESNER: Yeah. And we've always defined their -- your program previously had been defined as having a maximum allocation in terms of new assets put to work. The total target was $10 million, so we wouldn't even need to adjust that. We would just leave the existing managers in there. And one of the recommendations today is actually for an allocation to a diversement manager.

MS. WILLIAMS: Gotcha.

MR. WESNER: So it's just continuing to execute on, as --

MS. WILLIAMS: Okay.

MR. WESNER: -- as you were articulating, the policy that you've already approved --

MS. WILLIAMS: Wonderful.

MR. WESNER: -- but we would need -- we would need a motion to, you know, terminate the CIM relationship.

MS. WILLIAMS: We --

MR. SICURO: I think we'll get through the report and then (crosstalk).

MS. WILLIAMS: I was going to say -- yeah. I was going to say, let's do that.

MR. WESNER: We'll do the action items at the end. Great.

MS. WILLIAMS: Sounds good.

MR. WESNER: Thank you.

MS. WILLIAMS: Yes.

MR. WESNER: International equities, everyone is performing in line. You know, actually, very strong performance continuing from your largest international equity manager. Right in the middle of Page 14, on the far right-hand side, you'll actually see your broad international equity composite. You are in the top percentile of public pension plan international equity composites, so your managers are doing an exceptionally strong job to have a 10-year ranking at the top percentile.

For Global Equities, you know, it's the Federated product, you know, which had been struggling in the first year or so that you had it. The second year that you've had it, it's actually bounced back significantly, so their rankings, you know, have been very strong. They're back now to being a top quartile manager, essentially, over the last year.

Your hedge strategy is, you know, continuing to outperform the benchmarks quite significantly, so very pleased there.

Real estate at the bottom. Obviously, I hate to -- to end with some of the more disappointing figures. Real estate you can see, you know, down 15 percent. Longterm, we're still have a 10-year return of 5.3 percent, so much better than the bond benchmark. You know, Barings, we have a, you know, $15 million redemption that is already in place for Barings. I would like to recommend putting in just a full redemption for Barings. It's going to take a long time for that money to be paid out, but I figure that it -- there's no reason to if you have a redemption request in that's now currently over 75 percent of the balance. We should just have a full redemption

request in. Reef is -- is definitely the stronger manager. That can be the better longterm position. And Barings will still be there for quite a while, but I think it's just good to have that full redemption request in place.

MR. SICURO: Does that take action for us to do?

MR. WESNER: That -- that would -- would require an additional motion.

MR. SICURO: Can you just get -- just so I remember what the -- reef?

MR. WESNER: And it would be for -- for -- for Barings real estate.

MR. SICURO: Okay.

MR. WESNER: It would be to amend our existing redemption request to be a full redemption request.

Then, actually, I'll wrap up on something more positive. On Page 16 is your private equity allocations. So in terms of private equity -- and we're going to talk about this in a moment with asset allegations -- if you look at your private equity investments on Page 16, the far right-hand column is our -- is called the IRR. It's the internal rate of return. That's how we measure the performance of private equity investments, and your largest private equity investments have all continued to perform, you know, at or above expectations.

You can see the Crescent -- you have three allocations of Crescent Capital, two allocations with Siguler Guff. Those Siguler Guff investments are both returning in excess of 20 percent annualized, and those are the biggest allocations that you have. You know, the Siguler Guff is almost $16 million in fund 4. Fund 5 is still actively calling capital, but it's over $5 million allocation there.

The Magarac, which is another local manager, you might see, might jump out to you as a negative return there. It -- venture capital always has, you know, negative returns up front. That's kind of the nature of those investments. They may be investments, but they're charging fees early on. So we call it the J curve, so while that is an eye-popping number at a -27.1 percent for a venture capital fund in the first few years, that's not a -- a hugely surprising number. So I just wanted to address that since it might pop out.

And then the only other thing that

I'll hit in terms of the quarterly report is on Page 24, fees.

MS. GULA: Jamie, can I interrupt a moment? Patrick had to jump off for (indiscernible).

MR. WESNER: Okay. Okay. So I'll just -- so in terms of fees, you continue to operate the portfolio at a very, you know, reasonable fee level. In aggregate, you're at 48 basis points in terms of total fees -- and that's at the bottom of Page 24 -- so utilizing a lot of indexing and ways to keep the costs very reasonable. So I just wanted to highlight that positive in terms of the overall portfolio.

So if there aren't any questions on the portfolio, I'm just going to wrap up with the asset allocation discussion. So this is behind Exhibit 2, and I'll actually start on Pages 4 and 5. So as a reminder, when we talk about asset allocation, asset allocation really is the biggest driver for portfolio performance, and there's a lot of, you know, academic studies out there that highlight that 90 percent of the volatility of your portfolio is driven by the asset allocation. Oftentimes we get focused on the active managers

and the -- the stock picking, per se, of investments. It really is how much do you have in stocks, how much do you have in bonds, how much do you have in alternatives. That's really the driver of volatility.

And what we have highlighted on Page 4 are your current policy, and then hypothetical portfolios that we run through our asset allocation modeling software, and then it gives us potential outcomes, hypothetical returns for the next 10 years. And the intention of running an asset allocation study is to give us a better feel and understanding for how making changes might affect your returns in volatility over the next decade.

Your portfolio, again, has performed very well over the past decade. The goal is keeping you in that position, not giving back all the, you know, successes that you've had if we have a market correction. So if we go back up to -- on Page 4, your current policy and the column that's -- that's labeled there Portfolio A is actually your current policy, but just broken down into a more granular format in terms of how we've executed it. So, really, we're almost using Portfolio A as a starting point, and then Portfolios B, C, and D are

the new options.

The way we highlight the Portfolios C, D and E -- and you'll see the color shading -- the red means that we are taking down the allocation to that asset class, and green means that we're increasing the allocation to that asset class. Some of the big, you know, kind of, themes or common themes that you'll see here, really, the overall theme is taking down equities or reducing the equity allocation and increasing the allocation to fixed income, like investments, so traditional fixed income, and then private debt.

