

The regular monthly meeting of the Retirement Board of Allegheny County was held on October 15, 2015, in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania at 12:15p.m.

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

Also present were Tim Johnson, Executive Director; Brian Gabriel of CDBPM Law; David Lindberg and Felicia Bennet of Wilshire Associates; Ed Boyer of Asset Strategy and Paul Hallowell of Cowden Associates

PUBLIC COMMENT

There was no public comment.

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Szymanski, to approve the minutes of the September 17, 2015, Board Meeting.

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APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Mr. DiCristofaro, to approve the financial statements through August 31, 2015 which include the pension fund assets, statement of changes and plan net assets, and the RBAC balance sheet.

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak to consider the payment of the invoices.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski to consider the October 2015 pension applications. There are fifteen voluntary applications, eleven full retirement applications, one death/active survivor, and three disability applications.

The Board unanimously approved a motion by Mr. Puzak, duly seconded Mr. DiCristofaro to approve the buyback provisions for member numbers 88606, 94080, and 106522.

APPROVAL OF INVOICES

No invoices were received since the September Board meeting.

APPROVAL OF APPLICATIONS AS PRESENTED

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EXECUTIVE DIRECTOR'S REPORT

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

- Under benefits, new membership has increased by 91 people during the month of September. That is due to the new in house health care system at the Allegheny County Jail.
- With regard to capital calls there has been significant activity. Through August calls totaled \$19,000,000.00 but in September alone limited partners called nearly \$7,000,000.00. Seventy percent of that capital going to Ironsides, Oaktree, and ValStone.
- Office budget is on target except in the area of Fringe Benefits, they were overestimated in 2015. They will be drawn back in 2016 and in the service category which are billed on a quarterly basis. The board will see a much larger number of vendor invoices on the agenda for approval in November. The board will be back on target in the payment of invoices through November 2015.
- There are three updates;
 1. In a preliminary 2016 Operating Budget estimate there is approximately \$50,000.00 in increased expenses. These are derived by increases in object codes 63301 and 63401. No action will be taken on this preliminary budget. A final 2016 Operating Budget will be presented to the board in November.
 2. There are 14 claims reported for retiree life insurance. Six claims are under review, seven claims have been closed and one has been denied. The average timeframe from receipt to close on the claims is twelve days. There is one claim that took as long as forty days to process and another was processed as quickly as one day. Typically when processing takes more than a two week period, it is because there is a deceased beneficiary and the insurance company has to identify the next beneficiary that is in line.
 3. PAPERS Fall Workshop will be in town November 18-19, 2015 at the Sheraton Station Square, Pittsburgh, Pa. Registration Forms and Hotel Details have been attached to the report.
- Ms. Wagner asked if Mr. Johnson could provide feedback on the new members, whether the increase would be a positive for the retirement fund long term.
 - Mr. Johnson responded that the increase is a positive factor for the retirement fund long term.
- Ms. Wager asked "With respect to the budget, One of the items the Controller's Office has been looking at what appear to be slightly higher fees overall for this year for Managers. I am just wondering if there is a way for us to really analyze the higher fees. Is there a way for our office, with your assistance, to look at the different line items separately and that out to see how it really compares"?
- Ms. Liptak also requested more information on fees.
 - Mr. Johnson agreed to compare year to year and to work with Amy Weise to have a report ready for next month.
 - Mr. Weinstein agreed to appoint a sub-committee of the board to work with Mr. Johnson's office, the Controller's Office, the Treasurer's Office, and Administration to come up with a report to see where the fees stand.
- Mr. DiCristofaro asked "What would be the final date when the calculator will be ready"?

- Mr. Johnson explained that last month he reported that the calculator was ready to go. After performing the final security assessment that information changed. The calculator did not pass the final security assessment and they are working to correct the issues and now they are back at the same point as last month, any day now.

REPORT OF THE SOLICITOR

Mr. Gabriel provided the board with the Monthly Confidential Report as of October 8, 2015. In relation to the report Mr. Gabriel had one specific item to address. The local agency appeal member number 91649 is pending before the board. The board met in Executive Session to review the appeal record and to consider that appeal. The board is prepared to act.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Puzak to grant the appeal of member number 91649 based on the Board's review of the appeal record including the hearing transcript, the report of the hearing officer, and the unique facts and circumstances contained in the appeal record which warrant disability benefit payments in the amount of \$12,796.32.

