The regular monthly meeting of the Retirement Board of Allegheny County was held on October 17, 2019 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:06 pm.

When the roll call of the Board members was made Board members Ted Puzak, Chelsa Wagner, Rich Fitzgerald, Jennifer Liptak, 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

Ken Kasack,

Good to see everybody again. I've been reading a magazine called pensions and investments and even though its advertiser supported, there are still enough objective articles in here to make it worth my time. And everybody's time is on a pension board. You'll see articles in here from time to time about the concept of risk transfer and what that is. When a corporation has a fully funded pension plan, they're giving their liability away mostly to an insurance company. They're giving the assets away and they're telling the insurance company, look, you're going to pay all these participants and their beneficiaries. And the reason why companies are doing this is because they're fully funded right now and they realize they'd been fully funded off the backs of an aberrational overvalued stock market where you're about to have our 10th year out of 11 where the stock market has been positive the previous 30 years and in 2018 the index has been negative eight times.

Historically the stock market's been negative one out of every four years. So, these entities have gotten fully funded on the backs of an overvalued stock market. And you say, what's the definition of being over valued? Well, thats two-fold is if you're a student of PE ratios, the historic price earnings ratio is 15 we're now about 22 that's overvalued. The dividend yield now is about 1.8% the historic averages 4% so when your PE is too high in your dividend yield is too low, you're overvalued. There's another fellow, Warren buffet who has his own method of stock market valuation. He likes to take the total market capitalization divided by the last reported GDP when that number is over 115 that buffet indicator considers the market to be significantly overvalued. Right now, we're probably at 140, I have to deal with an overvalued market every day for my clients.

I have clients who are growing the money and I also have clients who are taking their money every month as income. I've made great use the most boring simple investment vehicles called equity income funds. These funds are dividend paying stocks, interest bearing bonds in cash in over the first 19 years of this century to the end of 2018 my boring simple funds have outperformed the index by two full percentage points. If you deduct the fees to the advisor and the fund manager, it probably goes up to 2.4 or give or take. Beyond that, my boring equity income funds have generated 3.4 times the amount of dividends that the index has. And there's a method of investment for performance called yield on purchase. The US stock market index, right now the yield on purchase is about 4.5%. My simple funds, 11.5%. So, I've prepared a report for members of the board and a, I use the comment from one of my favorite people. The key to genius is simplicity. Hope we have some Sinatra fans here, so I'll give copies of the report to the members of the board at the end of the meeting.

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to approve the minutes of the September 19, 2019 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS
The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Puzak to accept the August 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
No invoices for October.

PENSION APPLICATIONS
The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to approve the Pension applications filed with the Retirement Office for the month of October. The following applications were filed.

- Early Voluntary - 6
- Full Retirement – 11

MANAGER'S REPORT
If you turn to the managers tab in your board books, I'll highlight some areas on the dashboard to start for the month of October. So, this goes back to the prior month ending a retiree payroll's up, 7.39%. Contributions are up 6.65%, contributions refunded or up 1.62%. The number of refunds is also up by 6.35%. Total retirements on the year up almost 10%. You turned to the next page. Capital calls are up 39.27%. As with rebalance things are up 120%, total capital calls as of the prior meeting are $2.2 million dollars. Office budget is to the right, office budgets in line for the year. I will work on the draft 2020 budget and bring it to the next board meeting for approval.

Updates the office staff has been participating in the Allegheny County benefit fairs. It's going out to various locations throughout the County. We will be doing another offsite Saturday seminar on October 26th at CCAC Boyce Campus. We have 20 people signed up so far. The North park one we had received a lot of good reviews on and that's all I have today.

SOLICITOR'S REPORT
The solicitors report is current as of October 10th, 2019. I do not have any additional items to bring to the board's attention at this time.

WILSHIRE
Craig: Kick it off with the August flash report and then hand it over to Felicia to give a market update. To tell you what's been going on in September 3rd quarter overall. So, I'll start on page two of the August flash report. Total assets at the end of August, we're at $926.8 million dollars, down 8 million from the end of July. That's partially due to payments, benefit payments being made, and also the market was slightly down for the month. We show the cash balance in the bottom right corner there. We were down to about $4 million dollars at the end of August. We had some cash raises in September to cover capital calls and benefit payments and also some significant distribution bumps from some private equity and real estate managers. So, the cash position, it's now about $13 million dollars. So right about where we want to be with retiree funding going out in the next week or so. We'll be around that $10 million dollars, which has been a good balance for us to maintain over the last year and a half or so.

We are currently overweight US Equity and private equity. The private equity had been largely offset by

the life settlements and we're about break even for that total private equity line, which you can now see is just under $8 million dollars over weight. We've seen some distributions from the life settlements and more to come in the private equity balances is rising, which is a good thing. So, we'll continue to take from public equity because we can't call the capitals, we choose from private equity to bring those two more in line and use the public to offset the private somewhat.