You might say, well, why are we taking down fixed income now? Why are we making these changes today? Why didn't we make these changes five years ago? Well, the environment has changed significantly. Five years ago, bonds were giving us a 2 percent yield, if that, and so in order to get to your 7 percent plus assumed rate of return, you can have too much in bonds and we're going to hold you back; but now, bond deals are 5 percent, so we can have a healthier allocation to bonds. They'll help us -- they won't hold us back in achieving our return objective, but they will take out a lot of risks so we can reduce the risk

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of our portfolio and end up with a better risk-adjusted return, which is the goal.

So Portfolio B, we increase fixed income, you know, pretty significantly. You can see it going from 22 percent overall to 30 percent overall. Most all of that is just in core bonds, so this would be your Federated, your, you know, BlackRock investments there. And then, most of your equities are coming down, so reducing your traditional equity exposure. And you don't see any changes in Portfolio B to the bottom section, which is your alternatives.

Portfolio C, we still increased fixed income versus where we are today and take down equities, but we actually add a bit more to some of our alternatives. We add more to our defensive equity, which is parametric. We add a little bit more to private equity.

And then Portfolio D, fixed income stays the same. Equities, you know, come down even a little bit more, and we add to those alternatives, but we also introduce private credit, so private debt. So think of the bonds that are associated with private equity. And again, bonds are less risky than equity. So private debt is

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less risky than private equity, but it -- it still gives us a higher return expectation. And we actually take real estate down one percent in Portfolio D as well.

So if we shift down to the bottom of the -- or the bottom sections of Page 5, these are the results, and what you'll see, you see three rows of data: the annualized 10-year return, so this is the expected 10-year return that comes out of the model; the annualized 10-year volatility, so the risk associated with that portfolio; and then the bottom row is just a risk-adjusted return, so it's basically the return divided by the volatility. So you want a higher bottom line here, so a higher risk-adjusted return.

And what you'll see as you go across these portfolios is all of them have a higher risk-adjusted return. And Portfolio D, it doesn't have the highest return of all the options here; actually, Portfolio A does, but it has significantly less risk than portfolios A, B, or C, so it gives you the highest, you know, rate of return. Reasons for that? Diversification. You get a lower overall risk in your portfolio when you have asset classes that have low correlations to

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one another and are going to smooth out your overall return experience over time, and that's the goal. We want to have -- we might have slightly lower highs in our portfolio, but we're going to have higher lows, and that's the goal. If you have a sell-off, you don't have to recover as much from that.

So our recommendation is to modify the asset allocation to Portfolio D. We would then memorialize that asset allocation at the next meeting into an update in your investment policy statement because your asset allocation and your targets are in your IPS as well. But we always make sure that we get it -- an asset allocation change approved, and then memorialize in the IPS at the next meeting.

MR. FRANK: Okay. Jamie, I think if we just approve the asset allocation, I can amend the -- or the investment policy without having to bring -- if that's the only change, I would circulate it to the trustees, but I don't think we have to go through another motion here. Okay. We adopt it, but that's the trustees' decision.

MR. WESNER: Any questions? I know that's a lot of materials. We have a few slides, I

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-- I know I talked through them at the last meeting, on private debt and private credit. It's just I want to make sure that you have the due diligence and the supporting documentation when we're introducing a new asset class.

MS. HEISLER: Yeah.

MR. WESNER: One of the things just to highlight from the private debt side on Page -- I'll kind of point you to Page 9. You have exposure within your portfolio to leverage loans and high-yield bonds. So the two other pieces of the pie here on the bottom -- on the left-hand side of Page 9, the private debt side is growing. The reason why the private debt side is growing is because, historically, the types of loans that were made to facilitate private transactions and -- and private equity investments had been made by the banks. But we know, with a lot of the banking issues, you know, going back to the great financial crisis, but even more recently with the stresses on smaller regional banks, they're not lending money the way they were before. And so, you have private markets that have stepped up, funds that are being raised, the private institutional capital from institutional investors, like pension funds like you, that have been, you know, deployed to capture these returns.

We actually think that the private investors -- and I think there's a pretty strong consensus on this -- this idea that private investors underwrite these transactions much better than the banks did. They're much more thoughtful on -- on risks. They are much tighter in terms of covenants or protections that are built into these loans to make sure that, you know, if something happens with a company that they start to struggle that the debt is protected.

And as a reminder, when a company is taken private -- in a private equity transaction, the private equity investors, which you have private equity investments already in your portfolio, they -- if someone gets hit first, equity investors get hit first. Their capital is at risk first. Same thing in the public markets. You know, if you look at, you know, any public company out there. You know, the equity might go down, but, you know, the bonds are senior in terms of the capital structure. They get protected the most, so that's the same thing in the private markets; it's making sure those protections are in

place for -- for investors like yourselves who would be in -- in -- in private debt.

MS. WILLIAMS: Jamie, when you finish talking us through the due diligence around the private credit, I do want to go back to a question I have around the allocation adjustments, but let's keep the --

MR. WESNER: The only other thing in terms of private debt is -- is highlighting interest rate risk. So what we saw in 2022 and 2023 and what we saw again in April, interest rates go up; traditional bonds go down. Private debt is floating rate in nature, and what that means is you have a base rate that is typically the equivalent to the Fed funds rate. It used to be called LIBOR; now, they use this benchmark SOFR. So it's a -- a -- a -- a short-term benchmark rate plus a spread, and right now, you basically get the benchmark rate, which is five, five-and-a-half percent, plus a spread of five to 7 percent.

