

The regular monthly meeting of the Retirement Board of Allegheny County was held on Thursday, March 20, 2014, 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 Fitzgerald, Puzak, Szymanski, Wagner, Liptak and Weinstein were recorded as being present.

Also present were Tim Johnson, Executive Director RBAC; Felicia Bennett of Wilshire Associates; Ed Boyer of Asset Strategy; Marc Ammaturo of PFM Advisors; and Brian Gabriel of Campbell, Durant, Beatty, Palombo & Miller.

PUBLIC COMMENT

No public comment was presented for this meeting.

However, President Weinstein addressed the issue regarding retiree life insurance stating that “the matter has been resolved.” Following his comments, Ms. Wagner, Mr. Fitzgerald, Ms. Liptak and President Weinstein engaged in an extended discussion about the retiree life insurance benefit issue as per the recorded, verbatim transcript pages 1-5, which are attached hereto as **Exhibit A.**

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Fitzgerald, to approve the minutes of the February 20, 2014, Board Meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak, to receive and file the monthly financial statements from January 31, 2014.

APPROVAL OF INVOICES

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak, to approve the following invoices:

FEDERATED	10/1/13 - 12/31/13	\$	14,496.15
MELLON CAPITAL	10/1/13 - 12/31/14	\$	17,579.01
PHILADELPHIA TRUST CO.	10/1/13 - 12/31/15	\$	7,001.56
SSgA	10/1/13 - 12/31/16	\$	4,016.05
Total Invoices for March Approval:		\$	43,093.37

APPROVAL OF APPLICATIONS AS PRESENTED

The Board unanimously approved a motion by Ms. Wagner, duly seconded by Mr. Puzak, to approve 24 Retirement applications and 3 Modifications.

The Board unanimously approved a motion by Ms. Szymanski, duly seconded by Ms. Liptak, to approve the denial of Disability application 8180 based on the opinion of the independent examiners and the

opinion Dr Frank J. Costa that the petitioner is not 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:

- Explanation of Member 67898 Service Time Calculation. Mr. Johnson described the issue with this member's service time calculation, provided an explanation of how it happened and ensured that the office checked for others in the system finding two active members with incorrect service time calculation.
- Total amount of Capital Calls: \$3,344,086.35, and YTD Gross amount of \$ 16,982,389.86
- Total amount of Rebalancing: \$15,000,000.00 with SSgA S&P 500 Index Fund, TWIN Capital and Thornburg. Will continue to keep and provide a year-to-date tally.
- Update on Retirement Office Budget: As of February 28, 2014, a YTD Balance of 1,220,813.05 and a YTD Variance at 92.49%
- Wilshire's RFP has been published and will provide a recommendation to RBAC in March
- Update on Tyler's Web-calculator
 - Monday, March 18, 2014 an upload of the modifications was completed with cooperation between Tyler and the County's DCS. The Retirement Office will review new application to assess requested changes and any further issues.
 - Able to provide demonstrations to any of the Board members of how web-calculator works as early as March 24, 2014.
 - Two data cleansing tasks that needs to be complete. A meeting with the Retirement Office, the Controller's Office and the Treasurer's Office will take place on Monday, March 24, 2014.
- Improved benefit application forms for the election of Survivorship and Life Insurance have been created, which will include:
 - Explanation of benefits in writing
 - Verification of the member's understanding by signature on both forms
 - Elect or waive survivorship in one form
 - Must now be notarized
 - Quotation of the statute included
- With help from Cowden, the Retirement Office updated the tool that provides a snapshot of facts on the retirement system and the fund to use as a reference when meeting with managers and other industry professionals.
- Beginning in April, new quarterly pre-retirement seminars will be provided for retirees considering retirement. It is a full training on what is needed to consider before making a decision.

President Weinstein says the flyers will be included in county paychecks. Mr. Puzak asks will term life insurance be included as one of the topics. Mr. Johnson responds that term life insurance provided by the County will be discussed but not term life insurance in general. Mr. Puzak discusses that he wishes he would have been more informed; he would have gotten term life insurance for 20, 25 years because it is much cheaper than buying the survivor option when one retires. Mr. Puzak recommends that retirees that are in good health should get the term life insurance prior to retirement. He feels they should be informed on the subject.

REPORT OF THE SOLICITOR

Mr. Gabriel provided to the Board the Solicitor's Monthly Confidential Report.

- One item to bring to the Board's attention: the attachment to the Solicitor's Monthly Report pertains to the overpayment of contributions by a member with significant history and would like the Board to review the attachment so next month the recommendation could be acted on regarding the reimbursement of the overpayment.
- Ms. Wagner asks the Solicitor numerous questions pertaining to item 15 listed in the Solicitor's Report regarding Life Insurance Issues and outline that was provided regarding the appropriate matters to be discussed in Executive Session. Ms. Wagner also asked the Solicitor as well as President Weinstein, if there were any policies in place regarding Board approval of anything being communicated to a mass population of retirees. After a determination that there was not one, she then said she would present a policy in coordination with the Solicitor at the next meeting. The entire discussion can read as per the recorded, verbatim transcript pages 5-7, which are attached hereto as Exhibit A.

CONSULTANTS' REPORT

WILSHIRE ASSOCIATES

Ms. Bennett provided a summary of the Capital Market review and the February Flash Report.

