



ALLEGHENY COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

# **Financial and Actuarial Report**

for the Fiscal Years Ended  
December 31, 2023 & 2022

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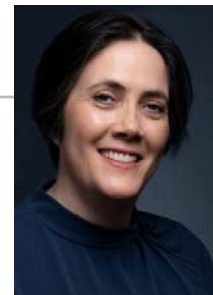
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## Letter from the Board President



Dear Members, Survivors, and Beneficiaries of the Plan,

Hello! Thank you for taking the time to read this year's Annual Report.

As the newly elected Allegheny County Treasurer, I am honored to serve as President of our Retirement Board of Allegheny County ("Retirement Board") where I work every day to safeguard our plan funding. My strong background as a private-sector retirement actuary brings a new skill set to and deep appreciation for our Retirement Board.

The Retirement Board extends our heartfelt thanks to outgoing Board Member Ted Puzak for his twenty-four years of dedicated service to the Retirement Board and its members. Through his leadership, especially the 2014 plan changes, many important steps were taken to ensure the plan's sustainability. He will be greatly missed, and we wish him the best in his future endeavors.

The Retirement Board would also like to welcome Kimberly Joyce who won a very close election. We are excited to have her join the Board.

To recap some changes in the past year:

- In 2023 the Retirement Board passed a new policy which places limitations and disclosure requirements on campaign contributions from contractors to Retirement Board members. This legislation brings the Board in line with most retirement systems in Pennsylvania, including the City of Pittsburgh.
- Our new pension software went live in February 2024. Some of the key points of the software is that it processes retiree payroll, creates 1099 reports for processing refunds and retiree's income, records all active employees' time and contributions, and runs pension calculations for all employees. Over the course of the upcoming year, we will be working closely with the developer to bring enhancements including a new and improved online benefit calculator.

Thank you for the opportunity to serve as President & Treasurer, and I look forward to working with each of you as we move forward together. If ever we can be of assistance, please never hesitate to contact the Retirement Board at (412) 350-4674.

A handwritten signature in black ink that reads "Erica Rocchi Brusselars". The signature is fluid and cursive, with a long horizontal line extending to the right.

Erica Rocchi Brusselars  
Allegheny County Treasurer and Board President

# Report of Independent Auditors

We have audited the accompanying financial statements of the Allegheny County Employees' Retirement System (Retirement System) as of December 31, 2023 and 2022, and for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

## *Management's Responsibility for the Financial Statements*

Allegheny County Employees' Retirement System's management is responsible for the preparation and fair presentation of these financial statements, in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## *Auditor's Responsibility for the Audit of Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors report that includes our opinions. Reasonable Assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Retirement System's internal control. Accordingly no such opinion is expressed.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, amount other matters, the planned scoped and timing of the audit, significant audit findings, and certain internal control-related matters that identified during the audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Allegheny County Employees' Retirement System as of December 31, 2023 and 2022, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As discussed more fully in the disclosure about the discount rate in Note 6 to the financial statements, the Allegheny County Employees' Retirement System is projected to reach a depletion date of 2038. Our opinion is not modified with respect to this matter.

## *Other Matters*

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability, the schedule of employer contributions, and the schedule of annual money-weighted rate of return on pages 18 through 21 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Audited Financial Results

### STATEMENTS OF FIDUCIARY NET POSITION DECEMBER 31,

#### ASSETS

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 19,936,301	\$ 49,818,501
Investments (at fair value):		
Equity:		
U.S. Common and Preferred Stock	76,938,665	74,429,387
American Depositary Receipts	129,582	350,227
S&P 500 Index Fund	71,850,780	68,771,098
Non-U.S. Stocks and Equity Mutual Funds	148,935,008	120,567,257
Bonds and Notes:		
Corporate Certificates of Deposit	252,139	656,596
U.S. Government and Related Agency Debt	35,224,249	40,047,699
Fannie Mae and Freddie Mac Debt	20,339,966	16,170,135
Fixed Income Mutual Funds	168,458,899	150,805,240
U.S. Corporate Debt Instruments	33,935,843	28,231,711
Non-U.S. Government and Corporate Debt	11,086,118	11,667,861
Other Investments:		
Hedge Funds	26,695,632	24,216,372
Real Estate Investment Trusts	152,475,757	127,165,694
Venture Capital / Private Equity	175,939,693	223,820,417
Receivables:		
Amounts Due from Brokers for Sold Investments	224,507	244,482
Accrued Interest and Dividends	1,547,963	1,622,127
Accrued Employer Contributions	2,314,010	1,814,140
Accrued Employee Contributions	2,314,010	1,811,480
Other Assets	<u>5,856</u>	<u>6,916</u>
Total Assets	<u>\$ 948,604,978</u>	<u>\$ 942,217,340</u>