So these loans are yielding, you know, 10 to 12 to 14 percent yields right now, and if interest rates come down, the bond prices won't change, but your yield will, you know, adjust down slightly. So even if we see a 1 percent decrease

in interest rates, which would actually probably be a good thing for the economy, you know, you're only seeing the yield on these investments go down from, you know, 12 to 11 percent, for example, so we think it's still a very attractive environment going forward for these types of investments. And --

MS. WILLIAMS: Question I had. Yes. So it is a lot of information taken at once --

MR. WESNER: Yes.

MS. WILLIAMS: -- some of the adjustments that we're making here. And so, I was looking at the proposal for Portfolio D, and, as you said, in -- in the areas where it's green, those are where we are increasing that asset allocation, and red where we're decreasing. I see our most significant area that you're proposing to decrease is the total U.S. equity. The rest of the ones that are -- that are -- the other, I should say, one that is being decreased is only, I think, about 3 percent. Yes, that I see in that in Portfolio D. So just revisit for me what we're seeing in the total U.S. equity that is driving that decision to be the larger reduction.

MR. WESNER: Yep. So a couple things.

One is, you know, historically, your U.S. equity has been a bit higher than, you know, average, which has not been a bad thing because U.S. equity has performed the best.

MS. WILLIAMS: Very well.

MR. WESNER: As we look at things going forward, we think that bringing down overall equity risk, you know, it was the highest number to start with, and it's going to have the kind of the highest reduction in terms of -- of -- of overall allocation.

MS. WILLIAMS: Okay.

MR. WESNER: And we don't try to, you know, overly time decisions like this, but when we look at valuations right now, the U.S. market continues to be pretty expensive compared to, you know, international equities. It's been expensive for a while, versus international equities, and still has performed better, but that is just another support to say over the next 10 years, you know, the opportunity is there for international equities to, you know, have a rebound. You're still going to be basically, I would say, two to one, but you're still going to be at least 40/60 U.S. to international equities --

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MS. WILLIAMS: Okay.
MR. WESNER: -- because you'll have 29 percent in U.S. and -- and 17 percent in international.
MS. WILLIAMS: Okay.
MR. SICURO: Jamie, that also -- the -- the -- the shift in the equities and increasing in fixed income is because, in the past, you had such a lopsided fixed income with the parking asset; is that correct?
MR. WESNER: It does have some -- that -- that plays into it because the parking asset is now 30 percent of the total portfolio versus 40 percent in the past. But, really, the -- one of the biggest drivers is the fact that bonds are just yielding so much more now, and to get a 5 percent yield off of bonds now versus 2 percent or less than 2 percent is really the -- the -- the biggest driver. But both -- both are correct.
And then, in -- in terms of implementation, you know, on Pages 13 and 14, so we -- we have the -- the practice here. The investments here are ending up being partnership investments. So we have a continual due diligence process at Marquette where we evaluate managers in

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alternative asset classes. Some of our clients -- some of our public fund clients continue to go through a public procurement process, and we actually had -- one of my largest clients just went through that process for private debt. And we received 60 RFP responses, so --
MS. WILLIAMS: Wow.
MR. WESNER: -- you got a lot out there. But, you know, our research team obviously leverages that in their continual due diligence, but it actually is very helpful in terms of what's in the market right now for you. And two managers really kind of brought -- rose to the top in terms of our overall due diligence, but particularly when we were thinking about what is appropriate for your plan. So the two managers that we were recommending for private debt are Brightwood Capital and Partners Group. Brightwood Capital is a more traditional private debt strategy, and by traditional, I mean closed-end in nature. So where you make a commitment of a certain dollar amount, they call that money when the -- the investments are to be made, and then when the loans mature, they return that capital to you. You would then have to subscribe to their next fund, you know,

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three to four years from now to continue to keep your allocation to that strategy. The other manager, Partners Group is what we call an open-ended fund where you make a commitment, they take the money, they put it to work, and it's an evergreen type structure.
Brightwood is a 100 percent African American-owned firm based out of New York, a group that we've had investments with for the past decade, you know, a group that is broad and diversified in terms of the underlying loans that they write. You'll see the different strategies that they have. They're across the healthcare industry, business services, technology, you know, franchising, logistics, so a very broad base on the type of companies. They're loaning money to -- they loan money to companies that are being backed by private equity, but also about half their investments, what we call non-sponsored, are made to companies that are just in that big growth phase where they're a solid company. They might be owner -- or, sorry -- founder-led, but they're not ready to sell private equity, but they need capital to kind of grow to maybe expand, you know, their geographic footprint to go into a new, you know,

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type of product.
And so, that's, you know, about half of what Brightwood does. You know, again, a team that has been together for a long period of time -- tey're raising over $2 billion for this fund, and -- and a team that, you know, we have a very long history with and -- and a lot of confidence in them as a -- as a potential option.
The fees are one-and-a-half percent. So I know one of the things that we had talked about before, when we were looking at our diversement managers, was, you know, the amount of fees you have going to different managers, and while you have a large percentage of your assets with a diversement index provider, not a lot of fees go in there. In terms of being able to reinvest fee dollars in the jobs, you'll have a lot more impact here in terms of fees that are going, you know, into a -- a firm like Brightwood. So they charge, again, that one-and-a-half percent fee.
Carried interest. Just as a reminder, you have carried interest in all of your other private investments. That means they participate in the profits, so any return on the investment in excess of the six-and-a-half percent preferred rate

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of return, they share in 15 percent of the upside. So that is a common, you know, additional fee that's part of private investments. But I just wanted to make sure we highlighted that.

MR. RUFFOLO: What would be the range of being a good -- is 15 on the high end or low end or --

MR. WESNER: It -- it's pretty consistent. You have some that are -- that are higher. You know, kind of the -- the typical in private equity, the typical, we call it, 2 and 20 where their management fees are, typically 2 percent and the carried interest is typically 20 percent, and then it's typically, you know, a bit lower in -- in the private debt space.

MS. HEISLER: Is that negotiated, or is that an established fee?

MR. WESNER: So it is a set fee that -- that -- that all the LPs will pay.

MS. HEISLER: Okay.

