

THE RETIREMENT BOARD OF ALLEGHENY
COUNTY

* * * * *

IN RE: MEETING

* * * * *

BEFORE: ERICA ROCCHI BRUSSELARS,
President
Frank J. DiCristofaro,
Member
Jennifer Liptak, Member
Sarah Roka, Member
Corey O'Connor, Secretary
HEARING: Thursday, June 20, 2024
12:00 p.m.
LOCATION: 436 Grant Street
4th Floor Gold Room
Pittsburgh, PA 15219
WITNESSES: None

Reporter: Ben Morrow

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BRIAN GABRIEL, SOLICITOR

WALTER SZYMANSKI, MANAGER

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P R O C E E D I N G S

MS. BRUSSELARS:

I'm going to call to order the meeting of the Retirement Board of Allegheny County. We'll stand if you're able for the Pledge of Allegiance.

PLEDGE OF ALLEGIANCE WAS RECITED

MS. BRUSSELARS:

Walt, could you please take roll call?

MR. SZYMANSKI:

Absolutely.
Ted Puzak?
Corey O'Connor?

MR. O'CONNOR:

Here.

MR. SZYMANSKI:

Sarah Innamorato?
Frank DiCristofaro?

MR. DICRISTOFARO:

Here.

MR. SZYMANSKI:

1 Jennifer Liptak?

2 MS. LIPTAK:

3 Here.

4 MR. SZYMANSKI:

5 Sarah Roka?

6 MS. ROKA:

7 Here.

8 MR. SZYMANSKI:

9 Erica Brusselars?

10 MS. BRUSSELARS:

11 Present.

12 And do we have any
13 people online watching?

14 MR. SZYMANSKI:

15 The video is being
16 broadcast.

17 MS. BRUSSELARS:

18 Okay.

19 MR. SZYMANSKI:

20 I'm not sure if anybody
21 called in.

22 MS. BRUSSELARS:

23 Okay.

24 MR. SZYMANSKI:

25 It sounded like it.

1 MS. BRUSSELARS:

2 Okay.

3 Do you have any public
4 comment?

5 MR. SZYMANSKI:

6 We do not.

7 MS. BRUSSELARS:

8 All right.

9 We have items for board
10 approval. Can I have a motion
11 to approve the Board meeting
12 minutes for May 16, 2024?

13 MR. O'CONNOR:

14 So moved.

15 MR. DICRISTOFARO:

16 Second.

17 MS. BRUSSELARS:

18 Hearing a motion and a
19 second, is there any
20 discussion?

21 Hearing no discussion,
22 all in favor?

23 AYES RESPOND

24 MS. BRUSSELARS:

25 Any opposed?

1 Motion passes.

2 Next we have a motion to
3 accept --- or looking for a
4 motion to accept financial
5 statements which include the
6 pension fund assets, the
7 statement of changes in plan
8 net assets and RBAC balance
9 sheet as of April 2024. Can I
10 have a motion?

11 MR. O'CONNOR:

12 So moved.

13 MR. DICRISTOFARO:

14 Second.

15 MS. BRUSSELARS:

16 Hearing a motion and a
17 second, is there any
18 discussion?

19 Hearing none, all in
20 favor say aye.

21 AYES RESPOND

22 MS. BRUSSELARS:

23 Any opposed?

24 Motion passes.

25 Last, we're looking for

1 a motion to approve the June
2 2024 invoices in the amount of
3 \$22,482.72 and to submit for
4 payment.

5 MR. O'CONNOR:

6 So moved.

7 MR. DICRISTOFARO:

8 Second.

9 MR. BRUSSELARS:

10 Hearing a motion and a
11 second, is there any
12 discussion?

13 Hearing none, all in
14 favor say aye.

15 AYES RESPOND

16 MS. BRUSSELARS:

17 Any opposed?

18 All right, next, we have
19 applications for retirement,
20 early retirement and payment
21 plan. Can I have a motion to
22 approve the following June 2024
23 applications, which includes
24 six early retirement, nine full
25 retirement and one payment

1 plan?

2 MR. O'CONNOR:

3 So moved.

4 MR. DICRISTOFARO:

5 Second.

6 MS. BRUSSELARS:

7 Hearing a motion and a
8 second, is there any
9 discussion?

10 Hearing none, all in
11 favor say aye.

12 AYES RESPOND

13 MS. BRUSSELARS:

14 Any opposed?

15 It passes.

16 Next we have reports.

17 Walt Szymanski.

18 MR. SZYMANSKI:

19 Hi. Thank you very
20 much. So if you turn to your
21 managers tab in your workbook,
22 I'll highlight some areas on
23 the dashboard.

24 Retiree payroll
25 surpassed \$12 million for the

1 first time last month, so
2 payroll is up eight percent on
3 the year. Total contributions
4 made are up 9.44 percent.
5 Contributions refunded are up
6 9.29 percent. Total
7 retirements on the year of
8 18.33 percent.

9 If you turn to the next
10 page, pension estimates are up
11 two percent, capital calls are
12 down 32.31 percent, and capital
13 calls as of the prior Board
14 meeting were \$431,480.17. The
15 office budget is listed there
16 as of May 31, 2024. And are
17 there any questions on the
18 dashboard?

19 MS. BRUSSELARS:

20 I don't have any
21 questions.

22 MR. SZYMANSKI:

23 Okay, just a couple of
24 Board updates. The new pension
25 software calculator is

1 currently being tested by a few
2 departments. We'll add more
3 departments over the summer
4 once we get closer to the go-
5 live date, and we're hoping to
6 go-live in August of this year.

7 The ballots for the
8 upcoming election were printed
9 and mailed the first week of
10 June, and the vote count will
11 take place on Monday, July 1st
12 at 9:30 a.m. in the elections
13 office. Anybody is welcome to
14 come and watch their count.

