

The regular monthly meeting of the Retirement Board of Allegheny County was held on March 17, 2016, in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania at 12:04 p.m.

When the roll call of the Board members was made Board members John Weinstein, Ted Puzak, Amy Weise representing Chelsa Wagner, Jennifer Liptak and Walter Szymanski were recorded as being present. Rich Fitzgerald arrived to the meeting after the roll call.

Also present were Tim Johnson, Executive Director; Brian Gabriel of CDBPM Law; John Patterson of Wilshire Associates and Margaret Belmondo of PFM Advisors

PUBLIC COMMENT

There was no public comment

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski , to approve the minutes of the February 18, 2016 Board Meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski, to accept the January 31, 2016 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 Mr. Szymanski, duly seconded by Mr. Puzak to accept the following invoices the Board has received since the February 18, 2016 Board Meeting.

RECEIVED SINCE FEBRUARY 2016 BOARD MEETING

VENDOR	DATE	AMOUNT
FEDERATED	10/1/15-12/31/15	\$ 15,307.86
MELLON CAPITAL	10/1/15-12/31/15	\$ 19,632.17
STONERIDGE ADVISORS	10/1/15-12/31/15	\$ 1,311.35

Total Vendor Invoices for March Approval

\$36,251.38

PENSION APPLICATIONS

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak to approve the Pension applications filed with the Retirement Office in the month of February. The following applications have been filed.

- Disability – 2
- Early Voluntary – 12
- Full Retirement – 18
- Buy – Back – 1

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski to approve the Disability Applications of Members #084734 and #095152. It is the recommendation of three designated physicians that these members are totally and permanently disabled from any gainful employment in Allegheny County.

EXECUTIVE DIRECTOR'S REPORT

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

There are three items that are being commented about the Dashboard. Three areas of the Dashboard are seeing some special activity. The first is under the category of disabilities. The Board has approved three disability retirements during the first two months of this year compared to one a year ago. Also, there was only one disability application received at the end of February 2015 vs. five applications at the end of February 2016. That is a 400% increase. They are keeping an eye on the trend and there will be a complete status of disabilities in the April Executive Director's Report. There was also a Buy – Back application approved as part of the retirement applications. In 2015 there were 85 retirement applications received and only four Buy – Back applications were approved. This particular Buy- Back is an extension, so the statute gives the Board authority to give members who are re-employed and want to buy back time from previous service the opportunity to pay that back over 24 months so those are presented to the Board for approval. The statute also allows that if someone doesn't pay that time back in 24 months that the Board can give them a 12 month extension. The Buy – Back that was just approved was a 12 month extension.

Under the Investment Dashboard the EnTrust Fund is active as they are in the investment phase of the of the J curve. To date there have been 10 Capital Calls totaling \$1,200,000.00. That is 40% of the allocation the Board did one year ago.

After the February Board meeting DCS and Tyler were contacted about the online pension calculator and enormous progress has been made with regard to creating internet access to the members. The issue basically is that the application and data need to be moved to a more secure server. Better service to the member should be available soon.

There is a news article regarding Institutional Investors increasing allocations in Hedge Funds. The link is listed in the report. There is a new survey showing the growing relationship between Hedge and Institutional Investors despite the current turbulent market. There is a second news article highlighting mass confusion over new Social Security rules. There are many retirement aged Americans that are worried about beating the April 29th deadline to claim Social Security benefits under existing rules. There is an expert on maximizing your retirement benefit that has written an article that clarifies that confusion. This is part of what that Financial Services Consultant will do for us with regard to the members who are about to retire.

A month ago there was conversation about an inquiry for financial services and the Board directed the Executive Director to do an inquiry. That action was completed, there was an inquiry sent out to several firms including Minority and Women and Disadvantaged Business Owners. It was also posted on the webpage and there will be a recommendation presented to the Board in April.

Ms. Liptak wanted to make sure that there isn't any perception that the groups that will be presenting workshops to members will also be able to obtain personal business from the members. Mr. Johnson explained that the intent is strictly for educational purposes. There will be no one on one consulting taking place during workshops. Mr. Weinstein added that there will be no solicitation for any financial products offered by any of the presenting firms. Mr. Johnson added the firms are being paid for their presentations and there is no feeder program taking place.