MR. WESNER: There are fee breaks at some higher dollar amounts, but there is not a negotiated fee. There's not going to be anyone else who's investing at your level or below that is going to have a preferred fee.

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MS. HEISLER: Okay.

MR. WESNER: It's all basically -- there's going to be most -- most -- most favored nation clauses in place to make sure that there's not any, you know, inconsistencies in the treatment of limited partners.

MS. HEISLER: Thank you.

MR. WESNER: Okay. Partners Group on the next page. So Partners Group is a -- it's actually a Swiss-based group with a very -- very large U.S. presence in Denver and New York City. You know, this is one of the larger products out there. It is open-ended in nature. Marquette is a very large -- our clients are very large investors with Partners Group, and, you know, we have been able to not only negotiate down, you know, some terms, which our clients are the first into these funds and the first out of these funds, but we also do have a discounted fee structure where currently we are -- our clients receive a fee of 90 basis points versus the stated fee of -- of 1 percent.

So the carried interest here is a bit lower. The preferred return, though, is a bit lower, so that hurdle is a bit lower with Partners Group. And with open-ended funds, or evergreen

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funds, as a reminder here, that means that when we make an investment to them, we won't have to come back three years from now and make another investment, like we do with private equity or that we would have to do with Partners Group. The investment here would be they would recycle the capital. If they make a loan, that loan comes back and is paid off, they then recycle that capital into the next loan.

Partners Group, in order to have that evergreen structure and provide that liquidity to investors, they are 85 percent in traditional private debt. Fifteen percent of their loans are what we call more syndicated loans, or loans that are more liquid. That gives them the ability to offer investors like us opportunities to go in and out of the fund. What that also does is it gives us a slightly lower return expectation. So where the return expectation for Brightwood might be the 12 to 14 percent range, the return expectation for Partners Group would be more in the, maybe, 10 to 12, 11 to 13 percent range, so still very strong.

But just important to highlight that there is a give up. You want that little extra liquidity; it's going to cost you a little

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bit of potential return. But we think now, by doing two investments in complementary strategies, that gives you the ability to, you know, not have overlap and -- and still get that strong return. In Partners Group, even though they're a Swiss-based group, they actually have some of the best diversity statistics and diversity programs of our investment managers, so just a -- an overall very strong shop that we work with.

So our recommendation, again, in addition to Portfolio D would be to make $10 million investments in both Partners Group and Brightwood. Partners Group would be called immediately upon signing the subscription documents because they take all the capital. Brightwood, they're actually very far along into this fund, and they -- in speaking with them, they would call about 40 percent of the capital -- so -- which is quite a bit upfront, which is good. They've already made 20 underlying loans from Brightwood. So you actually have -- for a closed-end fund, you actually have very good transparency into this fund, so just another positive for Brightwood.

MR. SICURO: So it's a total of $20 million?

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MR. WESNER: A total of $20 million, yes. That is a bit lighter than, you know, the target within private capital, but we think that's just kind of a good, you know, first step into the asset class, and then we continue to add capital, whether it's a subsequent Brightwood fund or an additional commitment to Partners Group over time.
MS. WILLIAMS: Okay.
MR. LAVELLE: If you're adding 20 million to these, to the -- pulling 20 million from somewhere else?
MR. WESNER: So we would, you know, eventually be pulling money down from U.S. equities in that reduction.
MR. LAVELLE: Okay.
MR. WESNER: But we're actually -- right now, we do have a -- a lot of liquidity in cash, so it'll be kind of just a balancing act. We'll work with your -- your staff to -- to --
MS. WILLIAMS: Realize.
MR. WESNER: -- execute kind of in a -- a fashion to keep you fully invested --
MR. LAVELLE: Okay.
MR. WESNER: -- and anything would be contingent upon legal review of the contracts --

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MS. WILLIAMS: Yeah.
MR. WESNER: -- for both -- for both partnerships.
MR. RUFFOLO: And this has nothing to do with CIM, correct?
MR. WESNER: Correct.
MR. LAVELLE: If -- if you want to remove CIM, which I think was 3 or 4 million, would you not also want to consider taking that and adding into this?
MR. WESNER: That would go into the cash pool of cash available.
MR. LAVELLE: Okay.
MR. WESNER: And so, the overall rebalancing plan, it would -- it would certainly factor in, yes.
MR. LAVELLE: Okay.
MR. SICURO: All right. So do you have any more on your report?
MR. WESNER: No. I mean, in terms of recommendations, the only other thing in terms of our report, just the diversity reporting, the questionnaires from all managers, are on Pages 16 and 17.
MR. SICURO: Can we -- can we hold on

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that? Let's -- we have -- because we have some action items we got addressed, and then let's get through those and come back to that final portion.
MS. WILLIAMS: Yeah. Sounds good.
MR. FRANK: Mr. Chair, I see four things add.
MR. SICURO: Correct.
MR. FRANK: Okay.
(Court reporter plays back audio.)
MR. FRANK: You're replaying you -- okay.
COURT REPORTER: Sorry about that.
MS. WILLIAMS: That's all right.
MS. HEISLER: It's okay.
MS. WILLIAMS: All good.
MR. SICURO: I have four things I was going to go through --
MR. FRANK: Okay. Go ahead.
MR. SICURO: -- to remind everybody where we're at. The first was an action item to -- if we're going to remove CIM -- CIM from our portfolio. That will be our first action item, if we want to make a motion to remove CIM from our portfolio.
MR. RUFFOLO: You are going to do each one separate; is that what you're doing?