15 MS. BRUSSELARS:

16 And so those ballots
17 need to be received by the ---?

18 MR. SZYMANSKI:

19 They need to be received
20 by June 28th.

21 MS. BRUSSELARS:

22 Okay. Like 5:00 p.m.
23 4:30 at the election
24 department?

25 MR. SZYMANSKI:

1 Yeah.

2 MS. BRUSSELARS:

3 Okay.

4 Does the retirement
5 office send out any email
6 reminders or anything like
7 that?

8 MR. SZYMANSKI:

9 We haven't in the past,
10 but we can.

11 MS. BRUSSELARS:

12 Okay.

13 MR. SZYMANSKI:

14 We can maybe do an HR
15 blast to just notify please
16 return your ballots by next
17 Friday.

18 MS. BRUSSELARS:

19 Okay, that'd be great.
20 And I noticed when I received
21 mine, like I knew it was
22 coming. I'm wondering if next
23 time around we can look at
24 making --- putting something on
25 the envelope to draw a little

1 more attention to her it.

2 MR. SZYMANSKI:

3 Sure. Absolutely.

4 MS. BRUSSELARS:

5 Because I think it's
6 kind of nondescript mail and if
7 folks don't have it in their
8 brain, then it might end up in
9 the pile of nondescript mail.

10 MR. SZYMANSKI:

11 And also, if anybody has
12 lost their ballot, we have
13 extras in the office people are
14 welcome to pick up fill out,
15 drop off at elections, too.
16 And that's all I have this
17 month.

18 MS. BRUSSELARS:

19 Any other questions for
20 Walt?

21 All right, next we have
22 Brian Gabriel with the
23 solicitor's report.

24 ATTORNEY GABRIEL:

25 Thank you, Erica. The

1 solicitor's report is current
2 as of June 13th. I have one
3 action item that is on the
4 agenda, and that was --- is
5 proposed resolution number
6 2024-1, which was circulated
7 last month. This is an update
8 relative to internal revenue
9 code compliant provisions.
10 It's been some time, so this is
11 an update of those regulations.

12 MS. BRUSSELARS:

13 Great, thank you.

14 Do I have a motion to
15 approve resolution 2024-1, IRC
16 compliance?

17 MR. O'CONNOR:

18 So moved.

19 MR. DICRISTOFARO:

20 Second.

21 MS. BRUSSELARS:

22 Hearing a motion and a
23 second, is there any
24 discussion?

25 Hearing none, all in

1 favor say aye.

2 AYES RESPOND

3 MS. BRUSSELARS:

4 Any opposed?

5 The motion passes.

6 Anything else, Brian?

7 ATTORNEY GABRIEL:

8 No, I'd be happy to

9 answer any questions.

10 MS. BRUSSELARS:

11 I don't think there are

12 any today. Thanks.

13 ATTORNEY GABRIEL:

14 Thank you.

15 MS. BRUSSELARS:

16 For consultants, we have

17 Mr. Brokaw and Mr. Walters from

18 Mariner.

19 MR. BROKAW:

20 Thank you. If you turn

21 to our tab right after Walt's,

22 you see we have three items to

23 discuss. One is the market

24 update through the end of May.

25 The second is the updated

1 investment policy statement,
2 which is the same as your prior
3 investment policy statement,
4 but it includes, I guess it's
5 about three or four pages that
6 we discussed at the last
7 meeting regarding watch list
8 criteria. And then finally
9 your portfolio review through
10 April 30th.

11 So if you turn to page
12 two of the report, market
13 update through May 31st, what
14 you see on the left is good
15 positive performance from the
16 equity markets. S&P 500 up
17 almost five percent. Small
18 cap, Russell 2000 up five
19 percent as well. And
20 international stocks, the MSCI
21 EAFE up 3.9 percent.

22 And so you'll see when
23 we get to April, and you may
24 recall from the last meeting,
25 April negative performance, May

1 very positive performance that
2 basically cancels out the
3 negative April. And the market
4 has continued to trend higher
5 at various indices setting new
6 record highs through the month
7 of June.

8 Fixed income, you see
9 positive performance, the US
10 aggregate broad market
11 benchmark in May. The second
12 set of indices here, up 1.7
13 percent. Interest rates
14 declined over the quarter, as
15 did spreads. Investment grade
16 bonds up a bit higher, 1.9
17 percent. And that also,
18 similar to what happened in the
19 equity market, undoes what we
20 see in May.

21 So good month in May.
22 June to date, also positive.
23 And again, the story remains
24 the same. It's the market
25 reacting to inflation reports

1 that come out monthly and that
2 can swing things very
3 positively or very negatively.
4 So it looks like inflation
5 after a bad report in April,
6 and in May and June, relatively
7 good reports, it seems like it
8 may be trending downwards,
9 which would mean potential for
10 interest rate cuts at least in
11 the second half of the year and
12 probably more towards the end
13 if they occur. So that is the
14 monthly update for the market.
15 Any questions?

16 All right, well, the
17 next section starting on page
18 three, Tim is going to lead us
19 through the investment policy
20 statement and the updated
21 section for the watch list.

22 MR. WALTERS:

23 So good afternoon,
24 everyone. On pages three
25 through 17, you'll find what is

1 essentially a draft, revised or
2 amended version of the
3 investment policy statement.
4 On page three, we do run
5 through the history of when
6 this IPS has been amended. And
7 the amendments really start in
8 section seven, page 12 of this
9 section, where Chris and I
10 inserted the performance
11 scorecard and evaluation
12 criteria that we discussed at
13 the last meeting.