#### LIABILITIES

Liabilities:		
Vouchers Payable	\$ 413,293	\$ 200,354
Accrued Payroll	14,134	9,769
Payroll Withholdings	2,803	2,335
Accrued Liabilities	1,378,717	1,456,457
Amounts Due to Brokers for Purchased Investments	230,086	4,277,590
Other Liabilities	<u>26,651</u>	<u>1,926</u>
Total Liabilities	<u>\$ 2,068,684</u>	<u>\$ 5,948,431</u>

#### FIDUCIARY NET POSITION

Net Position Restricted for Pensions:	<u>\$ 946,536,294</u>	<u>\$ 936,268,909</u>
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## Audited Financial Results

### STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Additions:		
Contributions:		
Employee	\$ 45,774,168	\$ 42,673,844
Employer	<u>45,555,684</u>	<u>42,522,522</u>
Total Contributions	<u>91,329,852</u>	<u>85,196,366</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	55,105,734	(114,027,033)
Interest	4,240,903	3,299,195
Dividends	10,917,341	10,818,871
Partnership Income	1,172,875	3,800,280
Stock Loan Income	<u>32,778</u>	<u>41,032</u>
	71,469,631	(96,067,655)
Less: Investment Management Fees	<u>3,747,422</u>	<u>3,297,432</u>
Total Investment Income (Loss) - net	67,722,209	(99,365,087)
Miscellaneous Income	<u>748</u>	<u>46,384</u>
Total Additions - Net	<u>159,052,809</u>	<u>(14,122,337)</u>
Deductions:		
Benefit Payments	138,670,922	132,764,392
Refunds of Employee Contributions	8,367,726	13,756,044
Salaries, Wages and Related Expenses	345,475	325,138
Administrative & Miscellaneous Expenses	<u>1,401,301</u>	<u>1,348,058</u>
Total Deductions	<u>148,785,424</u>	<u>148,193,632</u>
Net Increase (Decrease) in Net Position	10,267,385	(162,315,969)
Net Position Restricted for Pensions at Beginning of Year	<u>936,268,909</u>	<u>1,098,584,878</u>
Net Position Restricted for Pensions at End of Year	<u>\$ 946,536,294</u>	<u>\$ 936,268,909</u>

Source: Allegheny County Employees' Retirement System December 31, 2023 Audit performed by Case Sabatini. Full Audit can be viewed at [www.alleghenycounty.us/Government/Employment/Retirement-Office/Reports](http://www.alleghenycounty.us/Government/Employment/Retirement-Office/Reports) or pdf by request

## Actuarial Certification

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I certify that I have performed an actuarial valuation of the above plan as of January 1, 2023 in accordance with generally accepted actuarial principle applied consistently with the preceding valuation. I meet the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion.

I certify that the information in this Executive summary is consistent with the formal report of the valuation.