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MR. SICURO: Yeah, because they're all different issues.
MR. RUFFOLO: I will make that motion to remove -- remove CIM at this time.
MS. WILLIAMS: Second.
MR. SICURO: We have a motion made and seconded. Are there any discussion on the motion to remove CIM from our portfolio? Seeing none, all those in favor, signify by saying, aye.
MS. WILLIAMS: Aye.
MS. HEISLER: Aye.
MR. RUFFOLO: Aye.
MR. LAVELLE: Aye.
MR. SICURO: Aye. Opposed? That motion moves. Next will be to bring our -- or to -- for Barings, to amend the existing redemption request from a -- about a 75 percent to a full redemption request. Did I say that correctly?
MR. FRANK: Correct.
MR. SICURO: So that is our next action item. Barings is the investment.
MR. FRANK: Correct.
MR. SICURO: So I need a motion to amend the existing redemption request from the 75 percent to a full redemption request. Do I have a motion?

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MS. HEISLER: I make a motion to amend the current -- I should have written that down --
MR. FRANK: Redemption request.
MS. WILLIAMS: Redemption request.
MR. SICURO: Redemption request.
MS. HEISLER: -- redemption request from --
MS. WILLIAMS: 75 percent.
MS. HEISLER: -- 75 percent to 100 percent.
MR. SICURO: We have a motion. Do we have a second?
MR. RUFFOLO: I'll second.
MR. SICURO: Second. Is there any discussion on the motion? Seeing none, all those in favor, signify by saying, aye.
MR. LAVELLE: Aye.
MS. WILLIAMS: Aye.
MR. RUFFOLO: Aye.
MS. HEISLER: Aye.
MR. SICURO: Aye. Opposed? Motion moves. Next, I still believe it needs a motion -- I thought you -- you said maybe it didn't -- which was the asset --
MR. FRANK: No. I said we don't need to

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revisit it at the next one.
MR. SICURO: Okay.
MR. FRANK: Yeah.
MR. SICURO: So the --
MR. FRANK: We need to do it now.
MS. HEISLER: We need to do now.
MR. SICURO: To modify our asset allocation, there are four -- well, actually, three different recommendations or -- or options: B, C and D. Marquette Jamie, is recommending Portfolio D. Do we have a motion for any of those three options?
MS. WILLIAMS: Motion to accept Portfolio D.
MR. SICURO: Thank you. We have a motion.
MS. HEISLER: Second.
MR. SICURO: Seconded. Any discussion on the motion? Seeing none, all those in favor, signify by saying, aye.
MS. WILLIAMS: Aye.
MR. RUFFOLO: Aye.
MS. GULA: Aye.
MR. SICURO: Aye. Opposed? And motion moves. So there was some discussion, obviously,

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from Jamie about our new -- now new asset class of private credit. What's the proper form to use -- ecause we've heard it both ways -- or does it matter, private credit or private debt?
MR. WESNER: I would use private credit, because that's the way we have it reflected in the -- in the deck.
MR. SICURO: I -- I'm happy that we have some good managers out there that you all would recommend, but -- but we would need an RFP for this as it is something new that we don't currently have in our portfolio. So we would need to have a motion to draw up an RFP, which we want to include the amount of the allocation?
MR. FRANK: (Crosstalk) approximately 20 million.
MR. SICURO: Approximately 20 million, because we have that percentage that we're going to be working with.
MR. FRANK: Right.
MR. SICURO: Okay. Does that work?
MR. FRANK: Yes, sir.
MR. SICURO: So we need a motion to --
MS. WILLIAMS: Actually, I think I have -- I have a question. We do need to do an RFP or --

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MR. FRANK: Yes, we do.
MS. WILLIAMS: Okay. Just clarifying.
MR. FRANK: It's a new asset class, and we're -- so we have to make it open. We can certainly advise the two that you've recommended that the RFP is posted.
MS. WILLIAMS: And have an opportunity to respond?
MR. FRANK: And I'll turn it around quickly. I mean, I can probably have the RFP done Monday, and then we could have a special meeting of the Board to approve the allocation.
MR. WESNER: Okay. And -- and we should be able to begin with Partners Group. Because the challenge is always in terms of timing in terms of funds that close, so the Partners Group fund --or, sorry -- the -- the Brightwood fund, I was told, will be open through October --
MR. FRANK: We can do that.
MR. WESNER: -- so we should be okay to have --
MR. FRANK: Yes.
MR. WESNER: -- the process finalized by then.
MR. LAVELLE: (Indiscernible).

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MR. SICURO: Well, to expedite this -- and hearing that you -- when you did this before you had, I believe you said, 60 respondents. I would also recommend, if we pass this motion to do this, that we have a subcommittee to review those with Jamie to be able to narrow that down to whatever the recommendation will be. So what we need, then, is a motion to put an RFP out for private credit, approximately $20 million allocation. Does it matter how many we are going to do? It doesn't? We could select as many as we want, correct?

MR. LAVELLE: Yeah.

MR. SICURO: Okay.

MS. WILLIAMS: Uh-huh.

MR. SICURO: Do we have a motion?

MR. RUFFOLO: I'll make the motion to issue a new RFP for the private class in the amount of $20 million to the new asset class.

MR. SICURO: We have a motion. Do we have a second?

MS. HEISLER: Second.

MR. SICURO: We have a second. Is there any more discussion on the motion? Seeing none, all those in favor, signify by saying, aye.

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MS. HEISLER: Aye.

MS. WILLIAMS: Aye.

MR. RUFFOLO: Aye.

MR. LAVELLE: Aye.

MR. SICURO: Opposed? Motion moves. Before we move off that, can we just have -- is there any volunteers? We usually get three for a subcommittee to address this. Ms. Felicity, you're one.

MS. HEISLER: I'm happy to sit on the committee.

MR. SICURO: All right. We have one left. Anyone else?

MR. RUFFOLO: I'll do it. I don't -- I never have a problem on these.

MR. SICURO: Thank you very much. All right, we have our subcommittee.

MR. FRANK: So the subcommittee is Ms. Williams, Mr. Ruffolo, and Ms. Heisler?

MS. HEISLER: Yes. Thank you.

MR. FRANK: All right. Got it.

MR. SICURO: Thank you all for volunteering. And that concludes those action items. We are now going to be under the Solicitor's report.

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MR. FRANK: We were going to do the diversity.

