THE RETIREMENT BOARD OF

ALLEGHENY COUNTY

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IN RE: 2024 RETIREMENT BAORD MEETING

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BEFORE: ERICA ROCCHI BRUSSELARS, Chair
Sarah Roka, Member
Frank DiCristofaro, Member
Jennifer Liptak, Member
Kimberly Joyce, Member
Amy Wise, on behalf of Corey O'Connor

HEARING: Thursday, September 19, 2024
12:00 p.m.

Reporter: Danielle Ohm

LOCATION: Allegheny County Counsel
436 Grant Street
4th Floor Gold Room
Pittsburgh, PA 15219

WITNESSES: None

A P P E A R A N C E S

WALTER SZYMANSKI, MANAGER
Allegheny County Employees' Retirement System
542 Forbes Avenue
Pittsburgh, PA 15219

BRIAN GABRIEL, ESQUIRE
Allegheny Retirement Board Solicitor

CHRIS BROKAW
TIM WALTERS
Mariner

ED BOYER
Asset Strategy Consultants

PERRY GIOVANNELLI
PFM Asset Management

BRAD RIGBT
Acrisure

I N D E X

E X H I B I T S

Number	Description	Page Offered
	NONE OFFERED	

P R O C E E D I N G S

CHAIR:

Manager Szymanski, could you take a roll call vote? Or roll call?

MR. SZYMANSKI:

Yes.

Corey O'Connor?

MS. WEISS:

Amy Weiss here on behalf of Corey O'Connor.

MR. SZYMANSKI:

Sara Innamorato?

Frank DiCristofaro?

MR. DICRISTOFARO:

Present.

MR. SZYMANSKI:

Kimberly Joyce?

MS. JOYCE:

Present.

MR. SZYMANSKI:

Jennifer Liptak?

MS. LIPTAK:

Here.

MR. SZYMANSKI:
Sarah Roka?
MS. ROKA:
Here.
MR. SZYMANSKI:
Erica Rocchi Brusselars?
CHAIR:
Present.
Do we have any public comment?
MR. SZYMANSKI:
We do not.
CHAIR:
Awesome. The next item is the new president's update. We held executive sessions on August 19, 2024, beginning at 11:00 a.m. to consult with our attorneys regarding information and strategy and connection to anticipated complaints and pending litigation, including the case filed as GD24-9033 in Allegheny Court of Common Pleas. Additionally, we held

an informational session on September 11th at 1:00 p.m.

And then I have a few other updates. During the July Retirement Board meeting, I asked Manager Szymanski related to plan funds held at FNB and we have a little confusion between us. After the meeting we discussed it further. The historic and current process is for biweekly employee employer contributions from the county and the airport to be directed to one of the retirement plans to FNB checking accounts. Historically, these accounts have been zero interest checking, so we recently moved them to a 4 percent suite.

In discussing with the Manager as well as the current consultants at Mariner, we believe a better plan for visa funds to be deposited directly to BNY Mellon’s custody. So we're working with a plan manager and the Controller's office on that.

Additionally, it appears that historically, the checking accounts for the retirement plan were canceled under the Treasurer's Office banking contracts. And upon discussion with the Manager, Mariner and our Solicitor, we'll work to separate that out into the next contracting cycle, which is next summer, so that the Board has full decision making control of the institutions that hold the custody for all the retirement system funds.

Over the past two months, the Manager of the Board, President and the Board have received an increased number of inquiries as to the funded steps to the retirement system and its long term solvency. I want everyone to be aware that every request is being answered in a consistent and timely manner. The Board is working with the actuaries and the consultants in the county to everything we can do to fund the --- to make sure that the plan is funded in perpetuity.

The Bylaws Committee met on September 13th. This ad hoc committee consists of member Roka, Deputy Controller Wise and me, and was joined by Brian Gabriel and Manager Szymanski. We made great progress in the two and a --- sorry, in a one and a half hour meeting and we expect to meet once more before October meeting to finalize and circulate revised copies of the draft bylaws.

Our contract with Phase

14 that provides outsourced disability reviews is up at the end of this year with an option for a two year renewal. Manager Szymanski and I will be doing a site visit with them next Friday, September 27th. If any Board members want specific information requested or questions raised as part of that process, please feel free to reach out to us before then.

Also, Chief Deputy Treasurer Liptak met with our actuaries, Brad Rigby and Todd Kordecki at Acrisure in August for a meeting to gain a deeper understanding of some factors that have led to the current underfunded situation. We're working on rolling this into presentable materials over the coming months.

That concludes my long update. Next, we have Board approval. A motion --- I’m looking for a motion to approve the Board meeting minutes from July 18, 2024.

MR. DICRISTOFARO:

I’ll make that motion.

MS. JOYCE:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion?

Hearing no discussion, may --- let’s vote. All in favor say aye.

AYES RESPOND

CHAIR:

Any opposed?

Motion passes.

Next, we'll need to entertain a motion to accept the financial statements, which includes the pension fund assets, the statement of changes in plan net assets, and the RBAC balance sheet for June and July 2024.

MR. DICRISTOFARO:

I'll make that motion.

MS. ROKA:

Second.

CHAIR:

I'm hearing a motion and second. Is there any discussion?

Hearing no discussion, all in favor say aye.

AYES RESPOND

CHAIR:

Any opposed?

Hearing --- the motion passes.