14 The only changes that
15 occurred other than the
16 insertion of this section was a
17 reformatting of numbers,
18 subsections, just to make sure
19 that it flowed throughout the
20 document. I don't know if the
21 Board wanted to specifically
22 review any aspects of the IPS,
23 but this is just to incorporate
24 the section that had previously
25 been reviewed, comments were

1 offered or edits were afforded,
2 and then this reflects that
3 addition of the performance
4 matrix and scorecard.

5 MS. BRUSSELARS:

6 Do we need to formally
7 approve this?

8 MR. WALTERS:

9 I believe we would like
10 it to be voted on and so it's
11 in the record.

12 MS. BRUSSELARS:

13 Okay.

14 MR. WALTERS:

15 And then if it is
16 approved now, it would be
17 implemented for the second
18 quarter report, ---

19 MS. BRUSSELARS:

20 Okay.

21 MR. WALTERS:

22 --- where then starting
23 in 2Q we would apply these
24 metrics to the managers
25 historical performance and

1 present it to the Board.

2 MS. BRUSSELARS:

3 Okay, so 2Q would come
4 out in, like, August?

5 MR. WALTERS:

6 Yes.

7 MS. BRUSSELARS:

8 So I'll just --- I read
9 the section after --- to
10 confirm it was just the
11 addition of that one section.
12 I have a couple, like, tiny,
13 little, like, formatting
14 comments that I can give to you
15 all after. And based on what's
16 in section nine, about the use
17 of --- because a question I had
18 while I was reading it, it
19 doesn't apply to our
20 alternative investments or our
21 illiquid investments.

22 And then I noticed that
23 the number eight, the use of
24 co-mingled investment vehicles,
25 which I was assuming is a

1 section that was around before,
2 sort of speaks to that. Like,
3 not everything can apply to
4 specialty assets. So that
5 answered a question that I had
6 in my mind.

7 One thing that I would
8 like to get added is maybe it's
9 just an appendix page to this
10 investment policy that
11 describes what the amendments
12 are. So if somebody picks this
13 up, like, a year from now, and
14 they're like, I don't know what
15 they amended it for in 2024.
16 It would just say, you know,
17 June 2024 amendment, like,
18 added section seven so that
19 there's sort of a summary of
20 what the changes were when we
21 made them, because I think at a
22 point in the future that's
23 probably helpful.

24 MR. WALTERS:

25 Is there a time period

1 you'd like us to go back?
2 Because getting some of the
3 more historical ones prior to
4 Mariner AndCo might be
5 difficult.

6 MS. BRUSSELARS:

7 I think if you want to
8 put in whatever's easy.

9 MR. WALTERS:

10 And then we can ---

11 MS. BRUSSELARS:

12 I was thinking here and
13 going forward.

14 MR. WALTERS:

15 --- work with Walt to
16 get some other ones.

17 MS. BRUSSELARS:

18 Yeah. Because I just
19 think starting it will be good
20 to have in the future, and I
21 don't have to dig through the
22 universe to find some old ones.
23 Are there any other questions?
24 I feel like I jumped the line.

25 So it sounds like we're

1 looking for a motion to approve
2 the statement of investment
3 policy, as amended, as drafted
4 by Mariner as of June 24, 2024.
5 Can I have a motion?

6 MR. DICRISTOFARO:

7 I'll make a motion

8 MS. BRUSSELARS:

9 Oh, yeah.

10 MS. LIPTAK:

11 Are there any changes to
12 it, or do you just have
13 technical corrections?

14 MS. BRUSSELARS:

15 Oh, sorry. Mine are two
16 it's like a G should be an A,
17 and there's and there's an
18 extra K.

19 MS. LIPTAK:

20 Okay. So I'm
21 understanding there'll be a
22 couple of technical
23 corrections?

24 MS. BRUSSELARS:

25 Yes.

1 MS. LIPTAK:

2 Okay.

3 MS. BRUSSELARS:

4 Is there any other
5 discussion? I'd be happy to
6 entertain a motion.

7 MR. DICRISTOFARO:

8 I'll make that motion.

9 MR. O'CONNOR:

10 Second.

11 MS. BRUSSELARS:

12 Hearing a motion and a
13 second. Any additional
14 discussion?

15 Hearing none, all in
16 favor of this June 20, 2024
17 amendment to the investment
18 policy, say aye.

19 AYES RESPOND

20 MS. BRUSSELARS:

21 Any opposed?

22 Passes. Thanks.

23 MR. BROKAW:

24 Great. Thank you very
25 much. And as Tim mentioned,

1 we'll incorporate the new IPS
2 into the reporting going
3 forward. So, yes, you are
4 correct, Erica. That second
5 quarter reporting will come out
6 in August and it'll have a few
7 new pages that show how the
8 various investments stand
9 relative to these new metrics.

10 So if you turn to page
11 20, you can see the portfolio
12 through April 30th and April
13 for the month. The first
14 column there, you see negative
15 overall performance slightly
16 better, your portfolio slightly
17 better than the index. Stock
18 market, US market was down the
19 most. You see US equity down
20 4.4 percent. Your portfolio
21 performing in line with that
22 negative benchmark. Again, May
23 undoes a lot of that.

24 Some items that are a
25 bit different, and in this case

1 positive relative to the index.
2 If you look at the core fixed
3 income, it was down two percent
4 versus the aggregate, which was
5 down two and a half percent.
6 Some of the managers having a
7 bit more exposure to some of
8 the areas of the market that
9 perform better, like corporate
10 bonds, as I mentioned earlier,
11 and also high yield bonds and
12 even some shorter durations, so
13 shorter term bonds that are not
14 as volatile when interest rates
15 incur. So that was a relative
16 benefit to the portfolio.

17 The other one was high
18 yield, where for the month, the
19 high yield managers relatively
20 less volatile and less risky
21 than the asset class in general
22 and tend to perform better in
23 down markets. And they did
24 this time as well. Other
25 investments performing again

1 roughly in line with the index.