MS. HEISLER: The diversity.

MR. SICURO: I thought that was under continued business.

MS. HEISLER: Oh.

MR. FRANK: Oh, yeah. We can do it there. All right, fine. I'm ready. So good afternoon. There's been a good deal of activities since our February 1 meeting. The -- you will recall that we had a special meeting on February 27th where an RFP was issued, approved for the financial management system provided. The RFP was issued, and the response will be discussed later in the meeting. I prepared a memorandum to the trustees, reminding them that on their ethics statements they must list their position as trustee of the Fund.

We -- there was one Right-to-Know Law request that was received regarding the Fund's asset allocation. It was directed to the City and not the Fund. I communicated with the City's Right-to-Know Law officer on this, and he sent a response on March 27th, 2024 that the documents were not in the possession of the City and the

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request should be directed to me. And we've not heard anything further.

The Three Rivers, which is one of our limited partnerships, requested an amendment to the agreement to reflect a change in the investment policy for the money the Fund invested. I reviewed the amendment, and after discussion with Marquette, I've approved the amendment and will be executing it. All of the professional service providers, including my firm, our security law firms, our investment advisor, and our investment consultant, are required, under state law, to file a disclosure form listing any political contributions, gifts to city employees, and other matters. We notified all of those that the required -- the disclosure forms were due today. We have received all of them, and we are in the process of reviewing them for any issues. That concludes my report, if there are any questions.

MR. SICURO: Thank you, Mr. Frank. Are there any questions for our solicitor?

MS. WILLIAMS: No.

MR. SICURO: Seeing none, we'll move on to presentation of papers. We have -- first up is a resolution authorizing the payment for

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professional services rendered by Frank, Gale, Bails, Pocrass, P.C., for months of January through April of 2024 in the amount of $6,675.50. Do I have a motion to approve?

MS. HEISLER: Motion to approve.

MR. SICURO: And a second?

MR. RUFFOLO: Second.

MR. SICURO: Seconded. Any discussion on the motion? Seeing none, all those in favor, signify with saying, aye.

MS. HEISLER: Aye.

MR. RUFFOLO: Aye.

MS. WILLIAMS: Aye.

MR. LAVELLE: Aye.

MR. SICURO: Aye. Opposed? Motion moves.

Next item is Flomax (sic) reimbursement to the City of Pittsburgh for the amount of $832. This has to do with printing checks for the pension offices, and this is a service agreement, I believe, for the printers.

MS. GULA: Right.

MR. SICURO: Do I have a motion to approve?

MR. FRANK: Mr. Chair --

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MR. SICURO: Yes.

MR. FRANK: -- we've also provided in the resolution that if the request for payment of the City invoice is $2,500 or less, we would not have to provide this to the full Board but would report on that at the next meeting, and the executive director could make that disbursement.

MR. SICURO: You -- we already have a policy that says that?

MR. FRANK: No. We're going -- part of the resolution --

MR. SICURO: Is to make --

MR. FRANK: -- is to adopt that policy. I mean, it's up to the Board; it just would eliminate us having to bring back everyone. The executive director would report, and if there's any issues, we could do it at the next quarterly meeting. It's -- it's whatever the pleasure.

MR. SICURO: So if we can, to just get this item out of the way, we will pay this -- approve this bill, and then we can make action our next item on the bill. Next item up will be action --

MR. FRANK: It's all --

MR. SICURO: -- to address that policy.

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MR. FRANK: It's actually all in the same resolution.

MR. SICURO: It's all on the same one?

MR. FRANK: Uh-huh.

MR. SICURO: All right. I apologize. Let me read that so we have this.

MR. FRANK: It was fresh off, correct?

MR. SICURO: Yes, you're correct. And you did mention it before the meeting started, and I forgot about it.

MR. FRANK: All right. A lot going on.

MR. SICURO: So the resolution also added, It is further resolved that the executive director of the fund be authorized to pay any individual reimbursement due to the City of Pittsburgh in the amount of $2,500 without formal resolution of the Board of Trustees of the Fund. The executive director at each quarterly meeting shall provide a list to the Board of Trustees of any such reimbursement made since the previous board meeting. Do I have a motion --

MS. HEISLER: Motion.

MR. SICURO: We have a motion to --

MR. RUFFOLO: I'll second.

MR. SICURO: I would say accept and approve.

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MS. HEISLER: Resolution 3 of 2024.

MR. SICURO: Yes. And we have it seconded by Mr. Ruffolo. Any discussion on a motion?

MR. RUFFOLO: Is this a normal expense that we've had in the past and paid differently?

MR. SICURO: Yes. You bring up a good point, and this had been done in the past through what's called the indirect cost that we would get the spreadsheet on. I know that the executive director is working on that for the future, and a few other items are being worked out to deal with indirect costs to the Fund for all three pension funds' operations. So I believe at the next meeting we will have some more --

MR. RUFFOLO: Okay.

MR. SICURO: -- to report on those issues. Okay? Any more discussion on the motion? Seeing none, all those in favor, signify by saying, aye.

MS. HEISLER: Aye.

MS. WILLIAMS: Aye.

MR. RUFFOLO: Aye.

MR. LAVELLE: Aye.

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MR. SICURO: Opposed? Motion moves. Thank you.

MR. FRANK: Mr. Chair, the Board now needs to go into executive session so they can receive advice of counsel, which is an exception to the Sunshine Act.

MR. SICURO: Okay.

MR. FRANK: So --

MR. LAVELLE: We can only have the Board of Trustees --

MR. SICURO: And Staff, correct?

MR. LAVELLE: -- and Staff of the Fund.

MR. SICURO: We'll call you back in in a minute.

(Off the record.)

MR. SICURO: Okay. We're back under our regular meeting under continued business. The item -- action item would be to consider a proposal for the financial management system provider. We need to make a motion to approve the --

MR. LAVELLE: County Controller.