Next is --- and this is because we didn't have a meeting in August, we'll have a couple items to ratify. So I'm looking for a motion to ratify the approval of the August 2024 invoices in the amount of $285,647.27.

MR. DICRISTOFARO:

I'll make that motion.

MS. ROKA:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion?

Hearing, none, all in favor say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

I'm looking for a motion to approve the September 2024 invoices in the amount of $31,160.03 and submit for payment.

MS. JOYCE:

Motion.

MR. DICRISTOFARO:

Second.

CHAIR:

Hearing a motion and a

second, is there any discussion?

Hearing, none. All in favor say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

Next we have retirement application. Motion to ratify the approval --- motion to ratify the approval for the following --- sorry. Motion to ratify the approval following the August 2024 applications, which included ten early voluntary and full retirement. Do we want to do this one as a roll call? We're going to do this one as a roll call vote.

MR. SZYMANSKI:

Ms. Liptak?

We're going to roll call those retirement Applications for August and September.

MS. LIPTAK:

Oh, okay. Yes.

MR. SZYMANSKI:

Ms. Weiss?

MS. WEISS:

Yes, with the exception of no for retiree number 20291.

MR. SZYMANSKI:

Ms. Brusselars?

CHAIR:

Yes.

MR. SZYMANSKI:

Mr. DiCristofaro?

MR. DICRISTOFARO:

Yes.

MR. SZYMANSKI:

Ms. Roka?

MS. ROKA:

Yes.

MR. SZYMANSKI:

Ms. Joyce?

MS. JOYCE:

Yes.

MR. SZYMANSKI:

Do you want me to take

the next one?

CHAIR:

Oh, we didn’t call for --- I’m sorry. I apologize for that. We didn't call for discussion before. Is there any discussion? I’m sorry about that.

MS. WEISS:

Yeah, just for clarification. The Controller is voting no on this one retiree. They are retiring from their service at the airport. So we are unaware whether their discretionary bonus is included in the calculation of the pension. And it is the preference of the Controller to approve only pension benefits, exclusive of, not including, discretionary bonuses while the matter is under litigation.

MS. LIPTAK:

I just want to confirm for --- through the Manager and the Solicitor regarding this issue, that we have a --- well, it’s a requirement to, you know, vote for the pensions as is. But if there's any recalculation that needs to be had, will that recalculation be done and be done according to whatever rule, law, order, etcetera that happens within a particular case?

MR. SZYMANSKI:

Yes. And it would be brought back to the Board as a recalculation, depending the litigation.

MS. LIPTAK:

And if said calculation resulted in reduction in pension, would that individual then be required to pay back the system?

MR. SZYMANSKI:

Yes.

MS. LIPTAK:

Okay. And would that process would be ---?

MR. SZYMANSKI:

We --- our process typically in the office would be if there is overpayment, we withhold from future payments or give them the option to pay the money back as whole.

MS. LIPTAK:

Thank you. That's why I feel comfortable with the vote I took. Thank you.

CHAIR:

Any other discussion?

All right. Sorry about that one being out of order. Are we ready for applications b? I'll say yes. Yes. Okay. Motion to approve the following September 2024 applications, which included seven early voluntary, 21 full retirements, one payment plan.

MR. SZYMANSKI:
Ms. Liptak?

CHAIR:
Oh, sorry we need to do a ---.

MR. SZYMANSKI:
Sorry.

CHAIR:
Sorry. Can I have a motion and then a second?

MS. JOYCE:
Motion.

MR. DICRISTOFARO:
Second.

CHAIR:
And then do have any discussion? Do the comments from before carry forward?

MS. WEISS:
Yeah, and similarly, to be consistent, the Controller votes yes for all applicants, with the exception of two retirees, both with service at

the airport, retiree number 20307 and retiree 20325. Yeah.

CHAIR:

Okay.

Any other discussions? Oh, yes, Jen --- Ms. Liptak.

MS. LIPTAK:

Thank you. I'd like to reiterate, and will reconfirm what I asked before, whether the calculations at this time are correct, which I didn’t ask before, and if there's any recalculation that it will come back to the Board and there’ll be repayment back to the system if it wasn’t done properly or if we’re told to do it otherwise by order, etcetera.

MR. SZYMANSKI:

Correct.

MS. LIPTAK:

Thank you.

MR. SZYMANSKI:

We will do that.

CHAIR:

Any other discussion?

All right, we'll take a roll call vote.

MR. SZYMANSKI:

All right, Ms. Liptak?

MS. LIPTAK:

Yes.

MR. SZYMANSKI:

Ms. Weiss?

MS. WEISS:

Yes, with the two exceptions noted previously.

MR. SZYMANSKI:

Ms. Brusselars?

CHAIR:

Yes.

MR. SZYMANSKI:

Mr. DiCristofaro?

MR. DICRISTOFARO:

Yes.

MR. SZYMANSKI:

Ms. Roka?

MS. ROKA:

Yes.

MR. SZYMANSKI:

Ms. Joyce?

MS. JOYCE:

Yes.

CHAIR:

On to reports. Next we have our Manager, Walt Szymanski.

MR. SZYMANSKI:

Thank you very much.

If you turn to your Manager’s report tab, I'll highlight some areas on the dashboard. Then we have some Board action items.