2 If you turn to page 29,
3 I have a few comments on asset
4 allocation, and that'll be the
5 end of my prepared remarks and
6 I'll be happy to take any
7 questions. On page 29, you see
8 US equity a bit over the target
9 level. April 30th, that's
10 before some of the changes in
11 the emerging manager program
12 with CIM and Fragasso. When
13 those changes went into effect,
14 those portfolios were
15 liquidated. That'll bring the
16 US equity closer into line with
17 target allocation.

18 Private equity, the
19 third line down, you see 19.4
20 percent, a bit below the
21 target, and private equity
22 continues to make
23 distributions, net
24 distributions, even though
25 there are some capital calls,

1 overall there's net
2 distributions lowering that
3 exposure.

4 Real estate, Washington
5 --- within real estate,
6 Washington Alliance and Artemis
7 are two managers that are
8 calling capital. So that
9 should increase the exposure to
10 real estate in the portfolio
11 towards the target.

12 Infrastructure, I just
13 wanted to comment. They're
14 making quarterly income
15 distributions, so that should
16 bring the portfolio back into
17 line with the target as well as
18 generate cash for the ongoing
19 cash needs in the portfolio.

20 Those are my prepared
21 remarks on the performance and
22 the asset allocation. I'd be
23 happy to answer any questions.

24 MS. BRUSSELARS:

25 I think we're a question

1 free crowd today.

2 MR. BROKAW:

3 Okay.

4 MS. LIPTAK:

5 It's because of all the
6 heat. We're all dehydrated
7 today.

8 MR. BROKAW:

9 If you bring us bottles
10 of water next time, we'll have
11 more questions.

12 MR. BROKAW:

13 Next time, hopefully
14 it's not 93 degrees.

15 MS. BRUSSELARS:

16 It's only 93 degrees
17 outside.

18 MR. BROKAW:

19 True.

20 MS. BRUSSELARS:

21 Thank you.

22 MR. BROKAW:

23 Thank you.

24 MS. BRUSSELARS:

25 I believe next we have

1 Ed Boyer from Asset Strategy.

2 MR. BOYER:

3 Thank you. Good
4 afternoon, everyone. So if you
5 would turn finally to the
6 section of our report and
7 notice on the first page, this
8 particular page is dated
9 December 31st, and several
10 pages will be from March. But
11 the important thing to notice
12 here is if you go down about
13 two thirds way down the column
14 or the chart, you'll see
15 Goldman Sachs. And we received
16 a distribution from Goldman
17 Sachs, the manager fund, which
18 was the value then of December
19 31st was \$23,000. We received
20 a check for \$17,000 and change.

21 So that fund is clearly
22 winding down, as is the other
23 one. And what happens at this
24 time of year, they often wait
25 because there's incidental

1 expenses that will take place.
2 They may wait until all the
3 expenses come in for the year
4 and wrap it up, you know, the
5 first part of next year. But
6 whatever goes on there is
7 immaterial.

8 All right, if you could
9 then kindly go to the next two
10 pages, or three, if you would.
11 I'm sorry. Maybe in the future
12 we'll try and number these
13 pages. But we were asked to
14 bucket the assets classes
15 together, you know, as to
16 whether it's venture or buyout
17 or private debt, real estate,
18 secondaries, and we used other
19 as well. So if there's any
20 particular data or questions
21 you have about the way in which
22 these are bucketed or why or
23 would like any particular
24 insight, we'd be happy to
25 answer any questions. And you

1 may take some --- you may need
2 some more time to actually
3 digest all this.

4 MS. BRUSSELARS:

5 Could you give, like, a
6 one sentence, each description
7 of the items that are under
8 other?

9 MR. BOYER:

10 Okay, great. So buyout
11 essentially means that the
12 general partnership is going to
13 take ownership ---.

14 MS. BRUSSELARS:

15 Oh, no, sorry, just the
16 other section.

17 MR. BOYER:

18 Oh, the other.

19 MS. BRUSSELARS:

20 Like, there's four
21 investments in the last
22 section.

23 MR. BOYER:

24 Okay, so those four in
25 the other, the CCA, is Corry

1 Capital, which is investing in
2 life settlements. Okay. Would
3 you like me to explain that any
4 further?

5 MS. BRUSSELARS:

6 No.

7 MR. BOYER:

8 Okay. And Entrust does
9 somewhat of a hodgepodge of a
10 variety of investments. You
11 can't say there's a
12 concentration of a particular
13 style. They have their
14 managers they're used to
15 working with, and they --- some
16 are debt, some are arbitrage,
17 some are, you know, buyout.

18 MS. BRUSSELARS:

19 Okay.

20 MR. BOYER:

21 But they're not easily
22 put into the other categories.

23 MS. BRUSSELARS:

24 Thank you.

25 MR. BOYER:

1 You're welcome.

2 So if we could go
3 forward to the front page or
4 the cover page that says, the
5 Retirement Board of Allegheny
6 County calls distributions at
7 Essen June 2024. And so I
8 think what your particular
9 interest would be on the second
10 page at the bottom that talks
11 about distributions at \$16
12 million of 200,000 and in the
13 calls of \$5 million. So the
14 delta there is about \$11
15 million of inflows expected,
16 estimated. I might dial that
17 back a little bit to \$8
18 million, just because we are
19 estimating.

20 But I think the one
21 thing that this all hinges on
22 is, you know how in real estate
23 they call location, location,
24 location? Well, here we're
25 talking rates, rates and rates.

1 So it seems like the general
2 consensus is rates are going to
3 have a reason to drift lower.
4 There's a lot of companies in
5 the queue to be sold or have a
6 transaction. And I think as
7 long as rates seem to be
8 drifting a little bit lower, we
9 will see maybe this approach
10 closer to \$11 million. But I
11 wouldn't bet my career on that
12 at this point. But that's the
13 trend.