Certified by

  
\_\_\_\_\_  
Bradford L. Rigby, ASA, EA, MAAA

10/11/2023  
Date

  
\_\_\_\_\_  
Todd M. Kordecki, EA, MAAA

10/11/2023  
Date

  
\_\_\_\_\_  
Ethan A. Stoney

10/11/2023  
Date

## Summary of Principal Actuarial Results

	January 1, 2023	January 1, 2022
<b>Demographics</b>		
<b>Active Participants</b>		
Number	6,355	6,610
Average Age	46.7	47.0
Average Age at Hire	35.0	34.8
Average Past Service	11.7	12.2
Prior Year Total Payroll (in 000's)	\$ 409,034	\$ 403,893
Covered Payroll (in 000's)*	\$ 423,827	\$ 418,433
Average Pay	64,364	61,103
Median Pay	57,546	54,672
<b>Inactive Participants</b>		
Number in Pay Status	5,367	5,225
Average Age in Pay Status	73.4	73.4
Average Monthly Benefit	\$ 2,108	\$ 2,029
Median Monthly Benefit	1,784	1,708
Police/Fire	3,958	3,891
Sheriffs/Guards/POs	3,540	3,450
Non-uniformed	1,563	1,491
Number of Terminated Vested	405	318
Average Age of Terminated Vested	48.9	49.3
Average Monthly Benefit	\$ 1,584	\$ 1,484
Median Monthly Benefit	1,277	1,128
Police/Fire	4,118	3,834
Sheriffs/Guards/POs	1,434	1,490
Non-uniformed	1,263	1,109
<b>Total Participants</b>	<b>12,127</b>	<b>12,153</b>
<b>Total Active Member and Employer Contributions</b>		
Dollars - Actual (in 000's)		\$ 85,196
Dollars - Expected (in 000's)	\$ 89,004	
Percentage of Payroll	21%	21%

\*Projected to next year using salary increase assumption.



## Summary of Principal Actuarial Results

	January 1, 2023	January 1, 2022
	(\$ Amounts in 000s)	(\$ Amounts in 000s)
<b>Interest Rate</b>	<u>7.75%</u>	<u>7.75%</u>
<b>Accrued Benefit Funded Status</b>		
Accrued Benefit Liability	\$ 1,911,373	\$ 1,846,550
Market Value of Assets	936,269	1,098,585
Accrued Benefit Funded Ratio	49.0%	59.5%
<b>Accrued Liability Funded Status</b>		
Actuarial Liability	\$ 2,143,936	\$ 2,082,449
Actuarial Value of Assets	936,269	1,098,585
Funded Ratio	43.7%	52.8%
<b>Total Funded Status</b>		
Value of Total Liabilities	\$ 2,429,983	\$ 2,367,773
Value of Total Assets		
(Market Value of Existing Assets and Present		
Value of Future Contributions)	1,552,473	1,709,971
Total Ratio	63.9%	72.2%
<b>Total Normal Cost</b>		
Dollar	\$ 39,012	\$ 38,606
% of Payroll	9.20%	9.23%

Source: Allegheny County Employees' Retirement System Actuarial Report January 1, 2023 performed by Acrisure. Full Report can be viewed at [www.alleghenycounty.us/Government/Employment/Retirement-Office/Reports](http://www.alleghenycounty.us/Government/Employment/Retirement-Office/Reports) or pdf by request.

## Consultant Reports

### Mariner Institutional

#### Economy & Markets

2023 was a good year for stocks and bonds. The economy continued to grow throughout the year, unemployment remained low, and inflation continued to fall year over year. Global markets continued to stabilize after the impact of COVID and US and International responses to the pandemic. Geopolitical instability, including the ongoing wars in Ukraine and Gaza, generated volatility from time to time. The year ended on a positive note with the fourth quarter generating strong performance in all markets.

The Federal Reserve began raising interest rates in March 2022 and raised the short-term target rate a total of eleven times to fight rising inflation. The last increase was in July 2023. The interest rate increases have helped as Inflation started 2023 at 6.5% annually and ended the year at 3.4%. GDP grew 2.5% in 2023, advancing even faster in the third and fourth quarters. Economic growth was expected to continue through 2024 as expectations for a recession faded throughout the year. Unemployment remained low as jobs continued to be created and some positions unfilled