The Federal Reserve continued its tapering program, scaling down large-asset purchase to \$55 billion per month. They should be out of the bond buying business by the end of the year, which is a good sign for the economy. The ISM non-manufacturing index registered 51.6% for the 49th consecutive month of non-manufacturing sector expansion. February unemployment rate increase to 6.7%; +175,000 nonfarm payroll jobs were added. Consumer Confidence Index decreased in February to 78.1, down from 79.4 in January. Gold is trading around \$1,380 per ounce. Another cause in the drops due to weather can be seen with housing starts of -16.0% in January, down -2.0% from last year. Crude oil prices are trading near \$100 per barrel.

US Equity markets showed the Wilshire 5000 has returned +0.6% YTD. Weather is a factor to the drops in investment. Retail sales declined by -0.4% in January. The S&P 500 is led by Utilities sector, up +7.7% YTD; Telecommunications is the biggest laggard, down -4.9%. Small stocks continue to outpace large cap. The Non-US Equity Markets had Emerging Markets having returned -6.2% YTD and Developed Markets having returned -2.1% YTD; negative returns due to issues in China and political issues in Middle East. The 10-year Treasury nominal yield is 2.67%;

ended 2013 at 3.04%. Interest rates have come down and we can now see positive returns for fixed income YTD.

Discussion on Recommendations:

Ms. Bennett then explains that Thornburg has made a change in management earlier this year and has made the decision to split accounts and interactions between managers. Keeping this in mind and the fact that Thornburg has been consistently underperforming, Wilshire makes a recommendation to take \$7 million from Thornburg in the overweight, Non-Us Equity. Also, Wilshire recommends taking \$5 million out of the Index Fund and \$3 million out of Twin Capital.

President Weinstein asks why not take more from Thornburg who consistently under performs versus Twin Capital who has performed much better for us. Ms. Bennett responds that both asset classes are overweight. President Weinstein says that we need to look at the bigger picture rather than the overweight of the funds. Ms. Bennett states that maybe next time, take more from Thornburg, but until then, Wilshire is watching them closely. Both asset classes need to come down. President Weinstein would like to take more from Thornburg to get their attention, which would result in \$10 million from Thornburg and \$5 million from the S&P Index. The Board agrees to move forward with President Weinstein.

Ms. Bennett provides the recommendation in front of the Board to retain BNY Mellon as the Board's Global Custodian, due to the expiration of the current custodial agreement at the end of March. The quote for the agreement was not specified, but expected to be a 3 year contract.

Adrienne Indianer, Regional Representative for Israel Bonds in Pittsburgh, addresses the Board to consider reinvesting a \$500,000 bond that matured on January 1, 2014. The Board has been vesting in Israel Bonds for many years and has never lost a penny. All payments made on time. No Israel Bonds incur fees, everything is included. Following Adrienne's comments, Ms. Bennett makes a recommendation that the Board re-up the matured bond of \$500,000 and to go with the 3 year issue of the jubilee Bond that's paying a fixed interest rate of 1.80%.

ASSET STRATEGY CONSULTANTS

Mr. Boyer discussed the Schedule of Illiquid Alternative Investments Estimated as of February 28, 2014. Constitution Ironsides has done very well and that Asset Strategy will be considering maybe adding to it. Greenspring Opportunity II doing well and will need to zero in on those items before they expire. Asset Strategy will provide insight on funds showing negative numbers at the next meeting. Investments in the Constitution Fund will get money back in the next 6 months.

PFM ADVISORS

Mr. Ammaturo gave a small presentation about its 2 programs, Emerging Manager Program and Directed Brokerage Program, and provided descriptions/ updates on the both programs. No recommendations on the Emerging Managers program. Managers Bley, Pacific American Securities, and Clancy Financial Services are reporting \$0 gains for 2013. Due to this lack of

activity, PFM has provided a recommended list of removing all three firms and adding Mid Atlantic Capital Corporation to the list of approved brokers.

Ms. Wagner asked if the removal of the 3 emerging managers in PFM's recommendation would leave only 1 female-owned broker on the list. She then asked if there was anything that could be done to increase this number. President Weinstein agreed in seeking more responses to proposals from female-owned firms. Mr. Ammaturo responded by ensuring that PFM can seek out female-owned brokers.

NEW BUSINESS

APPROVAL OF RETAINING BNY MELLON AS GLOBAL CUSTODIAN

The Board unanimously approved a motion by Ms. Wagner, duly seconded by Mr. Fitzgerald, based on the recommendation of Wilshire that BNY Mellon continue custodial services for a period of 3 years.

APPROVAL OF TO REINVEST ISRAEL BOND

The Board unanimously approved a motion by Mr. Puzak duly seconded by Mr. Szymanski, based on the recommendation of Wilshire to reinvest the \$500,000 Israel bond for a 3 year jubilee issue bond.

APPROVAL OF REBEALANCING INVESTMENTS

The Board unanimously approved a motion by Ms. Wagner duly seconded by Mr. Szymanski, to take \$10,000,000 from Thornburg and \$5,000,000 from S&P Index fund.

APPROVAL OF CHANGES TO BROKERAGE PROGRAM

The Board unanimously approved a motion by Mr. Puzak duly seconded by Ms. Liptak, based on recommendation of PFM, to remove emerging managers Bley, Pacific American Securities, and Clancy Financial Services from the approved Brokerage program's list and to add Mid Atlantic Capital Corporation.

ADJOURNMENT

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Chelsa Wagner', written in a cursive style.

Chelsa Wagner, Secretary