14 We owe you a pacing
15 schedule, and we will deliver
16 that at the next meeting.

17 MS. BRUSSELARS:

18 I had a question, a
19 couple questions about this
20 last section.

21 MR. BOYER:

22 Sure.

23 MS. BRUSSELARS:

24 So on the titles,
25 there's uncalled capital as of

1 last September. Then there's
2 2024 calls through year end.
3 Is that just an estimate at
4 this point, or is that the
5 actual calls?

6 MR. BOYER:

7 We're talking uncalled
8 capital?

9 MS. BRUSSELARS:

10 There's the uncalled
11 capital column.

12 MR. BOYER:

13 Right.

14 MS. BRUSSELARS:

15 And then --- which I
16 assume it's just as of that
17 date, because it hasn't been
18 updated.

19 MR. BOYER:

20 Right.

21 MS. BRUSSELARS:

22 Okay. And then the
23 next, so it would be helpful if
24 that were a more recent number
25 the next time you present this

1 report. Then the next one's
2 called 2024 calls through Q4
3 2024. Is that an estimate?

4 MR. BOYER:

5 Estimate, yes.

6 MS. BRUSSELARS:

7 Okay. And then, is that
8 the same thing on the
9 distribution?

10 MR. BOYER:

11 Yes, it is.

12 MS. BRUSSELARS:

13 Okay.

14 MR. BOYER:

15 But bear in mind on the
16 uncalled capital that all of
17 this is not expected to be
18 called. Okay? Managers are
19 expected. We anticipate that
20 they won't call all the money
21 in order. They reserve some to
22 have follow on investments to
23 support the companies they're
24 invested in. And it's not
25 uncommon for only 70 percent to

1 80 percent of the money to get
2 called. So I don't think
3 you're at as much exposure as
4 the number might be indicate of
5 having to make commitments.

6 MS. BRUSSELARS:

7 Yeah, I was --- yeah.
8 And I understand that. I was
9 just unclear on why a June 2024
10 report would have a number as
11 of last September.

12 MR. BOYER:

13 Okay.

14 MS. BRUSSELARS:

15 Like, that was more my
16 question on that.

17 MR. BOYER:

18 Okay, well, that'll be
19 updated.

20 MS. BRUSSELARS:

21 Okay.

22 MR. BOYER:

23 All right. Any other
24 questions that we can answer OR
25 address?

1 MS. BRUSSELARS:

2 Thank you.

3 MR. BOYER:

4 Okay. Thank you.

5 MS. BRUSSELARS:

6 Next, and always near
7 and dear to my heart are the
8 actuaries. We have --- oh,
9 this is where I don't know if I
10 know how say his name. Todd
11 Kordecki from Acrisure.

12 MR. KORDECKI:

13 Perfect.

14 MS. BRUSSELARS:

15 Welcome.

16 MR. KORDECKI:

17 Good afternoon,
18 everyone. This is a bit of a
19 new agenda item for us. It's
20 something that we want to start
21 doing. Brad and I have been
22 talking about it just kind of
23 providing a quarterly update on
24 the actuarial status of
25 retirement system. Some of

1 these exhibits will, you'll see
2 most of the time are the
3 quarterly reports, but we're
4 also going to try and keep it
5 fresh and updated based on
6 certain times of the year and
7 what we think might be most
8 relevant at the time.

9 I want to quickly touch
10 on just really three pages of
11 this, the first being page
12 three, which is an update of
13 the solvency projection of the
14 retirement system. We had
15 updated assets through March
16 31, 2024 for preparing this
17 analysis.

18 Based on the current
19 contribution rate of 11 percent
20 per party, accounting employees
21 insolvency is projected to
22 occur in 2042. That's a one
23 year improvement from the last
24 time we looked at this for the
25 contribution recommendations

1 that we did in December, and
2 those were based on September
3 30, 2023 assets.

4 Based on this analysis,
5 the retirement system can avoid
6 insolvency at a 14.5 percent
7 contribution rate per partner.
8 So that's obviously a large
9 number, and it would be
10 beneficial if we could find
11 some different areas of funding
12 for the plan.

13 The next page is a chart
14 that breaks down the
15 contribution sufficiency based
16 on a few different actuarial
17 measurements that we use. The
18 normal cost, which is shown in
19 blue in the chart, is
20 essentially the cost of new
21 benefits that are expected to
22 be earned during the next
23 upcoming year. This chart
24 shows each of these items as a
25 percentage of employee payroll

1 so that we can compare it to
2 the contribution percentage
3 that's actually being made.

4 The normal cost is
5 approximately nine percent of
6 employee payroll. The plan's
7 expenses are shown in green.
8 It's just a tiny sliver between
9 the blue and the gold bars.
10 The expenses account for less
11 than one percent of employee
12 payroll. I think it's actually
13 less than half a percent of
14 employee payroll. So normal
15 cost and expenses combined make
16 up about 9.5 percent of total
17 payroll.

18 The big drag that kind
19 of prevents the plan's funded
20 status from improving is the
21 unfunded accrued liability.
22 And the unfunded accrued
23 liability is basically just the
24 current funding shortfall of
25 the retirement system, the

1 liabilities that exceed the
2 plan's assets.

3 In order to improve the
4 funded status, the
5 contributions would need to
6 exceed the first two items, the
7 normal cost and the expenses,
8 plus the expected interest on
9 the unfunded accrued liability.
10 And unfortunately, the expected
11 interest on unfunded accrued
12 liability is approximately 22
13 percent of employee payroll,
14 which is what the entire
15 contribution percentage is with
16 the two combined parties. You
17 can see the combined
18 contribution rate is shown in
19 the purple line that goes
20 across.