MR. SICURO: -- County Controller's Office to continue to be our provider for JDE Services --

MR. LAVELLE: Based upon the response

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they gave us.

MR. SICURO: -- Based upon the response that they gave us for a three-year term. Do I have a motion?

MS. HEISLER: Motion. Or yes.

MR. SICURO: Yes?

MR. RUFFOLO: I'll second.

MR. SICURO: We have a second. Is there any further discussion on the motion? Seeing none, all those in favor, signify by saying, aye.

MS. HEISLER: Aye.

MS. WILLIAMS: Aye.

MR. RUFFOLO: Aye.

MR. LAVELLE: Aye.

MR. SICURO: Aye. Opposed? And the motion moves. Thank you. And we will have Mr. Wesner go back to us on his review of the DEI policy or, I guess, report. Is that what we're doing?

MS. WILLIAMS: Yes, the questionnaire responses.

MR. WESNER: This is the update on the questionnaires. Just as a reminder, this is on Pages 16 and 17 within the -- the back section of the book. Just as a reminder, we had established

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now the precedent of submitting the diversity questionnaires to all of your investment managers on an annual basis, and that we would do this reporting back to you at the May meeting each year so that the managers would be able to get year-end information, as you can see with the numbers. And I think the most -- more relevant one is Page 17, which is the percentages versus the hard numbers, which are just, again -- it's -- you have to then do the math in your head.

But, you know, for the most part, you know, managers here are continuing to make improvements. You know, there are, obviously, some managers that, you know, whether you're, you know, based on size, based on location, where the numbers are not as strong. You -- the one outlier I will point out there is just Gridiron. You see two rows for them? Gridiron is technically -- in terms of employees there, it is basically a two-person shop. They outsource compliance, administrative, kind of all those other back-office functions. So they showed kind of the breakout when you include those non-W-2 employees as well. So they're contract services. That's why you see two lines there.

MS. WILLIAMS: So having been involved

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in the -- the conversations that got us here to having a review of -- of this, one of the things I know we talked about was what we would do with this information and how we wanted to ensure that our managers were in alignment with our vision and values around DEI. And so, looking at this, I do see where there are some of our folks who are performing well, some folks who are not performing so well, and I know we had talked about a couple different factors as to what contributes to that. So sometimes it is size, as you said, a firm, right? Some of that is when we look at some of our folks locally versus, you know, nationally.

I think the one thing here is that we don't have that context provided in the way that this is currently structured that I -- I think would be helpful going forward to have, because that would inform our, you know, next steps here, whether we have conversation -- because we had talked about this as a potential process, right? We went through this at the main meeting.

We talked about it, and then we looked at the next meeting if we invited some of these -- invited additional response from anybody here to talk to us about how they plan to improve, where they were falling short. And I think that the context of whether they are local, whether they are -- the size of the firm matters as to any potential follow-up that we would want to see from folks that say, we get the dynamics of the industry. We don't expect people to change overnight, but what are the strategies that you are deploying to improve for people who are not performing very well?

So I look at some of these folks who are in low single-digits in most of the categories, right? If they're only in, like, you know, under 5 percent in almost -- most of the categories, 5 percent or less across the board, that is a little concerning. I'm not sure what a good standard is to set. That was rather a little bit arbitrary, I think, in me saying people below 5 percent across multiple categories is concerning because, again, I think that additional context is important.

But in terms of actions, I -- I do think it is valuable where -- if we set some sort of a criteria and we do ask them what are the strategies that they are deploying to improve, and then we can see what those responses are and

whether -- you know -- if people come, and they're like, nothing, does that really align with our values? Again, we can't expect people to transform overnight, particularly if they're local, right? I mean, that's obviously very important to us with the local context. But, anyway, just some thoughts that I was having there that I would like us to see some sort of a -- not just a reporting, but some sort of a -- an analysis, and then a process in terms of requesting information from --

MR. WESNER: Additional (indiscernible).

MS. WILLIAMS: Yeah. For people who we say are -- are not performing well, how are they going to improve? And then, a way to assess that additional information; if it is not sufficient, what action we do or do not take.

MR. WESNER: And then, maybe even just kind of build on that, just the -- you know, monitoring the action and responses from period to period --

MS. WILLIAMS: Yes.

MR. WESNER: -- to say, you know -- because someone can create a good narrative in terms of, hey, we're going to do this, but then if you don't do that, then it's just a narrative.

MS. WILLIAMS: Exactly.

MR. WESNER: And how are you actually --

MS. WILLIAMS: And then, we have an ability to monitor from quarter -- annually. I mean, those are some of the things that I think we need to figure out. I would like to be informed by best practices and what you all -- I know you all have done this in other cities with other clients. What would be a good process or strategy there? I see some basic ways to outline this, like, you're not performing well, you've got to explain, right? Like, this is some standard ways to -- to address that.

MS. HEISLER: Almost just to -- to digest, as I understand it, like, almost a score for each of these entities on an annual basi, and are they improving, are things falling backward? The thing I would be curious about is board representation for publicly-traded -- or, actually, privately-traded companies too, if they have a public board. You know, if you value diversity, if your board does not reflect that -- I mean, the rest of us -- it feels a little tokenismy to me. And then, the other question I had is, do we evaluate other metrics regarding underrepresented

communities, whether it's, you know, LGBT or anything else that's, you know, of non-racial or ethnic?

MR. WESNER: We don't. This is typically the -- the breakdown that we have. You know, some groups will look at, you know -- just speaking for Illinois, I know over there, we consider, you know, veteran-owned organizations. And when we're looking at getting diverse-owned firms, there, we will look at women, minority, and, you know, veteran and disabled-owned organizations. We don't -- in public funds, I have not seen LGBTQ as a factor. I have with some of my private endowment foundations, but not on -- on the public fund side. So there's -- you can set whatever you want. I mean, that is -- that -- that is your discretion, and we can then ask for that. You do run into a few more challenges because you do have -- if you look here -- or maybe it's not the column here, but we do have, you know, do not disclose or, you know --

MS. HEISLER: Yeah.