So, moving to the next page, performance for the month of August, we saw positive contribution from Non-US equity high yield and your MLP managers, offset largely by the US equity global equity and a core fixed income and hedge fund managers. So, on the bottom of page four, you can see for the month down 48 basis points outperforming the benchmark which was down 56 basis points. On page five to look at the US equity in a bit more detail. Emerald was one of the main drags for the month. The small cap lagging by 126 basis points, the all cap by over 3%. It was a tough month, but if you look out to the year to date, column two, both funds are returning over 20% with a small cap, adding exactly 400 basis points over the index for the year. So, a tough month, but no major concerns with those managers.

On the next page, Cooks and Pierce also had a, had a tough month on underperforming by about 1%. You can see the total composite down to 36, lagging by 31 basis points. Conversely Non-US added value thanks to Bailey Gifford and Fidelity. Bailey continues to be one of the strongest performing funds over the long term and this year. So, the composite added 78 basis points for the month. On page seven, Core fixed income was another area that dragged on portfolio performance. And part of the reason for this, as you'll notice, some of the managers are benchmarked to benchmarks other than the aggregate. So, shorter duration benchmarks such as the intermediate. You can see the intermediate for FNB on the next page and CIM and Stone Ridge on this page. So that decision to invest in managers that are lower duration hurt as interest rates fell. So that was the main driver of under-performance along with the Altair fixed income at which is another manager that had a tough month.

But it's doing really well on a year to date basis. You can see up over 13% and then just briefly wanted to touch on the MLPs on page 10 a great month for the MLPs and they've been another really strong driver of performance so far year to date that MLP composite up 13% year to date. Well the index is up 10.3 so adding 270 basis points of value there. And again, the total fund is on page 11 for the month of August that about half a percent just ahead of the benchmark year to date, 28 basis points behind the benchmark up over 9%. So, with that, if there's no questions on what happened in August, I'll turn it over to Felicia for a September update.

Felicia: Thank you. So, you have a perspectives document which shows you market performance for the month of September and your quarter and year to date. And you can see that the US equity market has continued and it's a sort of roller coaster ride, not quite as steep of hills as Q4 to Q1, but we had August being the down months, September being a positive month, ending the quarter at positive 1.23%, October month to date. The market is up another about 45 basis points. So, continues to be volatile on a day to day basis, but continuing to add value with stocks up over 20% year to date through the third quarter. We have a lot of uncertainty in the economy. There's been some additional signs of slowing. We've had jobless claims rising a bit, retail sales softening a bit. Housing starts are down a little bit. We've had the concerns with the trade Wars with China and now the EU, unrest in the middle East, North Korea, other areas.

So these concerns are still weighing on the market, but treasury yields have actually risen a little bit starting at this fourth quarter. So, the opposite effect of what Craig mentioned in the bond portfolio will be helping in this month. It's unclear in terms of future action from the Fed there. There don't seem to

be compelling reasons to lower rates. Again, other than that the market is still expecting this rate. So, we're just hoping to hold on in terms of market performance through the end of the year. As Craig mentioned through September or through August. You're nicely ahead of your actuarial assumption. So we'll be booking again so far in the year to date basis, being cautious with market and just keeping with the asset allocation.

Craig: So we have, you should have two memos that we'd like to get motions on today. The first one, Federated high yield. So, this is something that's been in the works for a while now, they have been working to open a collective vehicle where the high yield strategy, the County currently has an a separately managed account. They've decided to work with Wilmington Trust thanks to their expertise in the area of these sort of arrangements. Wilmington Trust will act as the trustee and one of the main hurdles which Wilmington helped them craft language around was they wanted to make sure that if Alleghany County or some other, other several other large separate accounts that they have in the strategy right now, if they were to be the first to put money into this collective fund, they wanted to make sure it subsequent investors didn't come in with cash and caused you to bear or whoever the seed investors to bear their trading costs to get their portfolio built.

So Allegheny County would be able to move their securities in kind into this new account, not bear any trading costs and be protected against further investment in cash from other investors diluting them, which is very important if you're going to be one of the first to seed a new investment vehicle. The strategy managed the same way it's being managed now, but you'll see a five basis point reduction in the management fee from 50 to 45. So we think since the strategy that we run the same way and you'll see that five basis point reduction, the one thing you are giving up is instead of your previously agreed upon investment management agreement, you have to agree to the collective trusts guidelines for the manager, which are a little bit more broad than your current IMA. But we think you're not giving up anything substantial because the strategy will continue to run the same way. So, we think overall the benefit of the five basis point reduction outweighs any costs. And we think this is a, a move that the board should pursue. So, recommendation would be pending the final legal review which is underway but not quite done yet. To move from the separately managed account to the collective vehicle that's being open by Federated.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Wagner to move from the separate Federated vehicle to the Wilmington Trust collective for a 5 basis point management fee reduction.

