

The regular monthly meeting of the Retirement Board of Allegheny County was held on July 16, 2015, in the Gold Room, 4th Floor, Courthouse, Pittsburgh, Pennsylvania at 12:00p.m.

When the roll call of the Board Members was made, Board members John Weinstein, Ted Puzak, Chelsa Wagner, Rich Fitzgerald, Jennifer Liptak, Walter Szymanski and Frank DiCristofaro were recorded as being present.

Also present were Tim Johnson, Executive Director; Felicia Bennett, Calvin Born, Jonathan Berger and David Lindberg of Wilshire Associates; Ed Boyer of Asset Strategy; and Brian Gabriel of Campbell, Durant, Beatty, Palombo & Miller.

PUBLIC COMMENT

None

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. DiCristofaro, to approve the minutes of the June 18, 2015, Board Meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Szymanski, to receive and file the monthly financial statements from May 31, 2015.

APPROVAL OF INVOICES

There were no invoices for July 2015.

APPROVAL OF APPLICATIONS AS PRESENTED

The Board unanimously approved a motion by Mr. Mr. Szymanski, duly seconded by Mr. DiCristofaro, to approve 12 Early Voluntary applications and 16 Full Retirement .

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. DiCristofaro, to approve the Disability application of member # 86316 based on the opinion Dr. Costa and the independent examiners Drs. Shah, McGonigal and DiCroce that the applicant is totally/permanently disabled from gainful employment in Allegheny County.

EXECUTIVE DIRECTOR'S REPORT

Mr. Johnson provided his monthly status report of the Retirement Board, highlighting the following:

- On track with operational spending.
- For the period ending June 30, 2015, there were a number of Capital Calls due to manager terminations and rebalancing allocations. A detailed list has been provided in the Retirement Board Book.
- In updates, the Controller's Office will send out a notice to Case Sabatini that their contracts (for the Retirement Office and one other audit they do for the County) will be extended for an additional two full years.

- The Israel Bond Cusip 46513ELS7 for \$ 822,000.00 matured July 1, 2015. CIM recommends reinvesting these bonds as current rates remain attractive.
- An update on the U.S. Treasury, this option will keep a shorter duration on the portfolio while adding value in this low interest rate environment.
- Tyler has completed final revisions to the PeraWeb application. The Web calculator has been deployed on the county server and is ready to go. All that remains is a comparison of JDE, the payroll file and PERA databases. This has turned out to be a more intensive analysis for the JDE Service Center. Changes should be executed within the next couple of weeks.

REPORT OF THE SOLICITOR

Mr. Gabriel provided the board with the Monthly Confidential Report as of July 9, 2015.

- There was a letter circulated regarding the process and procedures that occur when a disabled member becomes decertified by a designated physician. These procedures are slightly different and more complicated than those that of a denied application. It is expected that in September a more detailed procedure policy is to be considered and adopted by the board. Mr. Gabriel stated that to date there has only been one member who was decertified. Mr. Weinstein inquired as to whether this member will be notified that he has a right to have a hearing to have the case reevaluated. Mr. Gabriel replied that the member has not yet been notified but will be done soon. This policy was drafted since there have been requests recently for members under 60 years of age to be reevaluated by the designated physicians. Mr. Puzak inquired as to when a member is originally found to be disabled or not disabled, when reevaluated will the physicians detail what has transpired up to the date that has determined the change in the disability recommendation. Mr. Gabriel stated that all medical information will be provided when a second recommendation is made to the board by the hearing officer.
- An amendment known as Amendment I was recently reviewed and approved for the CCA Green Limited Partnership agreement to allow Cory Capital to withdraw up to 50% of its capital investment fund for the purpose of fulfilling tax obligations. This is a ten year investment and over the years the fund has grown which caused tax liabilities to increase.

CONSULTANT'S REPORT:

WILSHIRE ASSOCIATES

Felicia Bennett provided a summary of the Capital Market Review as of June 30, 2015. There have been three factors that have been weighing on the markets. The first factor that has an impact is when the FED is going to raise the rates. Outside the U.S. there are issues in Greece. The broad market is not overly concerned as implied volatility measures remain within normal range. There is concern as to whether Greece should still remain part of the Euro zone. Thirdly, China has slowed a lot and the Chinese government is doing what it can to control the slowing down of its economy. The Chinese retail markets have seen a significant decline as much as 40%. Despite these three factors the markets for the second quarter were flat in the U.S. and slightly up outside the U.S. Bond yields have come down considerably. The Wilshire 5000 Total Market Index was up 0.06% QTD and down -1.75% MTD. In the Non- U.S. Equity Markets, the MSCI AC World ex U.S. was up 0.53% QTD and 4.03% YTD in USD yet in Local Currency was down -1.30 QTD and up 7.52% YTD. In the Fixed Income Market, the Barclays U.S.

Aggregate was down -1.68% QTD and -0.10 YTD. As for Real Assets, most of the commodities are in the negative for the one year mark. The Bloomberg Commodity index was at 1.73% MTD, 4.66% QTD and -23.71% for the one year mark.