So retiree payroll is up 3.87 percent. In the prior month of last year, payroll was at $12,097,799.20. Contributions are actually climbing. Contributions are up 16.15 percent. Total retirements on the year are up 26.67 percent. Pension estimates are down right now, 1.99 percent. And that could be too with the online portal being done for a time there. Capital calls are down 15.14 percent, and then capital calls as of the prior Board meeting were 934,349.84. Are there any specific questions on the dashboard items?

No? Okay. So with that then, I'll move to the Board approval section.

In your confidential packet, you would have received appeal number 2024-2 and we are requesting the acceptance of vote on appeal number 2024-2, in which the Board, having received and reviewed a report and recommendation, we’ll vote on whether to approve and adopt the findings, conclusions and recommendation of the hearing officer in appeal 2024-2, thereby denying the appeal.

CHAIR:

Do we have a motion?

MR. DICRISTOFARO:

I'll make that motion.

CHAIR:

And do we have a second?

MS. WEISS:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion?

Hearing no discussion, we will take a vote. All in --- sorry, I should look at the agenda page. All in favor of accepting appeal number --- the findings and conclusions and recommendation of the hearing officer in appeal 2024-4, thereby denying the appeal, please say aye.

AYES RESPOND

CHAIR:

Any opposed?

Hearing none, the motion passes.

MR. SZYMANSKI:

Okay, thank you.

Next item on the agenda is a motion to terminate the contract with Asset Strategy Consultants with an effective date of October 31, 2024.

MR. DICRISTOFARO:

I'll make that motion.

MS. JOYCE:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion?

Hearing none, we'll take a vote. All in favor of terminating the contract with Asset Strategy Consultants effective October 31, 2024, please say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

MR. SZYMANSKI:

Next item on the list is a motion to terminate the contract with PFM Asset Management, also with an effective date of October 31, 2024.

MR. DICRISTOFARO:

Motion.

CHAIR:

Any second?

MS. WEISS:

Second.

CHAIR:

Hearing a motion and a second, all in favor of terminating the contract with PFM Asset Management effective October 31, 2024, please say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

MR. SZYMANSKI:

All right, next item on the agenda is a motion to amend and enter into contract with Mariner Institutional to include the private equity emerging manager portfolio at a cost of $150,000 annually with the start date of October 1, 2024 and an end date of December 1, 2026, that this runs current with their current contract for the entire portfolio.

CHAIR:

Would anyone like to put forward the motion?

MR. DICRISTOFARO:

I'll make that motion.

MS. JOYCE:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion?

MS. LIPTAK:

I just want to make sure that the process used for this amendment followed all of our rules, procurement rules, et cetera?

MR. SZYMANSKI:

Yes.

MS. LIPTAK:

Thank you.

CHAIR:

Thank you, Member Liptak.

Any other discussion?

Hearing no discussion, all in favor of a motion to amend and enter into contract with Mariner Institutional to include the private equity and emerging manager portfolios at a cost of $150,000 annually with a start date of October 1, 2024 and an end date of December 1, 2026, say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

MR. SZYMANSKI:

All right, next item on the agenda is a motion to approve the RFP for the tax reclaim services and have the RFP posted to the county's purchasing website. Once this is done, we can arrange who will receive the RFPs that come in and grade them and so forth.

CHAIR:

Is there a motion?

MS. LIPTAK:

So moved.

MS. JOYCE:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion?

I have one item. I'd

just like to thank Walt. This is, I think the first time we're working with the ---

MR. SZYMANSKI:

Yeah.

CHAIR:

--- County Purchasing Department. So we're hoping for a process that’s --- will be a little less paper based with using the system that purchasing has. So I think that's a nice move for the Retirement Board and retirement system.

And any other discussion?

All in favor of a motion to approve the RFP for tax claim --- tax reclaim services and have the motion posted to the county’s purchasing website? And have the RFP posted to the county’s purchasing website. All in favor say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

MR. SZYMANSKI:

Thank you very much.

And lastly, just a Board update. Our new online calculator went live on September 6th of 2024. So far we're receiving some decent feedback. We are still working with the courts and the airport to open their IP addresses so that those employees have access. But currently we do an online kiosk in our office that they could come in and use until that completed.

MS. LIPTAK:

Is it just on an intranet?

MR. SZYMANSKI:

Intranet, yeah. You

have to login from a county computer in order to access it.

MS. LIPTAK:

At one point will be an outward facing?

MR. SZYMANSKI:

Once we clear that with IT. So security protocols, we want to make sure what can be offered outside of the county's intranet. So we're working on that.

MS. LIPTAK:

I apologize, I should've asked you if I could ask a question.

CHAIR:

It's good, we're good.

MR. SZYMANSKI:

It'll be a ---.

MS. LIPTAK:

As a non-employee, I just wanted to make sure that I at some point could have access, and Frank, maybe Frank and I want to be able to see stuff. Right?

CHAIR:

We appreciate the representation by non-employees.

MR. SZYMANSKI:

And that's all I have this month.

CHAIR:

Are there any other questions or items for Walt?

All right, thank you.

MR. SZYMANSKI:

Thank you.

CHAIR:

Onto the Solicitor's report, Brian Gabriel.

ATTORNEY GABRIEL:

Thank you, Erica.

I have three action items on the agenda, all relating to class actions and recommendations from our class action counsel.