The second memo was labeled the SSGA Non-US index fund. The current index fund is invested in a strategy that does not include emerging markets. While your target for international equity in the portfolio does include emerging markets. So, you should be using an index fund that includes emerging markets that match what your overall Non-US portfolio was targeting. So, to make this change again, pending legal review finalizing the documents. So, we haven't had a chance to pass them on to Brian yet. We'd recommend that you move from the current strategy to a strategy that includes emerging markets. So, it really be the same strategy, but instead of targeting the MSCI world XUS index, it would target the MSCI all country world XUS. And that all country just means that it's including emerging markets. In talking to State Street about this since it's been a few years since they've reviewed your relationship with them, they were able to actually with this move propose a two basis point reduction on your current fee.

And this is something we had brought up earlier in this year that the US and Non-US index funds with

State Street, we should talk to them and see if they have any leeway on fees on the US side, you're paying three basis points. They couldn't offer any better on that. But on the Non-US side, even as we moved to the strategy that would include emerging markets, which is generally more expensive to trade in, they're able to cut the fee from 10 basis points to 8. So again, a nice story here as you move closer to what you're targeting in your Non-US structure and also save two basis points on those assets. So, we're recommending pending legal review, moving the assets in the MSCI world XUS strategy to the MSCI all country XUS strategy.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Puzak to approve moving from the MSCI World ex US Index to the MSCI All Country World ex US Index pending legal review. This will include a 2 basis point reduction in fees on the Non-US side.

ASSET STRATEGY

Ed: There was a memo placed in front of you this morning by Walt. This is from Crestline regarding Crestline recovery fund. We received a request regarding an investment issue from Crestline shortly after the last meeting. And essentially what Crestline was asking to do was to merge the older recovery fund into the new recovery fund. The purpose of doing this was several fold to eliminate redundant expenses by running two funds, essentially the same way.

And also to make it easier to sell these smaller positions in the older recovery fund. That would be rather inefficient otherwise. So, between lowering expenses, the efficiency at selling future investments they have in the portfolio, they thought it best to merge them with no economic disadvantage coming to the investors. It'll transfer over at net asset value. We work closely with your counsel to develop this memo and so we're asking for approval after the fact that we told Crestline to go ahead and merge them.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro retroactively approve the recommendation to have Crestline move from an old recovery fund into the new recovery fund.

PFM

Perry: Good afternoon. Just two memos to go over with you that were given to you through Walt. The first one is with Emerald all cap manager, and it's a pretty simple, they're just requesting to increase the limit on the overall holding firm from 5% to 6.5%. They're just lining up with the Russell 3000 growth index. Back in 2015 when the contract was signed, the largest holding was at about 5.86%. That was Apple. So, at that time the limit in the policy was at 5%. Now the largest holding in the index is actually Microsoft at about 7.05%. So, they're asking to increase their ability to hold up to 6.5% in a company. So it all lines up with trying to keep up with the index and be more aligned with it. We don't have an issue with it, so we recommend approving.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Puzak to approve increasing the holding limit for Emerald All Cap from 5% to 6.5%.

And then the next one is with Altair management partners. Mike Schneck and David Kamin are moving apart Altair management and creating Gridiron partners. And this is just based off the way that the three partners were. The original partner is just separating out and just focusing on his high net wealth and family trust. So, this allows Gridiron to be created and to focus on institutional, which we prefer and like that process. So, with that there's been no changes on who's managing. David came as the portfolio

manager, everything's lined up to continue to manage it the correct way. They have all their ducks in a row, as for all the back office and everything like that as far as what they needed to do from an outsourcing standpoint. So, everything's in line. So, we're recommending that we move forward and approved Gridiron.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Puzak to approve moving forward with Gridiron Partners as they split from Altair Partners.

John Weinstein: And just for the record, that's appropriate name for Mr. Schneck being a former Pittsburgh Steeler.

Brian Gabriel: John, if I could clarify too that there are two separate IMAs that are attached to the solicitor's report. This technically terminates two prior Altair IMAs and authorizes the execution of the two new IMAs.

John Weinstein: Do we have the paperwork?

Brian Gabriel: Yes. The IMAs are attached to the solicitor's report. And the paperwork is ready for signature but not here today.

Perry: One last thing I just wanted to point out Fragasso large cap, I've said in the past all their managers feel more value tilted. So, there's times when there's more volatility in the market that you're going to see returns that are the type of returns you'd like to see. So just mentioning just to point out year to date Fragasso at 21.38% return versus the benchmark at 18.34%, which is a really improved their one year in three-year numbers, they're all above benchmark.

NEW BUSINESS

John Weinstein: I'm going to appoint a subcommittee of the board to work with Brad for our contribution rate for 2020. Including Ms. Liptak who has chaired the committee in the past. So, I had asked her to do that again. I would like Frank to serve on it as well. And Sarah, when she returns along with Janice Vinci and Amy Weiss, they can come back to the board with a recommendation probably for the December meeting and we could set the contribution rate for 2020. Also, I'd like to just point out that all our well wishes are with Sarah. She had undergone some surgery to help her mom and everything is doing well. So please keep her in your thoughts and prayers.

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

ADJOURNMENT

The Board unanimously approved a motion by Mr. Weinstein to adjourn at 12:32 pm.

Respectfully submitted,

Chelsa Wagner, Secretary