

The regular monthly meeting of the Retirement Board of Allegheny County was held on December 20, 2018 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:05 pm.

When the roll call of the Board members was made Board members Ted Puzak, Amy Weise on behalf of Chelsa Wagner, Jennifer Liptak, Sarah Roka, Frank DiCristofaro, and Janice Vinci on behalf of John Weinstein for the start of the meeting 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 Mr. DiCristofaro, duly seconded by Ms. Roka, to approve the minutes of the November 15, 2018 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to accept the October 2018 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. DiCristofaro, duly seconded by Ms. Roka to accept the invoices for December.

VENDOR EXPENSES

VENDOR	DATE	AMOUNT
FEDERATED (Core Broad)	7/01/18-9/30/18	\$ 17,048.96
FEDERATED (High Yield)	7/01/18-9/30/18	\$ 55,192.21
iNetworks OF, LLC	7/01/18-9/30/18	\$ 9,050.51
iNetworks OF, LLC	4/1/18 -6/30/18	\$ 9,050.51
iNetworks OF, LLC	10/1/18 - 12/31/18	\$ 9,050.51

Total Vendor Invoices for Approval

\$99,392.70

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 December. The following applications were filed.

- Early Voluntary – 2
- Full Retirement – 11
- Payment Plan – 1

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to accept the Disability Application of Member #075261. It is the recommendation of three designated physicians this member IS totally and permanently disabled from any gainful employment in Allegheny County.

MANAGER'S REPORT

Walt Szymanski: If you turn to the manager's report, we will start with the dashboard on page one. I'll go over some highlighted sections. Retirement payroll is up 16.39%. Total contributions have increased by 24.28%; contributions refunded are up 28.67%. Pension estimates are up 28.7%. Life insurance claims paid are up 81.89%

So if you turn to the next page, total retirement's year-to-date are up 6.08%, and capital calls are down 23.54%. Capital calls for the last month were \$824,015 dollars and the office budget is well within range for this time of year; I will be bringing closed 2018 budget next meeting for review.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to authorize the contract extension for Phase XIV for disability pension consulting. The agreement is for 36 months with an expiration of 12/31/21. The monthly fee for intake is \$1,350 for 2019, \$1,450 for 2020, and \$1,550 for 2021. The case fee would be \$1,475 in 2019, \$1,700 in 2020 and \$1,950 in 2021. Disability review case fees will remain \$2,000 per case.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to authorize the Board to approve a maintenance agreement with Koryak consulting for the Capital Call portal. The cost would be \$30,000 per year.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to authorize the Board to approve the 2019 retirement office budget. The budget includes an allocation for a staff of five with corresponding fringe benefits and a 3% increase. In addition, increased monies are included for a temporary employee for the capital call management system input and output services based on history of spending.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to authorize the Board to approve the Retirement Board meeting schedule for 2019. Scheduled meetings are as

follows; Jan. 17, Feb. 21, March 21, April 18, May 16, June, 20, July 18, Aug. 15, Sept. 19, Oct. 17, Nov. 21, and Dec. 19.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to authorize the Board to approve the 2019 refund rate. Based on the average three-month T-Bill rate for 2018, the recommended rate to be paid on refunds is 1.85 bpts.

Updates:

The summary of the Cowden Report will be presented with a recommendation for 2019 contribution rate.

2018 Seminars – staff held four County and three Airport “Preparing for Retirement” seminars with about 325 participants. There are 8 Duncan Financial Seminars on various topics such as Retirement Income Planning, Social Security, and Medicare Strategies with about 200 participants.

Staff continue to provide weekly retirement orientations for the new County employees and bi-weekly orientation for new Court employees.

SOLICITOR’S REPORT

Solicitor’s Report is current as of December 12, 2018. I have one end of year item for the board. In regards to hearing officers we currently have four; Sabrina Korbel, RaKeisha Foster, Mary McGinley, and Gianni Floro. Each has expressed interest in continuing for 2019, the request to the board is for reappointment of all four officers for 2019.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to authorize the Board to reappoint the four hearing officers; Sabrina Korbel, RaKeisha Foster, Mary McGinley, and Gianni Floro.

WILSHIRE

Kalvin: We will start off the October monthly performance report, on page two, your actual allocation versus your asset allocation policy at the bottom of the page here \$902.8 million dollars at the end of October with the relative differences off to the far right column, the underweight to private equity, as we've continued to talk that that will take some time to reach target, an overweight to public equity as serving as a parking lot for that underweight to private equity. And then additionally, the underweight to public real assets will be partially addressed during our asset allocation study. So let's jump to the bottom of page four.

Total fund performance for the month was down 4% net of all fees, which was 27 basis points behind the index looking at year to date, behind the index as well. Just marginally down 68 basis points on an absolute return. While your index was about flat, longer term three and five years. You're ahead of your benchmark 6.68% absolute return over three years and 5.86% return over the past five years. Jumping back to page three, I would just briefly touch on some of your composite performance. So at the top of

the page, US equity negative 8% for the month of October. We got some of that back in November and then the market is selling off right now, actually month to date in December. The overweight to small cap stocks detracted from performance for the month, looking at year to date similarly, you're behind a 1.5% relative to the index, while large cap has outperformed small cap, by about 3.5%.