21 MS. LIPTAK:

22 So what you're basically
23 saying is --- what you're
24 saying is we're not getting
25 ahead because what we're

1 putting in from employer
2 doesn't even make up for what
3 that 22 percent?

4 MR. KORDECKI:

5 Right, so ---.

6 MS. LIPTAK:

7 And that doesn't include
8 investments?

9 MR. KORDECKI:

10 It does include the
11 investments, but it's the
12 difference between the
13 liabilities and the
14 investments. So the
15 contributions are great to kind
16 of cover the current benefits
17 that are being earned. Like I
18 mentioned, that's roughly 9.5
19 percent whenever you include
20 expenses in there. So we're
21 putting 22 percent in, but in
22 order to kind of cover the
23 expected interest on the
24 unfunded amount, we would need
25 to be around 30, 32 percent or

1 so instead of 22 percent. And
2 this is at seven and three
3 quarters percent.

4 MS. BRUSSELARS:

5 So the thing, you know,
6 the thing that, as I was ---
7 with the plan last year that
8 struck me is folks' benefit is
9 worth about nine or 9.5 percent
10 of their pay. And right now we
11 have people paying 11 percent
12 to earn that benefit. And I
13 think that's like, that is
14 problematic.

15 And then Todd's point,
16 there's such a deficit in
17 funding that it gets bigger
18 every year. Just, I mean, this
19 is a --- of sophisticated
20 people, --- for those watching
21 at home, that just like, if you
22 don't pay the interest on your
23 mortgage, your balance is going
24 to go up. And that's very much
25 the situation we're in and in

1 until we find a way to put more
2 money into the plan that's
3 getting put now and this will
4 continue to be ---.

5 MR. KORDECKI:

6 Right.

7 MS. LIPTAK:

8 There was a period of
9 time, though, where people were
10 probably paying a lot less than
11 what they were getting out of
12 the fund for payroll. And so
13 we're trying to correct for
14 something that was done years
15 ago. I think we started
16 increasing the rate in --- at
17 least when I got on the Board,
18 2008, was that the first year
19 we started trying to get that
20 rate up above six percent?
21 Because it had been six percent
22 forever. I got on the Board, I
23 think we bumped it to seven,
24 which would be effective, I
25 think, in '09. I can't

1 remember the dates at around
2 that time. So it's been slowly
3 trying to increase it. But for
4 a period of time prior, just
5 for perspective, it was, you
6 know, employees were getting a
7 lot more and not paying
8 anything. I think it went down
9 to pretty much nothing for a
10 period. You were here, Frank.

11 MR. DICRISTOFARO:

12 We were down to three
13 percent at one point.

14 MS. LIPTAK:

15 Yeah. It was
16 ridiculous. So just for
17 perspective, I think the
18 Board's trying, but I agree
19 it's not --- we're in the right
20 spot right now. So I
21 appreciate you putting that in
22 perspective from what's going
23 on right now.

24 MS. BRUSSELARS:

25 Did you want to say

1 anything else?

2 MR. DICRISTOFARO:

3 No, it was down to three
4 percent. At one point when I
5 first started with the County,
6 it was up to 14 percent and
7 then went all the way down to
8 three percent, and now it's up
9 to 11.

10 MS. BRUSSELARS:

11 Yeah. And the other
12 thing I point out is, right,
13 every time the Board has
14 approved a retiree payment
15 increase, that's been ---
16 there's been no additional
17 funding put in the plan. So if
18 the last one was worth \$20
19 million, that's \$20 million
20 that somehow has to get funded
21 in the future.

22 MS. LIPTAK:

23 Yeah, I think that's a
24 very good point. We had a lot
25 of discussion about that

1 because, you know, some of us
2 felt like we wanted to get
3 increases, we'd have funding
4 for it. So that's when a
5 policy was put in place, and I
6 think that policy expired,
7 didn't, Frank?

8 MR. DICRISTOFARO:

9 What do you mean, the e
10 COLA policy?

11 MS. LIPTAK:

12 Yeah, the COLA policy.

13 MR. DICRISTOFARO:

14 I think that's still in
15 effect.

16 MS. LIPTAK:

17 Is it still in effect?

18 MR. DICRISTOFARO:

19 I believe it is.

20 MS. LIPTAK:

21 I couldn't remember if
22 it expired or if it was still
23 in effect.

24 MR. DICRISTOFARO:

25 I think that's a five

1 year policy.

2 MS. LIPTAK:

3 If we got to a certain
4 funding range and if we were
5 over a billion, et cetera, I
6 think we've got that one time.
7 So we --- it's what we were
8 solvent after we did pension
9 legislation. I think he did
10 like, a \$25 a month or
11 something like that, COLA.

12 But to your point, like,
13 we have to have some type of
14 structure, because there's
15 always pressure to get
16 increases, and we all want to,
17 but we have an overall
18 responsibility for the entire
19 fund, including the people who
20 are paying in now. So we
21 should look at that policy to
22 make sure that we're up to date
23 on that. I thought it expired.

24 MR. DICRISTOFARO:

25 That was two years ago

1 when we had the last COLA
2 increase.

3 MS. LIPTAK:

4 Did that expire or was
5 it ---?

6 MR. SZYMANSKI:

7 I don't believe it
8 expired.

9 MS. LIPTAK:

10 Okay, so it's still in
11 place.

12 MR. SZYMANSKI:

13 I think it's renewed
14 every two years. And it's
15 based upon thresholds, like you
16 mentioned, hitting a billion in
17 assets or funding levels.

18 MR. DICRISTOFARO:

19 It's also at the Board's
20 discretion also.

21 MS. LIPTAK:

22 Something like that,
23 yeah.

24 MR. KORDECKI:

25 If I remember correctly,

1 I don't think it expires, but
2 if the plan is over a certain
3 funding percentage, there's a
4 minimum COLA that needs to be
5 issued.

