

The regular monthly meeting of the Retirement Board of Allegheny County was held on June 20, 2019 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:02 pm.

When the roll call of the Board members was made Board members Ted Puzak, Amy Weise on behalf of Chelsa Wagner, Rich Fitzgerald, Jennifer Liptak, Sarah Roka, Frank DiCristofaro, and John Weinstein were recorded as being present.

Also present were Brian Gabriel of CDBPM Law and Walt Szymanski, the Retirement Office Manager.

PUBLIC COMMENT

No public comment.

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve the minutes of the May 16, 2019 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the April 2019 Financial Statements. The reports are generated by the Controller’s Office (Board Secretary).

- Pension Fund Assets
- Statement of Changes in Plan Net Assets
- RBAC Balance Sheet

APPROVAL OF INVOICES

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the invoices for June.

VENDOR EXPENSES		
VENDOR	DATE	AMOUNT
FEDERATED (Core Broad)	1/1/19 -3/31/19	\$ 17,561.65
FEDERATED (High Yield)	1/1/19 -3/31/19 †	\$ 56,469.56
iNetworks OF, LLC	1/1/19 -3/31/19	\$ 9,050.51
iNetworks OF, LLC	4/1/19 -6/30/19	\$ 9,050.51
MELLON CAPITAL	1/1/19 -3/31/19	\$ 16,476.87
SALIENT	1/1/19 -3/31/19	\$ 110.82
STATE STREET GLOBAL ADVISORS (MSCI World)	1/1/19 -3/31/19	\$ 7,738.20
<u>Total Vendor Invoices for Approval</u>		<u>\$116,458.12</u>

PENSION APPLICATIONS

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to approve the Pension applications filed with the Retirement Office in the month of May. The following applications were filed.

- Early Voluntary – 12
- Full Retirement – 23
- Payment Plans - 2

MANAGER'S REPORT

Retiree payroll is up year to date, it's \$44,585,127, as compared to last year it was \$41,600,774, it's up 7.17%. Total contributions are up 27.51%, that would be because we have three pays in May, it'll adjust next month because last year we had three in June. Number of refunds are down, -13.21%. New memberships are up, 42.08%. Life insurance claims paid are down, -4.36%. Total retirements on the year are up 206 year to date, as compared to last year, 173, they're up 19.08%, for retirements being the bigger factor they're up 43.18%. If you turn the page, pension estimates are currently down, -22.04%. Capital calls are up on the year, 5.98%, it's \$13,218,721 this year. Last year it was \$12,473,105. Total capital calls for the month were 1.694 million. The office budget is there, and do we have any questions on the dashboards?

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept and approve hearing officer's recommended findings of fact and conclusions of law for appeal number 2019-1, member number 097933 denying the appeal.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept and approve the 2018 audited financial statements and schedules from Case Sabatini. The statements will be posted to the website.

The Board unanimously approved a motion by Ms. Liptak, duly seconded by Mr. DiCristofaro for preliminary acceptance and approval of the 2018 annual report. Any changes will need to be sent to Mr. Szymanski by June 28th, 2019.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve placing Wilshire on a month to month basis until a new contract is approved. The current contract expires June 30, 2019, the amount is \$190,000 annually adjusted based on CPI.

Mr. Weinstein: I will be putting together a subcommittee for the RFP process including Janice Vinci, Sarah Roka, Jen Liptak, Frank DiCristofaro, and Amy Weise. Also, I want to thank Walt for all his work on the pension summit, it was one of the best we have had. Please thank your staff and PFM from us.

SOLICITOR'S REPORT

The solicitors report is current as of June 11, 2019. I do not have any additional items to bring to the board's attention at this time.