MR. WESNER: -- multiple ethnicities. So you'll have different categories. And that's the one challenge you do run into on the LGBTQ

side, is -- is --
MS. HEISLER: Yeah.
MR. WESNER: -- you know, how people are identified and what -- what people want to check, what box they want to check.
MS. WILLIAMS: And just a little context. What we did was pull from the State of Illinois. They actually have a state requirement for people to file this type of information, so we pulled the model from the State of Illinois here.
MR. RUFFOLO: Yeah. We identified a definition of the veterans everywhere.
MR. WESNER: Yeah. Yeah.
MR. SICURO: So I -- I hear the term perform, whether it be well or not performing well, scoring. I -- I guess, before I would be comfortable with us, let's say, taking action for somebody that's not --
MS. WILLIAMS: Yeah, for sure.
MR. SICURO: -- doing something, you all mentioned about putting things in better context.
MS. WILLIAMS: Yep.
MR. SICURO: Having a company that has hundreds of employees in a small percentage could equal a larger --

MS. WILLIAMS: Yes.
MR. SICURO: -- body versus a small company that has --
MS. WILLIAMS: Two people?
MR. SICURO: Yes.
MS. HEISLER: Yeah.
MS. WILLIAMS: Yes, absolutely. I agree.
MR. SICURO: I don't have the answer. I don't know if there is something out there that could give us a better definition of where a company that is, let's say, 100 or more would be considered doing well.
MS. WILLIAMS: Trends -- trends nationally, right? What -- and almost indexing them for us about what are some of the industry -- what is the industry standard as a way for us to make some sort of comparison and analysis. Yeah.
MR. WESNER: Okay. We can go back and --
MR. SICURO: (Indiscernible).
MR. WESNER: -- and look at that. And one thing, just to -- to make sure I share the information, so there is a spreadsheet for each of the firms that kind of is behind this.
MS. WILLIAMS: The details.
MR. WESNER: And -- and -- and the

details, kind of, to the point you're making, in terms of Board representation, we have the breakouts across all these categories for senior leadership, for finance professionals, for your traders, for your administrative staff because we do look at certain things and say, hey, we don't want all your diversity to just come from your administrative staff.
MS. WILLIAMS: Right.
MR. WESNER: Like, are you actually -- to your point, are -- the Board members --
MS. WILLIAMS: Absolutely.
MR. WESNER: -- you know, are you having increased diversity there? Your senior investment professionals; who's making the money? That's where you want to -- you want to make sure you have a program to --
MS. WILLIAMS: Yeah.
MR. WESNER: -- you know, make sure that the income from your company is being more --
MS. WILLIAMS: For sure.
MR. WESNER: -- distributed across a broader base of the employees.
MS. WILLIAMS: And remind me. Did you guys share the more detailed versions with us, or

we just have this version?
MR. WESNER: You just have this for right now.
MS. WILLIAMS: Okay.
MR. WESNER: We -- we -- I can send those around to you, just so you have those.
MS. WILLIAMS: Yes. And I think to the point is we need the support of Marquette to do some of that, like, analysis for us and put some of that index in our context that helps us understand in the scale -- in context of similar sized firms, in similar industries, right, what do -- what do they compare to, are they above or below, and -- very similar to how we look at performance of them as managers, and then use that as a way to say, okay, these are the people who we want to ask for additional information from, want to monitor a little more closely, things of that sort.
MR. WESNER: Yeah. And -- and we definitely can go back and -- and look through all that, but one of the challenges is there isn't great, you know, industry benchmarking in terms of some of these statistics. But --
MS. WILLIAMS: Of course.
MR. WESNER: -- let -- let us go back

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and -- and -- and look and, you know, have that conversation. Because, you know, as -- as I shared with many of you before, you know --
MS. WILLIAMS: Yeah.
MR. WESNER: -- Illinois is, you know -- is one of the leaders in -- in this.
MS. WILLIAMS: In this, yeah.
MR. WESNER: So -- but again, it's -- it's -- it's and -- an inexact science, I -- I guess I would say --
MS. WILLIAMS: Yeah, for sure.
MR. WESNER: -- in terms of evaluating and -- and --
MS. WILLIAMS: For sure.
MR. WESNER: -- determining what the thresholds are to take action.
MS. WILLIAMS: For sure.
MR. SICURO: Thank you.
MR. WESNER: But again, I just wanted to provide this information, and then (crosstalk).
MS. WILLIAMS: Thank you. Thank you. And then, we'll look at too, for our next meeting, to have some additional analysis or thoughts around a process for us to engage folks and, if we should be dissatisfied, to take action. But I think

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engaging folks is really our ultimate goal first, to understand, and then go from there.
MR. WESNER: Great.
MR. SICURO: Any other discussion on the DEI? All right. Seeing none, that -- that ends our continued business, I believe, and brings us to the end of our meeting, if anybody has anything else before we adjourn. Seeing none, all those in favor of adjourning of the meeting?
MS. HEISLER: Aye.
MR. SICURO: Aye.
MR. RUFFOLO: I second.
MR. SICURO: All right. Opposed, anybody? Thank you, everybody. We are off the record.
(Off the record at 2:44 p.m.)

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Jacob Balistreri
JACOB BALISTRERI, NOTARY PUBLIC
FOR THE COMMONWEALTH OF PENNSYLVANIA
May 15, 2024

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I, Karen M. Galvez, do hereby certify that this transcript was prepared from the digital audio recording of the foregoing proceeding; that said proceedings were reduced to typewriting under my supervision; that said transcript is a true and accurate record of the proceedings to the best of my knowledge, skills, and ability; and that I am neither counsel for, related to, nor employed by any of the parties to the case and have no interest, financial or otherwise, in its outcome.

Karen M. Galvez
KAREN M. GALVEZ
PLANET DEPOS, LLC
May 15, 2024

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