6 MR. DICRISTOFARO:

7 Right.

8 MR. KORDECKI:

9 If it's less than that,
10 there's a discretionary COLA
11 that can be issued up to a
12 certain amount.

13 MR. DICRISTOFARO:

14 Right, right.

15 MS. LIPTAK:

16 Thank you.

17 MR. KORDECKI:

18 I think.

19 MS. LIPTAK:

20 We should probably look
21 at though, because it's hard.
22 You have retirees saying, I
23 haven't gotten an increase.
24 But when we look at the overall
25 plan, you know, it may not be

1 in the best interest fiduciary
2 for the entire group we
3 represent. So, okay. Sorry to
4 go off on a tangent.

5 MS. BRUSSELARS:

6 I think it's great.

7 You mentioned, Todd,
8 that this is all at 7.75
9 percent.

10 MR. Kordecki:

11 Correct.

12 MS. BRUSSELARS:

13 If you have a preview of
14 what this sort of thing might
15 look like at a potential future
16 lower interest rate.

17 MR. KORDECKI:

18 That's something we can
19 incorporate into future
20 exhibits.

21 MS. BRUSSELARS:

22 Okay.

23 MR. KORDECKI:

24 But the results will be
25 worse.

1 MS. BRUSSELARS:

2 There's what?

3 MR. KORDECKI:

4 The results will be
5 worse at seven percent.

6 MS. BRUSSELARS:

7 Sorry, I feel ---.

8 MR. KORDECKI:

9 That was all I had for
10 that exhibit. Although I would
11 like to say, Erica, that
12 comparing it to a mortgage is a
13 very good way to look at the
14 unfunded accrued liability.
15 That's basically your mortgage
16 payment that you have to pay
17 off every year. And as you
18 mentioned, if you don't pay off
19 just the interest on the
20 mortgage, the principal that
21 you owe will grow.

22 So with the pension
23 plan, you have the mortgage
24 payment that ideally would be
25 paid, plus you have the

1 benefits that are earned during
2 the upcoming year. So you have
3 to pay your mortgage payment
4 plus your normal costs and
5 expenses each year to kind of
6 heed away that unfunded gap
7 between the plan's assets and
8 the liabilities.

9 MS. BRUSSELARS:

10 I have a couple more
11 questions. Is it question time
12 or is ---?

13 MR. KORDECKI:

14 Do you want me to go to
15 the last exhibit first, or is -
16 --?

17 MS. BRUSSELARS:

18 Oh, I'm sorry, I thought
19 you were done. No, please,
20 continue on.

21 MR. KORDECKI:

22 I mean, were the
23 questions specific to that?

24 MS. BRUSSELARS:

25 No, sorry, I thought ---

1 that's what I meant to ask if
2 you were done.

3 MR. KORDECKI:

4 Yep, I have one more
5 exhibit on the next page.

6 MS. BRUSSELARS:

7 I'll save my questions
8 till the end.

9 MR. KORDECKI:

10 So this is just a chart
11 of three different funded
12 status measurements that we
13 look at for the plan. The
14 first one is the total funded
15 status ratio. And this
16 measurement considers the
17 current assets and liabilities
18 of the plan, but also includes
19 the value of future
20 contributions, future accruals,
21 and future expenses.

22 Kind of going back to
23 our last exhibit, since the
24 current contribution rate of 22
25 percent exceeds the normal cost

1 and the expenses, the total
2 funded status ratio is
3 considerably higher than the
4 funded status ratios on this
5 page that only consider current
6 assets and liabilities because
7 future contributions are ---
8 the present value of future
9 contributions exceed those
10 future accruals and expenses
11 that we consider for this
12 measurement.

13 The second measure is
14 the accrued benefit funded
15 status ratio, and that
16 measurement values the
17 liabilities based on actual
18 benefits earned as of the
19 applicable valuation date. So
20 if an employee has eight years
21 of service, this measurement
22 grant values their benefit with
23 eight years of service and
24 their current pay history to
25 come up with their liability as

1 of that date and time.

2 And the final
3 measurement is the accrued
4 liability funded status ratio.
5 And that's based on the
6 actuarial method that we
7 currently use to value the
8 plan's benefits. That is the
9 entry age normal cost method.
10 And this method projects
11 employees' benefits over their
12 entire careers and applies a
13 uniform normal cost over each
14 year of service.

15 So this method
16 recognizes normal cost a bit
17 more quickly than the accrued
18 benefit measure that is
19 discussed in the gold data set,
20 which is why this method has
21 the lowest fund status ratio.

22 MS. BRUSSELARS:

23 And just to make sure
24 I'm clear on it, the top line,
25 the total funded status, that

1 assumes a sort of similar in
2 the future workforce?

3 MR. KORDECKI:

4 Correct.

5 MS. BRUSSELARS:

6 There's future ---
7 there's sort of future
8 employees ---

9 MR. KORDECKI:

10 Right.

11 MS. BRUSSELARS:

12 --- coming in and
13 continuing to pay, and both
14 parties paying the 11 percent.

15 MR. KORDECKI:

16 Exactly. So we --- for
17 these projections, we assume a
18 consistent headcount based off
19 the January 1, 2023 data, which
20 I think is around 6,300 or
21 6,400 heads. And that is my
22 last ---. So it's question
23 time.

24 MS. BRUSSELARS:

25 My question was actually

1 back to the first page that you
2 skipped, ---

3 MR. KORDECKI:

4 Okay.

5 MS. BRUSSELARS:

6 --- number two, which
7 was the trustees' goals. And I
8 think this is a useful page in
9 terms of us triggering
10 discussion. Today is the day
11 we want to have this kind of
12 discussion, but I think we
13 haven't yet, as a Board, gotten
14 to talk about what our goals
15 are for the plan. So I'll just
16 give my reactions to a couple
17 of these.