The first is a motion to authorize Bernstein Litowitz Berger & Grossmann to include the Allegheny County Employees' Retirement System as signatory to amicus briefs that they will file in the Nvidia Corp and Facebook cases that are pending before the Supreme Court.

And just as a point of reference, this is in the Solicitor's report on page two under number 1C. And it's also an attachment to this month's Solicitor's report that sets forth BLB & G's explanation of the request.

CHAIR:

I see folks looking. Do we want to do a motion?

MR. DICRISTOFARO:

I'll make that motion.

MS. ROKA:

Second.

CHAIR:

There's a motion and a second. Is there any discussion or questions for the Solicitor on it?

Ms. Liptak?

MS. LIPTAK:

I know, I'm like on fire today. We're not the lead on this, are we?

ATTORNEY GABRIEL:

No, actually, this is not participating in the litigation like you're ordinarily asked to do. This is a no cost, just signing on to briefs that are ---.

MS. LIPTAK:

Like a brief --- okay.

ATTORNEY GABRIEL:

By institution --- they line up institutional investors to underscore the importance of the issue to the Supreme Court. So other municipal state pension systems, for example, will be on there, and so we will be one.

MS. LIPTAK:

There are others that have signed on?

ATTORNEY GABRIEL:

Yes. Counsel actually sent a list this morning of several, which ---

MS. LIPTAK:

Okay.

ATTORNEY GABRIEL:

--- I'd be happy to share, but yes.

MS. LIPTAK:

Thank you.

CHAIR:

Any other questions or discussions?

Seeing none, let's take a vote to authorize --- this is acronym and word heavy. BLB&G to include the ACERs as signatory to the amicus brief that they will file in the

Nvidia Corp and Facebook cases before the Supreme Court. All in favor say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

ATTORNEY GABRIEL:

Item number two, as a point of reference, starts at the bottom of page five of the Solicitor's report under section 6A. It's the Johnson & Johnson litigation demand. This was something that was approved in August when we did not have a meeting. And so this is a request for authorization --- or I'm sorry, to ratify the authorization given to Grant & Eisenhofer to submit a litigation command on Johnson & Johnson.

CHAIR:

Can I --- I'm looking

for a motion to ratify the Board's August approval of the authorization of the --- for GE to submit a litigation demand on Johnson & Johnson.

MR. DICRISTOFARO:

I'll make that motion.

MS. JOYCE:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion requests for Brian? I see Member Liptak's at the ready.

Oh, no, she's not. Okay. Anyone else?

All right, hearing no discussion, we'll vote to ratify the Board's August approval for the authorization for GE to --- for G&E to submit a litigation demand on Johnson & Johnson. All in favor, say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

ATTORNEY GABRIEL:

The third and final item you can find on page seven of the Solicitor’s report, subsection C, also under shareholder and class action litigation. This is a motion to ratify the Board's August approval of the Rosen Law Firm’s proposed settlement of the action filed against Stronghold Digital Mining, Inc.

CHAIR:

Can I have a motion?

MR. DICRISTOFARO:

Motion.

MS. ROKA:

Second.

CHAIR:

Hearing a motion and a second, is there any discussion?

Hearing none, all in favor to ratify the Board's August approval of the Rosen Law Firm’s proposed settlement of the action against Stronghold Digital Mining, Inc., please say aye.

AYES RESPOND

CHAIR:

Any opposed?

The motion passes.

ATTORNEY GABRIEL:

The Solicitor’s report is current as of September 12th. I do not have any items to bring to the Board's attention outside of that report, but I'd be happy to answer any questions.

CHAIR:

I think that --- I’m seeing no questions. Thank you.

ATTORNEY GABRIEL:

Thank you.

CHAIR:
Next up for consultants, we have Tom (sic) Brokaw and Tim Walters from Mariner.

MR. BROKAW:
Thank you. If you can move forward, we have an extra reporting in here. So if you move forward to page 17, if you look on the bottom left on page 17, and go one page forward, and you'll see the agenda. All right, so we have ---.

CHAIR:
Please hold.

MR. BROKAW:
So we have ---.

CHAIR:
Does it have 101 if we’re looking at the right report?

MR. BROKAW:
That's right, page two of 101.

CHAIR:

So we’re on page two of 101?

MR. BROKAW:

Correct, ma’am.

CHAIR:

Okay. We’re still looking.

All right, we're ready.

MR. BROKAW:

All right, so starting on page two and actually giving you a flash forward today at approximately noon, the last time that I looked at my phone. If you've been watching the news this morning, the Federal Reserve yesterday cut interest rates by 50 basis points. And this morning, I guess it took a while for the market to digest things. This morning, the markets are up across the board about two percent. So that is good news. And that's very recent.

The report itself, if you look at page two of 101, is as of August 31st. And when we look at the monthly returns, the S&P 500, I’m looking at the top left, was up almost 2.5 percent. Small-cap Russell 2000 was down.

Now that there's more clarity with interest rates, it seems that small-cap is also performing well and in line with the large-cap. And that potentially the market isn't all about the Magnificent 7 large-cap equity growth stocks, but may be broadening out. But through the end of August, the story continued to be large-cap growth leading the way. And you can see that if you look at the bottom left in the year to date, the chart at the bottom left, information technology, up 27 percent. Communication service is up 23.

So through August, those sectors, which include the Magnificent 7 that we've mentioned before, have continued to drive the market forward. Again, subsequent activity in September, it looks like the market may be broadening out. So that's where we are through August.

