

The regular monthly meeting of the Retirement Board of Allegheny County was held on April 18, 2019 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:00 pm.

When the roll call of the Board members was made Board members Amy Weise on behalf of Chelsa Wagner, Sarah Roka, Frank DiCristofaro, and John Weinstein were recorded as being present. Janice Vinci concluded the meeting, John Weinstein left for family emergency. Rich Fitzgerald was present for end of meeting.

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 March 21, 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 February 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

No invoices for March.

PENSION APPLICATIONS

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

- Early Voluntary – 10
- Full Retirement – 29

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to deny the Disability Application of Member #099607. It is the recommendation of three designated physicians this member IS NOT totally and permanently disabled from any gainful employment in Allegheny County.

MANAGER'S REPORT

I'll highlight some items on the dash board. Retiree payroll for the month is up 7.04%, contributions made are up 6.08%, contributions refunded are up 26.78%. Number of refunds are up 27.03%. Retirements for the year are up 11.81%; full retirements are up, and early retirements are down. On the next page pension estimates are down although we have had a number of retirements in the last month. Capital calls for the month were at \$2.6 million dollars. Capital calls are on par with last year at 0.63%. The office budget is here for your review, we are in line for this year.

Next, I have a few board approval requests. We are holding the 2019 Pension summit on June 14th from 7:30am to 2pm. It will be at the PNC Park Hundi Club; the final agenda will be available at the next meeting. My request is, we have a preliminary invoice from PNC Park which is included behind my report. The funds used to pay for this summit are coming all from sponsorships from local investors and consultants. I am looking for approval of that preliminary invoice.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve the preliminary invoice from PNC Park for the 2019 Pension Summit.

We are also requesting to set the budget at \$18,000 dollars based upon the invoice and additional expenditures that may occur.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to set the budget at \$18,000 dollars for the 2019 Pension Summit.

SOLICITOR'S REPORT

I have one action item for the board that is a recommendation and request from Robbins Geller in connection with the Restoration Hardware potential shareholder litigation. They have submitted a written analysis and recommendation to the board, that memo is dated April 9th, 2019 and the request is to be authorized to serve as a formal litigation demand on Restoration Hardware board of directors and chief executive officer and former CEO as explained in their memo. This is, just for context, also a pre-litigation stage so this is not authorization to actually file suit, I would ask that the board consider the recommendation.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the recommendation from Robbins Geller regarding the Restoration Hardware litigation.

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

WILSHIRE

Craig with Wilshire: Today we have three items; the February flash report, a March market update and a cash raise recommendation. We'll start with the February flash on page 2 we see the asset allocation as of 2/28 are at about \$920 million dollars, up about \$50 million dollars from the end of the year. We saw strong performance in January lead to positive gains in February. US Equity remains the largest overweight and fixed income is the largest underweight. With the cash flow recommendation, we are working to reduce that equity overweight. The cash number in the bottom corner we are actually about a million below that now with about \$4.5 million dollars in cash, which is a bit below where we have run on average ever the last year or so. Page three look down the month column; most of the segments

were able to add value above market gains which I already mentioned in January and February. A very strong month. US equity added 25 basis points, Non-US Equity 76, and fixed income added Over 30 basis points with high yield slightly out performing.

Page four you can see in the bottom section, the total fund returned 1.52% for the month, which beat the policy benchmark by 17 basis points which has now put the fund ahead of the benchmark for its' year to date number. Jumping to page six, three of the emerging managers were the real drivers in the US Equity portfolio; Emerald All Cap outperformed by 1.4%, Ethos by over 2%, and Cookson Peirce the newest manager in this portfolio added about 2% making up for some January underperformance. On page seven, the driver on the Non-US side was Baillie Gifford which was good to see given last year was rare miss for them. They outperformed by 1.64% for the month and quarter to date almost 3%. If you move over to the one-year column they are almost back online with the index, 15 basis points behind. Like I said 2018 was a rare miss for them, if you look at the inception return they have outperformed by about 3% annualized over the last decade.

On page 8 we see that Altair fixed income was the driver of outperformance in the Core Fixed Income segment. Very strong month and quarter to date, outperforming by over 5.5% this year. That brings their inception number back above their benchmark, which is good to see. Page 9 I will mention Sound Point which is the driver of out performance in the high yield opportunistic segment of your fixed income allocation with 1.57% for the month which wiped out a lot of the underperformance from the month before.

If we jump to page 11, you can see that the MLP managers continue to add some value for the month and the year. They are both ahead by well over 2.5%. MLPs are one of the stronger market segments and they have been able to add value on top of that this year. Up 15.7% and 16.3% for the two managers so far this year.

Felicia from Wilshire: So you have the perspectives document, March continued to be a positive return for the markets, both in the US and abroad. The US markets are up now over 14% for the quarter after a negative 14% return for the fourth quarter of 2018. Non-US markets are up over 10%. Fixed income markets are also up 3% year to date given the Fed policy and yields falling throughout the quarter. Also, real assets have continued to add value. MLPs we just reviewed performance through February, March the MLP index was up another 3.4% bringing the index return up over 16.5% for year to date. From an overall economic perspective, we had a strong 2018 in terms of GDP growth. The GDP growth that we've seen so far in 2019 has moderated a bit, but we're seeing that around the globe, not only in US but China, continental Europe, UK have all revise their 2019 growth rates to be lower than in 2018.

So, expectations for slowly growth as well as unresolved issues with Brexit and the US China trade tensions still unresolved that translate to the policy side of the Fed keeping interest rates unchanged, during their recent meeting and most importantly instead of the two interest rate hikes planned for this year, there would likely not be any this year. And then the market's actually expecting a cut of about 25 basis points. So mild Fed policy and we've had mild inflation just over 1.5% on an annual basis in the face of that job growth continues to be pretty steady. An inflation continues to remain benign, but again in the face of uncertainty and slowing growth going forward.

Craig: the recommendation is for a cash raise. We have been on pace for about \$5 million dollars every other month, given some large capital calls at the start of this year and the funding of new Maplewood account we are recommending raising \$8 million dollars in cash and the current cash is expected to fall

below \$1 million dollars next week once the retiree funding has made and another half million-dollar capital call is made.

We recommend liquidating the Melon Equity account which is just over \$8 million dollars at this time. As we are working to update the US equity structure we are planning to move to more index strategy in the large cap space. So, it would make sense to make this move now since the manager has been brought down over the last year and a half, to only about \$8 million dollars now to liquidate to help us move towards where we want to have a better position going forward. There is a letter included from the executive session.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to terminate Mellon Equities, which is approximately \$8.3 million dollars and liquidate that account for cash purposes

ASSET STRATEGY

Ed Boyer with Asset Strategy, as we discussed from the executive session, we are proposing up to \$15 million dollars in the new Inetworks opportunity fund II for reasons that we've discussed already. If you have any additional questions we would be happy to answer.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to accept the recommendation from Asset Strategy for an allocation to the Inetworks fund in the amount of up to \$15 million dollars.

NEW BUSINESS

No new business.

NOTE: Executive session was held prior to the Board meeting.

ADJOURMENT

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to adjourn at 12:18pm.

Respectfully submitted,



Chelsa Wagner, Secretary