WILSHIRE

David: Starting with the perspectives report and then touch on the capital markets. One thing we've been saying all year is volatility has returned, that is for sure. We had really strong markets year to date. If we just look at the US equity through April, the month on which will be reporting today, the US equity market was up 19 percent year to date, making up all the ground that was lost in the fourth quarter of 2018. And then on this page you'll see what happened in May, and then we'll even talk just briefly about what has happened so far in June. In May, if we go to the top of this page US equity, the very top line the Wilshire 5,000 total market index was a -6.5% for the month of May so the month of May was a difficult month, the market sold off. That put the year to date number at just under 11%, if you slide over two columns and that same year to date number is now over 16% through Friday of last week, and we've of course been positive this week to date too. So, plenty of volatility, strong returns year to date and the US equity market amidst all of this and the Fed spoke yesterday as probably most of you know held rates steady, short term rates between two and a quarter and two and a half, but they have changed their outlook, which not too long ago they were projecting rate increases in 2019. They took those rate increases from two to zero back in March. Now they're talking potentially bringing rates back down again. They forecast the short-term rates to be around 2.1 at the end of 2020. So, lots of Fed activity. Rates certainly not in a rising environment right now. The Fed seeing a little bit softer inflation and growth than I think they had expected to try to keep these target numbers in place. So that's an ongoing issue, but that's where we are today. If you go down to the middle of the page, Non-US equity markets, the top line there, the all country world index sold off 5.37% for the month of May, and that is up 7.15 through the end of May and that also is now up over 10% year to date. So, if we look at this calendar year through last Friday were up solidly in the teens in US equity's and then up over 10% in Non-US markets. And then if we look at fixed income, 2/3rds of the way down, the top line Bloomberg Barclays US Aggregate Index was a 1.78% return. We've had declining rates again, so bond returns have now been strong with prices up from rates going down. Year to date 4.8%. That's at right about 5% right now through last Friday. So strong returns. MLPs, Craig's going to go through performance for April. MLPs have been a big driver of positive performance, has been a strong bounce back from the MLP investments. You'll hear about those in just a minute. So, that's through May. We'll talk about April performance and then we'll just comment on an estimate for the fund through middle of June.

Craig: So, if we switch over to the April flash report starting on page two. Here we can see the assets ended the month of April at just shy of 935 million. In the variance column we can see the equities remain the most significant over-weighted just under 4% which we've been slowly chipping away at as we need to raise cash, we've been taking it from equities. That's offset primarily by the core fixed income being 3% under-weight given those new targets that were adopted. We're slowly moving our way toward the new targets that were adopted back in December. One last thing to point out on this page, on the bottom right, cash ended the month at 8.8 million. Were down to between 7 and a half and 8 million now, which should carry us fine until the next meeting. Again, we've been pretty successful with this 5 million or, so cash raise every other month. So last month we raised, this month were looking good to carry us through until next month. Moving onto the next page for the month of April, just wanted to point out a few of the composites that drove performance. The funds largely outperformed

for the month thanks to strong performance from US and Non-US equity managers as well as the core fixed income managers. Global equity and High Yield were a bit of a drag but on the bottom of page 4 you can see that the total fund returned, one and a third percent, which just beat the policy benchmark by 6 basis points and now on a calendar year basis is back ahead of the benchmark by just about a basis point, both round up to 8.44% year to date through the first four months of the year. Just very briefly hit on the top managers for the month. US Equity on page 5, Earnest Small Value, so we saw value in April outperform growth and Earnest in the Small Cap value portion of the portfolio had a really strong month, outperforming by nearly 3% for the month, up six and three quarters percent. Jumping forward two pages to page 7, Baillie Gifford up another 2% above the benchmark for the month. Again, this rebounding from an off year in 2018 has been a leading contributor so far in 2019, now up 6% over the benchmark year to date with a return of over 19% through April. And as David mentioned the MLP allocations have been a big contributor to returns so far this year. We can see the managers starting on page 11 continuing onto page 12. Salient was just ahead of the benchmark for the month when MLPs were down just over 1% but for the year up 18 and a half versus the benchmark at 15 and a quarter. And the top of page 12, Harvest similar returns up 19 and a quarter versus the benchmark at 15 and a quarter. So, the overall MLP composite is up nearly 19% for the year which is over 3 and a half percent better than the benchmark. The total fund returns are on page 13. Again, up nearly 8.5% through the end of April and David will give you an update on where we are roughly now in mid-June.

David: So we're quite close right now. Our estimate with May, obviously not having all that data in but just estimating your policy index for the month of May, the policy index was a negative 3.1% in the month of May with that sell off that we just talked about. June to date has recovered already about that same amount. So, we would estimate you're still above an 8% year to date through last Friday, so obviously very short-term period but the good news is the sell off in May has been recovered primarily.

Mr. Weinstein: David, on the ERECT fund, have we always used a CPI as the benchmark? I thought it was a real estate fund that we compared that to.

David: I think the other one, you had two of these at one point, and then one we terminated. This one has always been a CPI Index.

NEW BUSINESS

No new business

NOTE: Executive session was not held prior to the Board meeting.

ADJOURNMENT

The Board unanimously approved a motion by Mr. Weinstein to adjourn at 12:19 pm.

Respectfully submitted,



Chelsa Wagner, Secretary