The latest report that we have for your portfolio is on page four of 101. And on page four, you see the performance through July 31st. In the month, portfolio was up 1.18 percent and year to date 4.67. Those returns are really driven by, if you look down the page, US equity up almost 11 percent. Non US up almost 6 percent. So those two parts of the portfolio experiencing the best returns and contributing the most to the year to date performance, 4.67.

When we look at bonds, bonds in the month up 159. Year to date, 2.35. Bond portfolio is a bit less volatile than the market itself. That during the month of July meant that the portfolio was a bit behind the benchmark. But when we look at the year to date, which includes a lot more volatile periods, fixed income performing, performing well. High yield in line with the benchmarks.

When we go to the next line, private real estate, ahead of the benchmark for the year to date period. And when we look at your portfolio, your portfolio, there's a couple of holdings in there. Washington, Alliance, two different funds.

Their exposure, government office space and not the generic office space. Office space being punished due to the, let's say, back to office to policies that are maybe not exactly as back to office as we would hope, but office continuing to lag the market in general and your portfolio having limited exposure there, outperforming infrastructure, ports, power, transportation, income from those investments, supporting the year to date returns 2.9 percent.

Private equity, we've discussed private equity before. Some more limited activity and liquidity in private equity due to period of rising interest rates over the past couple of years. Moving forward, we would expect, especially with interest rates falling, that there could be more liquidity in your current portfolio, more distributions.

Liquid policy portfolio performing in line with the benchmark and the cash account. Quarterly distributions in July lifted those balances. We're using the cash to pay the monthly distributions from the plan. So now those balances are declining more towards the monthly requirement, which is around $6 million.

So that's the summary of the performance through July. I'd be happy to answer any questions.

One page --- so there are 101 pages. One page that I did want to point out. And just why are there 101 pages? I included the quarterly report that's more expansive than the monthly flash report that we discuss at most meetings. If you turn to page 38 of 101, I do want to point out in addition to the report that we have here on page 38 is a summary showing the active managers, public markets active managers. And the comments section, in the two cases where you see comments, they're related to quantitative metrics. But we are also looking at these managers from a qualitative perspective as well.

And the one that I do want to call out is Baillie Gifford International underperforming the benchmark and median over one, three and five year time period. So Baillie Gifford, we met with the manager in the quarter and looking at their performance, they've been in your portfolio since going back to the early 2000s. They have a good long term track record, and within that track record they've been behind the benchmark two years in a row, twice. And two of those years are 2021 and 2022. And that is after tremendous outperformance in ’19 and ’20. Their style is a growth style of management and the international market, developed international market, has been led the last couple of years by value oriented managers.

So they are on the watch list. We will continue to monitor them, meet with them, get feedback. And the way that the new policy works, we have to come to a conclusion within twelve months of going on the watch list and we will report back.

CHAIR:

Thank you. Are you going to talk about the monitor or no?

MR. BROKAW:

I'm sorry?

CHAIR:

Are you also going to talk about the monitor on the ---?

MR. BROKAW:

Sure. That manager federated high yield and the difference between watch list and monitor, the watch list one, three and five years. Monitor one in three years. Federated, the high yield portfolio has less volatility than the market. The high yield market has been performing very well. They protect in down markets. So in this period of the last three years, they're lagging the benchmark and the median slightly.

If the market, if and when the market declines, we would expect them to outperform. So we're going to continue to monitor them as well and report back our findings, and certainly if anything changes.

CHAIR:

And this is the first, like quarterly, one of these since we put in that addition to the policy.

Right?

MR. BROKAW:

That is correct, yes.

CHAIR:

Very exciting. Go team. Are there any questions on this?

Thanks.

MR. BROKAW:

Thank you. That's all of our prepared remarks. If you have any questions, we'll be happy to answer.

CHAIR:

I have a question. This report includes a whole lot of these quartile looking pages ---

MR. BROKAW:

Yes.

CHAIR:

--- with blue and dots, ---

MR. BROKAW:

Yes.

CHAIR:

--- could you walk us through just like one of those?

MR. BROKAW:

Sure.

CHAIR:

Like how to read that and what it means?

MR. BROKAW:

Yeah. Thank you.

Baillie Gifford is

probably a good example. So if you go to page 62 of ---

CHAIR:

That's the one I was on.

MR. BROKAW:

--- 101, you can see the --- if you look at the right hand side, and this shows page 62 of 101. If you look at the right hand side, this shows in --- well, not quite black and white. Blue and darker blue. The commentary that I had mentioned earlier, when you look at 2019 and 2020, so again, right hand side down towards the bottom, you can see the significant outperformance relative to its index. In 2019, 32 versus '21, and in '21, 26.

CHAIR:

And that also shows the blue dot being higher up than the gray dot and being above the middle? Is that ---?

MR. BROKAW:

Yes.

CHAIR:

Okay.

MR. WALTERs:

So the way to interpret these charts are the shaded area represents the distribution of return for that time period. So on the left hand side are annualized returns. On the right hand side are calendar year, individual calendar year returns. So if you look at just the far right side in 2019, it looks like the highest returning manager within that international universe returned somewhere around 35, or maybe just north of 35 percent, with the lowest performing manager somewhere maybe close to just above 20 or, you know, 19. And then the different shades represent quartile distributions.

