



BOARD OF PENSIONS

AND RETIREMENT

PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

BOARD MEMBERS:
ROB DUBOW, Chairperson
ALAN BUTKOVITZ, Esq.
SOZI PEDRO TULANTE, Esq.
MICHAEL DIBERARDINIS
PEDRO RODRIGUEZ
RONALD STAGLIANO, Vice Chair
CAROL G. STUKES-BAYLOR
VERONICA M. PANKEY
BRIAN P. COUGHLIN

FRANCIS X. BIELLI, ESQ.
Executive Director

May 26, 2016

The Honorable Darrell Clarke
City Council President
City Hall, Room 490
Philadelphia, PA 19107

Dear Council President Clarke:

This letter is in response to questions raised at the May 10, 2016 hearings before the Committee of the Whole on the Board of Pensions' operating budget for Fiscal Year 2017. Please advise if you wish to have the documents cited in the responses sent to you in electronic format. The questions asked were as follows:

Councilwoman Parker:

Provide a summary of the overall diversity in the Fund's portfolio management.

As of March 31, 2016, 10.51% of the Pension Fund's assets under management (AUM) were being managed by minority owned firms and 5.56% were being managed by Woman owned firms, for a total MWBE participation rate of 16.07%. The attached diversity firm AUM report provides further detail.

Using our investment manager database, the Board once again conducted a Utilization Study to determine the universe of managers that meet the Fund's criteria (a 3 year track record and \$100 million in AUM). The results are that 9.5% of firms and 6.1% of products had greater than 50% minority or women ownership. The Fund's current lineup of investment managers includes 22.2% diversity managers. Local managers account for 12.28% of AUM.

Councilman Domb:

Provide a projection of what will be paid out through DROP over the next four years.

As of January 31, 2016, there were 1,522 employees enrolled in DROP. The total of their calculated monthly benefits was \$4,289,520. If all enrolled employees were to stay in DROP for the maximum 48 months, the total payout through January 31, 2020 would be \$205,896,946, excluding interest.

Provide a comparison of Philadelphia's DROP with that of other jurisdictions that have DROP.

The attached comparison study provides details of Philadelphia's DROP program and that of several other funds. Please refer to pages 52, 63, 73, 83, 93, 103, 113, and 123 of this study for DROP comparison information.

Councilman Taubenberger:

What is the average period of time the Board contracts with its managers?

The attached monthly flash report for March 2016 shows the inception date for each manager.

Councilman Henon:

Provide historical data on the active employee/retiree ratio.

An annual listing of that ratio back through 1990 is attached.

Provide a comparison of Philadelphia's Fund with funds from other jurisdictions.

Please refer to the attached comparison study.

Councilwoman Gym:

Provide a list of equity managers showing the compensation received and the rate of return achieved by each

The attached monthly flash report for March 2016 lists the Funds' equity managers and their performance. Also attached is an excel file of Equity Manager fees from the most recently completed reporting period.

Provide a list of firms in which the Fund has invested:

- That have closed US plants and opened plants in other countries.
- That have moved overseas.

The Board does not currently track whether stocks held by individual managers have moved overseas. Staff has begun internal discussions on initiating an effective process for doing so.

Please feel free to contact me with any questions you may have about the information provided in this response.

Sincerely,



Francis X. Bielli
Executive Director

cc: Rob Dubow, Director of Finance