REPORT OF THE SOLICITOR

Mr. Gabriel provided the Board with the Monthly Confidential Report as of March 10, 2016. There are two open matters under disability appeals. One appeal is concluded in terms of the hearing and the post hearing submissions. It is anticipated that there will be a recommendation before the Board for the April meeting. There were no additional action items to add to the report.

Mr. Weinstein asked for an update on monies being recovered from the over payment checks being cashed. Mr. Gabriel advised that Mr. Johnson has been handling that matter. Mr. Johnson advised that a proposal has been received from the account of the member just yesterday, March 16, 2016. There will be an update on the status at the April board meeting, after it is reviewed by the Solicitor.

CONSULTANT'S REPORT:

WILSHIRE ASSOCIATES

John Patterson, of Wilshire Associates, provided a brief Capital Market update for the month of February. Before providing February details, he explained that there has been a significant turnaround in the first three weeks of March particularly in U.S. Equity, International Equity and Oil & Commodities. The FED decided not to raise rates yesterday, March 16, 2016. They are continuing with their policy to gradually raise rates slowly over time. U.S. Equity rates were flat for the month of February. The Wilshire 500 Index was down about 5 basis points. The U. S. Small Cap Index was up 83 basis points and the U.S. Large Cap Index was down 14 basis points. This is a reversal of a trend that has been going on for quite

some time and that somewhat impacts the portfolio. MTD in March there has been an increase in Equity Markets of 5% which bring YTD to about -7%. That is a pretty solid turnaround compared to what was seen in February.

International Equity Markets continued their slide in February. The impact of the losses weren't as significant as they were in January but still a loss none the less. Developed Markets as represented by the MSCI EAFE Index underperformed Emerging Markets for the first time in a while. In the last 3 weeks the MSCI AC World ex U.S. Index is up 5.26% as of yesterday which brings us to -3.02% YTD. That is another 5% turnaround in the first three weeks of March.

Fixed Income continued its strong year in February. Investors are working to find safe haven so in doing so that is driving prices up and interest rates down and in turn there is an increase in bond returns. Interest rates have been flat for the month of March so there hasn't been an impact on the YTD returns.

The Bloomberg Commodity Index was down 1.63% MTD in February. There has been a significant uptake there as well with oil prices rising this month and Commodities are also up 5% in the first three weeks of March.

The market value of the fund dipped to around \$790,000,000.00. This is a low point in the recent history of the fund but if the March returns continue to increase the fund balance should jump back up over \$800,000,000.00 by the end of the month.

PFM

Margaret Belmondo of PFM and The Research Group at PFM discussed the merge between Apex Capital Management and Fiera Capital Corporation. The transaction is expected to be finalized by May 2016. It is understood that an Emerging Manager is typically characterized as with a firm with less than a 3 year track record, a firm with less than \$5 billion in assets under management, and/or one that is a MWBE. Apex, with more than a 20 year investment record, \$70 billion in firm assets under Fiera Capital, and 100% owned by their parent company, will no longer be classified as an Emerging Manager.

Fragasso Financial Advisors has continued to underperform investment return expectations. The firm lost its Chief Investment Officer, Andrei Voici, during the third quarter of 2015, and has since replaced him with two new members of the investment management team – Michael Goodwin and Matthew Karr. Because of this underperformance PFM has recommended to put Fragasso on watch.

Ms. Belmondo made a recommendation to terminate Apex Capital.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski to terminate Apex Capital based on the recommendation of the Consultant.

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak to allocate \$2,500,000.00 increase in allocation to Stoneridge PMG Advisors based on the recommendation of the Consultant.

Ms. Belmondo pointed of highlights of the PFM report listed in the retirement books.

Mr. Puzak asked Ms. Belmondo if she was familiar with broker.com and Ms. Belmondo is not familiar with the website. Mr. Puzak explained that it was an internet process where you can check on Managers and Brokers and he was curious if any of the companies use it. Ms. Belmondo is going to follow up and see if anyone uses the website.

Mr. Weinstein added although we are putting Fragasso on watch, from the time period they were hired they have increased the portfolio by \$2,200,000.00. Ms. Belmondo agreed and stated, "They haven't lost money for you, they just could have made more money for you, which is the ultimate goal."

NEW BUSINESS

There was no new business

ADJOURNMENT

Meeting was adjourned at 12:31pm.

Respectfully submitted,



Chelsa Wagner,

Secretary