So the computer takes how many managers are in the population and then divides it equally into four representative quartiles. One being the best, hundredth being the worst. So using that far right example, Baillie Gifford performance landed them in the 21st percentile of their peer group universe. Conversely, 2021, they were in the 95th percentile. So that whipsaw performance is what's causing them to be on the watch list.

CHAIR:

Thank you.

MR. BROKAW:

My interpreter worked very well. Thank you, Tim.

So that's really how these pages work. You can string together longer term time periods, so you're not just looking at one particular number or one particular endpoint. It can be very sensitive. If we were sitting here three years ago, they're the best manager in the world, and now, oh, they're the worst manager in the world. No, they're going through a cycle.

CHAIR:

Thank you.

MR. BROKAW:

Thank you.

CHAIR:

Anything else for Chris and Tim?

All right, let me see what’s next. Next we have Ed Boyer from Asset Strategy.

MR. BOYER:

Thank you. Good afternoon.

CHAIR:

Good afternoon.

MR. BOYER:

All right, so under our tab with Asset Strategy Consultants, we start with there's two reports blended in here. The first section shows the managers that we were responsible, for the most part, of sourcing and seeking approval.

The exception to that was partly in real estate, where ValStone was already there, and subsequently requested other allocations, and they were very adversely impacted by the pandemic because they couldn't move new residents in or out. And children, adult children, were keeping their parents at home, and they were not putting in the ValStone Senior Care Centers.

But if you look at the buyout section and you go to the right, the net IR there is 18.12. The growth equity below that is 20.75. And so what we do, and you'll see that in the October Public Market Equivalent Study, is most of these reports show that we've added value of over about 900 basis points over a public market. The exception to that would be private debt, which has a lower hurdle. And there we would generally try and achieve a three to 5 percent or 300 to 500 basis points in excess return for the given of liquidity. I think you'll see that to be the case in that report.

In the secondaries, in the bottom two, at 13.5, they do just that. Secondaries, it's a good place to be investing at this time because there's a lot of supply, and so that's creating an opportunity for investors in a variety of ways to implement and execute that strategy.

And the next page is venture capital. And we have over there on the far right, 17.57. Again, we'll see that that --- we're using the Russell 2000 as a baseline comparison, because most of the companies that both on the buyout and the venture and growth equities are small-cap companies. We'll broadly define that as under $5 billion in market cap. Everybody on board?

Then the next section aggregates all of the investments that have been made. I'd ask that you turn to page two.

CHAIR:

So, just to be clear, the first two cases are just assets that ---

MR. BOYER:

We sourced.

CHAIR:

--- your firm sourced?

MR. BOYER:

Yes.

CHAIR:

Okay.

And so it's covering based on this, like 105 million compared to the whole portfolio’s about 180?

MR. BOYER:

Correct, correct.

CHAIR:

Okay.

MR. BOYER:

So the next section, then in the buyout section, they're all there. I would say that you take a little pen and you could draw line below Adams Street. And they're the 2009 vintage year back. We weren't here in 2009 to make those recommendations. They were Wilshire’s. And then some other, the rest of the investments, while some are not ours, nonetheless, that's the roll up of the buyouts.

And, you know, 10.77 is disappointing, but it's being dragged down by these older funds from Adams Street that have been around for a long time, haven't gone full cycle, and have generally had, you know, disappointing returns. And there have been some that are disappointing within the lower half of that section, too, but they still have a little bit of time to work their magic. And Accolade has been consistently a top performer there, the two funds there.

The next page would be three above that. These were all funds that you saw previously. Nothing really here new to report.

Let's see. Page four. Next page. This again, is all of them, but there's several that we did not --- are not responsible for. Draper Triangle and above, those four, and then Magarac. That's a name change from Draper Triangle to Magarac, and they were already in the portfolio, and we did not source that. So the returns there are also, you know, disappointing compared to the ones that we sourced entirely.

Let's see here. No need to go through every page, but we talked about distributions and so forth. Page ten shows the total distributions for year to date of 9.7 million. The net distributions, I think that accounts for capital calls had to be made of 1.9 million. So the net distributions are 7.8.

As Chris mentioned earlier, the market had been locked or frozen, partly because of interest rates. That is changing from direct conversations with managers that are in your portfolio. There's activity brewing, partly in anticipation of lower rates, but also because they want to, you know, work through the valuation and get them sold at a fair price.

They don't --- they're trying, obviously, to benefit themselves and that they get a carried interest. So --- but they find the right balance to do that fairly for both the investor and for their revenue. And I think they will succeed in doing that in many. And then those managers are seeing there's sort of two tiers, those that are in the queue and those that are almost in the queue. And I think you'll be surprised, you know, over the next six to twelve months, as the revenue --- the distributions will definitely pick up. Because at this point, you have very few capital calls to be made, because this is a pretty mature portfolio.

And just as a reminder, these returns don't marry up with the returns in the other report on page four, which these are internal rated returns, the others are time rated returns, and it's like oil and water, you know. So, don’t --- I mean, they're truthful, what's in the other report, they just don't accurately reflect where we are at a point in time.

CHAIR:

Are there any questions? Thank you.

MR. BOYER:

You're welcome. Thank you all very much.

CHAIR:

Next we have Perry Giovannelli from PFM.