Mr. David Lindberg provided the highlights from the Flash Report on Actual Allocation vs Policy Allocation as of June 30, 2015. The Total Market Value was estimated at \$844,045 million. U.S. Equity Actual Allocation was up 20.3% with a Variance of 4.3%. The Total Public Equity market Value is at \$343,674 million. Private equity is underweight by -3.4% Variance. The Total Public Real Assets were lagging at -5.7% Variance due to the Commodities allocation that has not been implemented any further for quite some time. Mr. Lindberg mentioned that in September the plan is to bring to the board an Asset Liabilities Study. The U.S. Equity Composite was up 3.12% vs the Market at 1.67% CYTD. Non U.S. Equity Composite was up 5.75% and ahead of its benchmark 1.17% CYTD. Global Equity is ahead of its benchmark by 1.83% CYTD and Core Fixed Income ahead by 0.43% CYTD. High Yield lagged its benchmark slightly at -0.26% CYTD as did TIPS Fixed Composite at -0.42% CYTD. Real Estate was up 2.32% CYTD. The hedge Fund Composite lagged its benchmark at -0.29% CYTD. Total Fund x Private equity was up 3.00% CYTD leaving it 0.98% CYTD ahead of its benchmark. The two underperformers are Fragasso Large Core- Emerging Manager at -2.17% CYTD and Mellon Equity at -0.67% CYTD are both lagging their benchmarks. Twin Capital and Apex Capital are both ahead of their benchmark CYTD. Earnest Small Value above its benchmark at 2.69% CYTD. Emerald also landed above its benchmark at 8.40% CYTD. Ballie Gifford Intl Equity was ahead at 1.78% CYTD. No reports in just yet on Segal, Bryant & Hamill which was just switched over in June to a Small Cap. SSgA ACWI ex US Market Value is funded at \$32,573 million with one month of performance. Non US Equity Composite was ahead of its benchmark at 1.17% CYTD and Fusion- Emerging Manager ahead at 1.83% CYTD. In the Fixed Income all managers were ahead of their benchmark CYTD except Federated with -0.04% CYTD. Oaktree and PENN Capital High Yield both were ahead for the month. PIMCO and WAMCO were slightly behind for the month. Morgan Stanley has the bulk of the real estate investment but did not have a report at the time. Gresham Strategic Commodities were lagging at -0.82% CYTD. Total Fund returns at 2.89% CYTD. Mr. DiCristofaro asked Mr. Lindberg to explain the Altair Fund. Mr. Lindberg responded that Altair is a Hedge Fund FOF and is a small investment which came in under the alternatives program. A FOF (Fund of Funds) is a Hedge Fund that invests in other Hedge Funds. It is not part of the asset allocation target.

PFM ADVISORS

Ms. Margaret Belmondo had a recommendation for the board to allocate \$2 million in assets to Emerald All Cap Growth strategy. The have had an excellent record since being in the plan since 2004. It is a well-diversified portfolio. The All Cap Growth strategy is managed by three portfolio managers.

- Kenneth Mertz, the CIO and President of Emerald, is head of the Small Cap team.
- Joseph Garner is the firm's Director of Research and a member of the Small Cap and Mid Cap teams and a Portfolio Manager of the Growth Fund.
- David Volpe is Emerald's Deputy CIO and has over 25 years of investment experience specializing in large cap equities.

In order to participate in the Emerging Manager program the stipulations are you must meet the requirements. The only two requirements that are not met are that would be up to the board's discretion:

- The firm must manage between \$50 million and \$3 billion, but this firm manages approximately \$3.2 billion.
- The firm must have at least three distinctly different clients. Emerald All Cap Growth currently only has two clients in this strategy as they are trying to grow the strategy. Their main focus in past was Small Cap.

The fees for this firm are 60 basis points which is the lowest fee they offer. Mr. Puzak inquired as to where the allocation would be coming from. Mr. Lindberg stated that it would be recommended that the funds come from the Index Fund in the US Equity portfolio since it is currently overweight. Mr. Weinstein reminded the board that Emerald has been a long time firm for the Retirement Board and have done very well in their relationship with the board.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Fitzgerald to invest \$2 million in Emerald All Cap Growth based on the recommendation of the consultant.

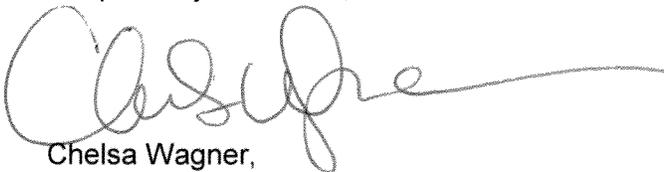
NEW BUSINESS

There will be no meeting in August. The Retirement Board will resume on September 17, 2015.

ADJOURNMENT

The Board unanimously approved a motion Mr. DiCristofaro, duly seconded by Ms. Szymanski to adjourn the meeting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Chelsa Wagner', with a long horizontal flourish extending to the right.

Chelsa Wagner,
Secretary