Non US equity for October down 8.88% was a half a percent behind the index for the month year to date, non US equity down about 12% as we saw some concerns about a trade concerns in the US as well as the strengthening dollar. So that's modestly behind the index about 77 basis points. Two managers here have seen some underperformance as the market has sold off Baillie Gifford and Fidelity, both behind their respective benchmarks. Global Equity we have just one manager here Fusion behind year to date about 2%, but getting some back in October about a percent ahead of the index negative 6.5% absolute return. Core fixed income for the month of October was in line with the Bloomberg aggregate index three basis points ahead, looking out year to date ahead by 55 basis points. CS McKee and Fidelity, your two pure core managers are both the head of their index year to date.

High yield is just modestly behind for the month of October and about a percent behind looking out over the calendar year as we continue to see high yield managers be challenged as the lower quality companies are outperforming the higher quality managers in the high yield space. TIPSs, we just have one manager here. It's a passive allocation, so you're in line with the benchmark. Flipping over to page four, real estate just to point out year to date 9.68% absolute return is the strongest asset class in the portfolio. This is largely coming from two managers, Sigler Guff and Washington Alliance. Jumping down, hedge funds we had just had one manager here Altair down about 4% for the month and calendar year to date, which is behind this respective benchmark. And finally MLPs 52 basis points behind the index for the month down 8.5% but looking out since inception, which is about nine months now, they've added almost a percent and a half of value over the MLP index.

Craig: So I'll be brief on November because it seems like ancient history, but it was a good month. So it'll feel good to talk about it a little bit. There's a small rebound in stocks for the month. US markets are up about 2% Non US markets up about 1% in a change of pace for the last year or so. The dollar was a little bit weaker, so it actually benefited US investors as the index was only up about .7%, but once you translate that back to dollars it was up 1%. We saw a trend in October and it's continued to play out in November and into December where value stocks are starting to finally outperform growth, which growth has dominated for quite some time now. So for the month, the aggregate bonds and TIPS were also up the high yield and MLP allocations were down slightly, just under 1% and moving into December, as Calvin mentioned, more bad news as stocks have sold off again.

Another change of pace as US markets have underperformed Non US down about 6% in the US versus 3% internationally. And that's pushed the US equity return into negative territory for the year. Again, value is holding up better than growth, as the self is worsened. Quarter to date large growth stocks are up about 14% in values only off about seven. So values really stood up a lot better in a reversal to recent years. The Barclays Agg, a core fixed income allocation is doing what we'd hoped month to date is actually adding some diversification, which wasn't the case in October when it sold off, along with

equities. So the Agg is up about 1% month to date, upsetting the stock losses a bit while the other bonds TIPs and high yields are pretty much flat and the MLPs are down a further 1% this month, which is holding up better than equities, but moving in the wrong direction.

So that's the update through this month. Yesterday, the Fed raised rates and even though everyone pretty much expected, the market didn't react well to their comments. So we've seen some slight further losses this week as the numbers I was quoting were through the end of last week. And the last item on our agenda, if there's no questions about the market or the portfolio would be the cash raise memo. Now we've recommended raising \$5 million dollars from Mellon Equity. This is to fund retiree payments, but also we know have a large capital call that'll be due at the end of the month for about \$5 million, so we wanted to get ahead of that and make sure we have the, the cash raised by month end to meet that.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to authorize the Board to approve a \$5 million dollar cash raise from Mellon Equity for Capital Calls.

COWDEN

Brad Rigby: We presented a report to the contribution rate subcommittee earlier this month for the purpose of reviewing our projections, updating them for year to date financial results, and then looking at how the projections of plans and future funding will exist under various contribution rate scenarios. The contents of that discussion in that report are in front of you. And I would draw your attention specifically to page five; that shows projections of the plan's total funded status ratio under various contribution rate scenarios, including the current contribution rate of 9.5% per party. As you can see, the current contribution rate is not projected keep the plan long term solvent. This would piggyback off of a discussions that we had previously with the valuation report presented before, but then also further discussions within the contribution rate subcommittee. We discussed with that group the possibility of changing the contribution rate going forward and we would recommend as we did to their subcommittee and increasing the contribution rates so that the plan can be projected to remain solvent for an extended period of time.

Mr. Weinstein: I would like to ask Ms. Liptak, who was the chair of the committee to give us a brief report.

Ms. Liptak: The subcommittee met with representatives of the board present, and as in prior years, we had a very thorough discussion with the actuary and staff to talk about our fund and the projection of volatility that's been happening over the past few years. The recommendation from the subcommittee is to increase the total contribution right from 19% to 20% which would be a half percent increase from employer and a half percent increase from employee or full one percent and that is what the subcommittee is recommending for the full board to determine.

The Board unanimously approved a motion by Ms. Liptak, duly seconded by Ms. Roka to authorize the Board to approve 1% increase to the contribution rate; 0.5% increase from employer and 0.5% from employee.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. Puzak to authorize the Board to approve the report from Cowden regarding the contribution rate to be posted to the website.

NEW BUSINESS

No new business

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

ADJOURMENT

The Board unanimously approved a motion to adjourn at 12:29pm.

Respectfully submitted,

A handwritten signature in blue ink that reads "Chelsa Wagner". The signature is written in a cursive style with a long horizontal flourish at the end.

Chelsa Wagner, Secretary