MR. GIOVANNELLI:

Good afternoon. No report for you today. I just really want to take a moment to thank you for the time that we worked with you going dating back to 2008. Back then, you gave a small firm out of Philadelphia an opportunity, which we all know how we feel about Flyers on this side of the state, so that was very generous of you.

But with that, I've been working with plan now for eight years, and overall things have gone very well. The one thing I wanted to point out since inception, the overall program return is 7.32 percent. So overall, staying up above 7 percent in a very unique, you know, looking for emerging managers is a difficult thing. So we're very proud of that. We hope that you're happy with that.

Interestingly enough, prior to the 2022 downturn, we were over 8 percent. So overall the plan, you know, had stayed very well and we're proud of what we've done for it. So thank you.

CHAIR:

Thank you.

And oh, last on the regular agenda, we have Brad Rigby from Acrisure. He's here with his Acrisure posse.

MR. RIGBY:

Rarely does an actuary get an oh in excitement. So I appreciate that greatly.

CHAIR:

I liked more actuaries.

MR. RIGBY:

I have a brief update for you in the materials. This is to reflect within certain metrics, primarily here, a solvency projection reflecting year to date financials through March --- excuse me, through June. And so I'll jump to page three where we show three --- four different projections. I'm going to explain them individually because they do reflect what was requested of us, which is to illustrate the impact of earning less than seven and three quarters, which is what has been built into our projections.

And in this graph particularly, while we do calculate a lot of underlying liability numbers and items that are relevant that we have shown you at other times in various situations, this is specifically looking at the duration that the plan will have assets above zero in order to pay benefits. As you mentioned earlier, in your opening comments, you received a lot of questions of late regarding the health of the plan, and this is in primary interest in making sure that we do stay solvent.

So I'm going to point

first to our current scenario, which is the gold bar 11 percent contribution rates per party earning seven and three quarter annual return after reflecting an update through June. And we are on the pace of remaining solvent through 2042 and at that point during the year, first becoming unable to provide for the payment of benefits.

CHAIR:

I'd add that's payment of benefits out of plan assets.

MR. RIGBY:

Out of current plan assets.

CHAIR:

Right, the county infuses money from elsewhere, then that would --- I think is required of the county. I'm just wondering if that's a fair stated --- is that a fair statement? Brian's writing notes.

I mean, this is sort of an aside, but the county's required to pay benefits as long as the county's in business. Is that a fair --- is that a fair statement to make?

ATTORNEY GABRIEL:

Yeah, the statute does have language that essentially in the worst case scenario makes the county the ---.

CHAIR:

Okay, yeah. Continue.

MR. RIGBY:

Yes. Making the same comparison with just the changing the contribution rate, which over the last several years has been the primary metric we've used to try to adjust long term health of the fund. Staying at the seven and three quarters, I'll illustrate the purple line, which would show that each party, the contribution rate would need to be raised to 14.5 percent per party in order to make the plan solvent. So obviously that is material, that's for illustration. That's not a proposal by all.

Then jumping backwards to current contribution rate scenario, if the return expectation is lower to 7 percent per year, which is much more in alignment with what we tend to see across more funds that have a longer term objective in mind, seven and three quarters is certainly more in the risk on posture, more of an aggressive bogey to have to hit year in and year out.

But it only changes by a

year sooner, the point at which we're projected to become insolvent. So at this point it’d be 2041 if we're earning 7 percent only. And at that point, while it would require a higher contribution rate because we don't have investments providing as much future income, in order to keep the plan solvent long term, a 15.25 percent per party contribution rate would be necessary to remain solvent if the only fix were on the contribution side at a 7 percent annual return. And again, that's for illustration, certainly not a proposal.

To illustrate the point a little bit more, if you look to page four, I want to show you how the contribution rate compares to certain items that would result in an improvement in the relationship of assets to liability. So reducing unfunded liability.

I'll start with the blue bars. Obviously, time is moving from left to right. The blue bars is what we call normal cost. That's the value of benefits earned in a year for work performed. So how does liabilities increase for the work that is being done during the course of the year? You've got a small sliver there of expenses. These numbers are all, by the way, converted back to a percentage of payroll. So on average, roughly, long term normal cost, the value of benefits earned is a little under 10 percent of the --- of payroll. And then a little sliver for operating the plan. That's anything non-investment related expenses, maybe a quarter point.

But then you can see the gold bar is interest on unfunded liabilities. So just as we think assets are going to grow at seven and three quarters a year, liabilities do too as the benefit that you have to pay somebody a couple years down the road is now one year closer. It's one year less discounting. And just like the value of a bond would grow for a year less of discounting, the liabilities grow as well.

So the spread between assets and liabilities is about seven and three quarters percent of liability. In total, the contribution rate would have to be about 33 percent in order to pay down unfunded liability in this coming year. And obviously, the combined contribution rate’s at 22 percent. So the need for exceptional investment return to improve the planned health continues to get more difficult at seven and three quarters than it would be at 7 percent. Especially in light of the news that Chris mentioned earlier that the Fed dropped the rate by 50 basis points. So all of this is informational and an update to requests that you've made before.

A point that I would make on the concept of dropping the discount rate from seven and three quarters down to seven is that it does have an impact on the County CAFR and the information that we provide every year for reporting on the County's balance sheet. Because the rules within the

GASB are that we measure liabilities using the current rate, that's seven and three quarters, until such point as the plan becomes insolvent. And then we use a municipal bond index for the time period thereafter, discounting cash flows that happen in the future. So at seven percent now, all of a sudden the liabilities are raised a little bit, and also for one year shorter. And then we use the index there.