18 One is, under short
19 term, it said, achieve a
20 financial position from which
21 projections remain solvent.
22 And I think that's at least a
23 multi-year. Right?

24 MR. KORDECKI:

25 It's a lofty short term.

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MS. BRUSSELARS:

It's a lofty short term, but it's definitely a goal. And then reaching \$1 billion in assets, I think, is similarly, we have to find the mechanism under which we can put more contributions in, as well as where that money would come from. And then I think we all agree that we don't want contributions to have to increase.

So I appreciate this as sort of to get us thinking. I think, as a Board, it would make sense for us to get together, have a conversation, and come up with what our goals are so that we can have that focus when we're having discussions. But if anybody else had any thoughts or reactions to it.

Just me. Okay.

1 Anything else?

2 Thank you, Tom.

3 MR. KORDECKI:

4 Thank you very much.

5 MS. BRUSSELARS:

6 All right, I've got a
7 couple of new businesses in
8 this, so I think three items.
9 One is we'll be having an
10 executive session immediately
11 following the public Board
12 meeting. Two I wanted to
13 mention, now, I know
14 historically the August Board
15 meeting has been canceled for
16 summer break. If that's a
17 thing we like that we can do
18 still, can we approve doing
19 that now that it's --- do we
20 need like a motion or anything?

21 MR. SZYMANSKI:

22 A motion just to approve
23 the cancellation. Then we'll
24 post it and advertise if it's
25 been canceled.

1 MS. BRUSSELARS:

2 Okay.

3 Can I have a motion to -
4 --? Corey wants it done.

5 MR. O'CONNOR:

6 That's my birthday, ---
7 the whole month.

8 MS. BRUSSELARS:

9 Oh, that's your --- the
10 whole month of August. Corey
11 was born every day of August.

12 MR. O'CONNOR:

13 Yes.

14 MS. BRUSSELARS:

15 Is there a motion to
16 cancel the August Board
17 meeting?

18 MR. O'CONNOR:

19 Motion to cancel the
20 August meeting.

21 MR. DICRISTOFARO:

22 Second.

23 MS. BRUSSELARS:

24 I've got a motion and a
25 second. Any discussion?

1 All in favor say aye.

2 AYES RESPOND

3 MS. BRUSSELARS:

4 Cancelled, August Board
5 meeting.

6 MR. SZYMANSKI:

7 We'll post that. And
8 then just for procedures,
9 you'll still receive an email
10 just to approve August
11 retirement's invoices, which
12 then get ratified at the
13 September meeting. So we'll
14 just get an email vote on that.
15 It's just the process.

16 MS. BRUSSELARS:

17 Okay, great. And does
18 each person reply to the group
19 or reply to you or how ---?

20 MR. SZYMANSKI:

21 Either way, reply all
22 helps or just reply to me.
23 Once we get four votes, we
24 process.

25 MS. BRUSSELARS:

1 Okay. Thank you.

2 MR. SZYMANSKI:

3 Thank you.

4 MS. BRUSSELARS:

5 And then the last item
6 is today is the last Board
7 meeting on which Ted Puzak is
8 officially a Board member. He
9 was unable to attend today, but
10 we do have --- we do want to
11 thank him very much for his
12 long service. He's been on the
13 Board for 24 years. We have a
14 --- I've got --- we have a
15 certificate of recognition. He
16 was also recognized at County
17 Counsel earlier this week, and
18 I'm going to go ahead and read
19 it.

20 The certificate of
21 recognition is awarded to Ted
22 Puzak for over 24 years of
23 dedicated service to the
24 Retirement Board of Allegheny
25 County. Ted Puzak has served

1 as an elected member and vice
2 president of the Allegheny
3 County Retirement Board since
4 1999. During his tenure as
5 vice president, the funded
6 status exceeded \$1 billion for
7 the first time in the fund
8 history. The retirees were
9 then awarded the eight cost of
10 living increases. A wide range
11 of member education services
12 were made available to member
13 participants, and new
14 proprietary pension software
15 was developed.

16 Ted Puzak is a veteran
17 of the United States Marine
18 Corps, 1963 to '67, completing
19 one tour in Vietnam with Indian
20 Company Three, Battle Third
21 Marines and Battalion. In
22 1973, utilizing the GI Bill,
23 Ted receive a BS from the
24 University of Pittsburgh. He
25 went on to earn a master's of

1 education from Duquesne
2 University in 1979.

3 Ted retired from
4 Allegheny County as a probation
5 officer in March of 20 ---
6 sorry, of 2001, after 29 years
7 of dedicated service. Ted has
8 always maintained a position of
9 doing what's best for both the
10 active and retired members of
11 the plans. This has included
12 lobbying Harrisburg on behalf
13 of Allegheny County veterans in
14 order to institute policies to
15 make military service credit
16 more cost effective.

17 In addition to his work
18 in Allegheny County --- with
19 Allegheny County, Ted has
20 served as an associate
21 professor for six years at the
22 University of Pittsburgh in the
23 health and physical activity
24 department. The Retirement
25 Board of Allegheny County

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commends Mr. Puzak for his
dedication and service to the
trustees, retirees, employees
and citizens of Allegheny
County. Thank you, Ted.

And I'll enter --- oh,
the next meeting is July 18th,
and I'd entertain a motion to
adjourn.

MR. O'CONNOR:

A motion.

MS. BRUSSELARS:

All right, we're
adjourned. Thank you.

* * * * *

HEARING CONCLUDED AT 12:44 P.M.

* * * * *

CERTIFICATE

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me, and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.
Dated the 11th day of July, 2024

Benjamin Morrow

Benjamin Morrow,
Court Reporter