CONSULTANT'S REPORT:

WILSHIRE ASSOCIATES

Felicia Bennett, of Wilshire Associates, provides a brief Capital Market update and review of the Flash Report for September. Both have been included in the October 2015 Retirement Board Booklet. Economic highlights include GDP has been strong for the second quarter in the U.S. Third quarter to date consumer drive most of that number so far consumer confidence is up; household spending is up; retail sales are printing positive so things are continuing to move forward positively in the U.S. but not so much so outside of the U.S. In the second quarter China announced so slow downs, de-valued their currency and that scared the market. The U.S. Equity Market and the non U.S. Equity Markets printed negative returns with an absolute negative return of almost 7% for the quarter in the U.S. Equity Markets. This was the first negative quarter in three years. Month to date in October we have seen some bounce back the U.S. Equity Markets up over 4% and non U.S. Equity Markets are up over 6%. Non U.S. Equity Markets were down 12% in U.S. dollar terms, down 9.5% in local currency terms reflecting the fact that the U.S. dollar has continued to appreciate which erodes non U.S. returns for U.S. investors by about 3%. The bounce back has been noticeable month to date. In October, Europe printed higher than expected growth. On the bond side, yields fell, the FED indicated that it was not going to go ahead and move interest rates higher, which made bond prices rise, and so we have had some positive returns of 1.23% for the quarter. Real assets is where we see more negative numbers MLP's and commodities continue to have negative returns, down close to 20% for the quarter.

David Lindberg, of Wilshire Associates, reviewed the Monthly Performance Summary. He highlighted the allocation at September 30, 2015 the market value was \$805,000,000.00, the first down quarter in Equity Markets in the last twelve quarters. The fund itself was down 4.2% for the quarter. Relative to other funds there are others that are in that down 4 down 5% range this quarter. The benchmark was

down 5.1% for the quarter so it out performed benchmark by 90 basis points. The bounce back in October shows on-line values of the fund as of yesterday (October 14, 2015) the total is at \$819,000,000.00 so it is already up about \$13,000,000.00 in October. Public Equity in total is overweight 38.8% vs. 35%, that's about \$30,000,000.00. Two thirds of that we prefer to have there because Private Equity is underweight about \$20,000,000.00. The Private Equity portfolio is continuing to get closer to its target. Real Estate is overweight it is 13.35% vs. 10%, that is roughly \$27,000,000.00. Commodities continue to be under weight, it hasn't been funded in quite some time that is about \$48,000,000.00 under weight. The top two asset class composites are U.S. Equity and Non U.S. Equity both show positive returns. There is a positive 1.16% ahead on a one year on the U.S. Equity composite. Looking back one year the index for U.S. Equity Wilshire 5000 index was a negative of 38 basis points and there was positive 77 basis point return. Drivers of that were Ernest Partners and Emerald. Non U.S. Equity is ahead for the quarter 61 basis points and the one year number is a negative 11% by the index and that has been out performed by 4.25%. The drivers were Baillie Gifford and Pyramis.

- Ms. Wagner asked if based on the numbers if the fund was down \$17,000,000.00 and what are the expectations for the end of the year?
 - Mr. Boyer said the number are in the ball park of \$17,000,000.00 and he guesses that rates will not be raised until January so it is hard to say what may change by the end of the year.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Wagner to withdraw \$6,000,000.00 from the Index Fund to make benefit payments and other cash needs throughout the end of the calendar year based on the recommendation of Wilshire.

Ed Boyer, of Asset Strategy Consultants, made a final recommendation on the Hedge Fund it's a long short hedge Fund that has \$30,000,000.00 in assets in it from DePrince, Race and Zallow. The recommendation is a maximum investment of \$3,000,000.00 in that Hedge Fund, subject to availability of cashes to actually fund it this month or by the end of November.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Szymanski for DRZ in the amount of \$3,000,000.00 based on the recommendation of the consultant.

NEW BUSINESS

No new business.

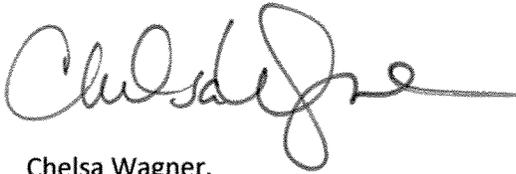
Paul Hallowell, of Cowden Associates, asked for acknowledgment of the receipt and acceptance of the Actuary Report for January 2015.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to accept and receive the Actuary Report for January 2015.

ADJOURNMENT

The Board meeting was adjourned by Mr. Weinstein at 12:55p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Chelsa Wagner". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Chelsa Wagner,

Secretary