The difference isn't as material as we thought before going in and measuring it. It would result in liabilities going up by about three to three and a half percent. And this is measured as of the end of 2023. So not a small impact, but not an overly significant one that should keep you from making a change should you decide you want to do this at some point in the near future. And again, this isn't necessarily anything that has to change your allocation in the plan assets. This is more of a reflection on how you make plans for how you're going to make sure that benefits and contributions relate to each other in a way that also reflects the risk you want to take.

CHAIR:

And this is shown here as a percentage of payroll. Did somebody want to shout about what the total contributions to the plan were last year to about like --- sorry for on the fly.

BOARD MEMBER:

It's about an 58 to 90, I'd say.

BOARD MEMBER:

Yeah, I’d say that’s roughly accurate. I have to go back and check, but yeah.

CHAIR:

85 to 90,000?

BOARD MEMBER:

85 to 90 million. I’d have to go back and check.

CHAIR:

I definitely didn’t mean thousand. Yeah, thank you. Okay, so like if were looking at last year where the purple line hits at about --- it would have been 21 percent, we're saying that's about 85 to 90 million dollars. Okay, thank you.

Any questions for Brad?

MS. WEISS:

The schedule on page three, Brad, that has your market value at a point in time, does that include anticipated future employees contributing? And that's still at that reduced figure that your --- the last actuary, I believe that assumption changed, that people aren't going to get back to pre-pandemic levels. So this is still reflective of future employees but at a reduced level that what had been seen prior to COVID?

MR. RIGBY:

That's a great question. Yes. This reflects what we call an open group projection, meaning as an employee retires or leaves the population for whatever the reason may be, ---

MS. WEISS:

They’re replaced.

MR. RIGBY:

--- they're replaced with a new employee of the system, of the County that gets into the retirement system and then contributions come in on that employee's behalf as well. But Amy, you're exactly right. We do reflect a now more current and lower headcount than what we had assumed, like ’20, ’21, ’22, where were going to get back to pre COVID levels of employment, yes. And that has had an impact on this.

MR. DICRISTOFARO:

Can I ask a question?

Brad, you're looking at 11 percent up at --- 11 percent all the way up to 14 and a half percent. Okay? Wouldn't you look at from 11 percent up to 12 percent, 13 percent? Why up to 14 and a half percent? Wouldn't you think that's pretty crazy to go that high? Normally wouldn’t you do that 12 percent, 13, the contribution rate?

MR. RIGBY:

Yes. And this is not the point in time where we're making a recommendation on ---

MR. DICRISTOFARO:

Well, I know that.

MR. RIGBY:

--- a contribution change.

MR. DICRISTOFARO:

I know that.

MR. RIGBY:

This is only to provide an illustration on the magnitude of what it takes to ---

MR. DICRISTOFARO:

To go that high.

MR. RIGBY:

--- have a picture where we're long term solvent where contribution rate's the balancing item, the only solution that's really undertaken.

MR. DICRISTOFARO:

Okay.

MR. RIGBY:

There are certainly other solutions that can be a part of it. And stepping, should a contribution rate be the means that the Board decides to take to solve this, then yes, certainly steps as opposed to a giant change of that magnitude would be the approach.

MR. DICRISTOFARO:

So you're saying that in the perfect world, this is what it would take?

MR. RIGBY:

No, in the perfect world would take far less than this.

MR. DICRISTOFARO:

Right.

CHAIR:

But is it fair to say, Brad, that you took your magic modeling software and you kept increasing the contribution number until you got to it saying, okay, it'll be funded forever ---

MR. DICRISTOFARO:

Right.

CHAIR:

--- at this contribution number?

MR. DICRISTOFARO:

Right.

CHAIR:

Like if you put it in twelve, you'd just see a line that crashes into the horizon later.

MR. DICRISTOFARO:

Yeah.

CHAIR:

So he wanted to demonstrate ---.

MR. DICRISTOFARO:

Right, that’s what I’m asking, that’s right.

CHAIR:

Yeah, okay.

MR. RIGBY:

We could certainly show you what the ultimate contribution rate would be if you took a percent a year for five years or whatever the number is, ---

MR. DICRISTOFARO:

Right.

MR. RIGBY:

--- but that, again, this is really just to illustrate the magnitude as opposed to try to make a --- and develop a plan and a solution.

MR. DICRISTOFARO:

Right.

MR. RIGBY:

Because I do think that you are considering plans that don't necessarily put the entire thing on the back of it being a contribution rate change.

MR. DICRISTOFARO:

All right, thank you.

CHAIR:

Any other questions?

Thank you.

MR. RIGBY:

My pleasure.

CHAIR:

Is there any new business?

MR. SZYMANSKI:

There's none.

CHAIR:

Walt says no. Our next meeting will be held on October 17th at 2024, at 12:00 or 12:03 by the County clock.

Can I have a motion to adjourn?

I'm hearing a motion and I'm hearing a second. All in favor of adjourning?

AYES RESPOND

* * * * * * * *

HEARING CONCLUDED AT 1:00 P.M.

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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 10th day of October, 2024

Danielle Ohm

Court Reporter

Danielle Ohm