In addition to being a great cowboy movie, the Magnificent 7 also refers to some of the largest Technology and related companies that trade in the US stock market: Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Nvidia, and Tesla. The S&P 500 returned over +26% in 2023. These 7 stocks contributed 58% of the total return of the index. Smaller company stocks also experienced positive returns, although not as strong as their large cap brethren. The Russell Mid-Cap Index returned 13% and the Russell 2000 Small Cap Index returned 14%. Equity returns were strongest in the following sectors of the market: Information Technology (+61%), Communication Services (+54%), and Consumer Discretionary (+42%). Growth oriented sectors were the best performing parts of the market after a disappointing 2022. Last year's market leading sector, Energy, returned -1% for the year. Developed International Markets, measured by the MSCI EAFE Index returned +18.2%. The MSCI Emerging Markets Index returned +10%. The Emerging Markets recovery from the impact of COVID on production and trade has trailed the recovery of Developed Markets. Broad Fixed Income markets experienced volatility throughout the year as interest rates moved up and down with changes in expected economic growth and inflation. The Bloomberg US Aggregate Index ended the year up +5.5% primarily due to income generated from higher yields within the portfolio.

#### RBAC Total Fund

The Allegheny County Employees Retirement Pension Fund paid out over \$138 million in benefit payments in 2023. It ended the calendar year 2023 with a total asset value of \$948,604,978.

The RBAC Total Fund returned +7.4% in 2023. The plan experienced mixed returns across its diversified portfolio of investments. The Fund emphasizes diversification and doesn't put all its eggs in one basket and benefitted from having broad exposure to many different investments. Over the past 5 years, the portfolio returned +6.9% annually.

The best performing asset classes in the portfolio for 2023 were US and International equities. High Yield Bonds were the next best performing asset in the portfolio. Alternative asset classes that led performance in 2022 did not perform as well as stocks and bonds in 2023. Infrastructure was the best performing alternative, while Real Estate and Private Equity were the laggards for the year.

We are encouraged by the portfolio's returns in 2023. Early results in 2024 continue to be positive. We continue to stay focused on the long-term and make prudent decisions for the portfolio to ensure that it continues to serve the needs of the Plan and its Beneficiaries.

## Consultant Reports (Cont.)

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### Asset Strategy Consultants

The rise in interest rates has slowed the activity in the Alternative portfolio considerably. With the investments having already reached the portfolio allocation limit, there has not been room to add new investments.

The higher interest rates have slowed the transactions which in turn affects distributions that were expected. The future level of distributions may depend on interest rates declining. We have been told by the General Partners that there are several companies in the queue to be sold when the market thaws.

With all of these challenges, we expect that as the distributions increase, the portfolio allocation should trend lower. This will allow room for new Partnerships so long as the portfolio has strong liquidity to make new investments.

We are especially grateful for the opportunity to serve you.

### PFM Asset Management

#### **EMERGING PROGRAM**

As of December 31, 2023, local, emerging and minority manager assets totaled \$70.8 million of total plan assets. The County has reached the program's goal of investing 7.5% of the total plan assets in local, emerging, and minority owned managers.

#### **BROKERAGE PROGRAM**

The Retirement Board of Allegheny County requires that investment managers direct 25% of their trades to Local, Minority, and Women-owned brokerage firms. For the calendar year 2023, 17.46% of the total commission dollars were directed to approved brokers, representing \$13,545 paid to local or minority-owned firms.

For more information and reports, please see the Retirement Office website.

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WALTER SZYMANSKI**

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www.alleghenycounty.us/Government/  
Employment/Retirement-Office**

**Solicitor:  
CAMPBELL DURRANT BEATTY  
PALOMBO & MILLER, P.C.**

**Actuary:  
ACRISURE**

**Financial Consultants:  
MARINER INSTITUTIONAL  
ASSET STRATEGY CONSULTANTS  
PFM ASSET MANAGEMENT**

**Auditor:  
CASE SABATINI**

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## Retirement Board of Allegheny County



County Treasurer **ERICA ROCCHI BRUSCELARS**.....*President, Treasurer*  
County Controller **COREY O'CONNOR**.....*Secretary*  
County Executive **SARA INNAMORATO**.....*Member*  
**FRANK DICRISTOFARO**..... *Elected Member*  
**KIMBERLY JOYCE**..... *Elected Member*  
**JENNIFER LIPTAK**.....*Executive Appointee*  
Council Budget Manager **SARAH ROKA**.....*Council Appointee*