

The regular monthly meeting of the Retirement Board of Allegheny County was held on February 20, 2020 in the Gold room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:07 pm.

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 John Weinstein were recorded as present.

Also, in attendance: Walter Szymanski, Manager, Retirement Office and Brian Gabriel, Campbell Durrant, Solicitor.

I. PLEDGE OF ALLEGIANCE

II. PUBLIC COMMENT

No public comments were made.

III. BOARD APPROVALS

a. APPROVAL OF BOARD MINUTES

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve the minutes of the January 16, 2019 Board meeting.

b. APPROVAL OF FINANCIAL STATEMENTS

The board unanimously approved a motion by Frank DiCristofaro, duly seconded by Sarah Roka, to approve the December 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

c. APPROVAL OF INVOICES

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve the February 2020 Invoices.

FEBRUARY VENDOR EXPENSES

VENDOR	DATE	AMOUNT
ALTAIR MANAGEMENT PARTNERS-FI	10/1/19-12/31/19	\$ 7,291.30
ALTAIR MANAGEMENT PARTNERS-MA	10/1/19-12/31/19	\$ 28,034.89
CIM INVESTMENT MANAGEMENT (Fixed Income)	10/1/19-12/31/19	\$ 8,185.36
CIM INVESTMENT MANAGEMENT (Small Cap)	10/1/19-12/31/19	\$ 8,807.63
CIM INVESTMENT MANAGEMENT (Israel Bonds)	10/1/19-12/31/19	\$ 3,666.09
CS MCKEE INVESTMENT MANAGERS	10/1/19-12/31/19	\$ 18,476.10
COOKSON PIERCE & CO INC	10/1/19-12/31/19	\$ 731.00
EARNEST PARTNERS	10/1/19-12/31/19	\$ 32,267.00
EMERALD ADVISERS (All Cap)	10/1/19-12/31/19	\$ 5,172.43
EMERALD ADVISERS (Small Cap)	10/1/19-12/31/19	\$ 25,759.03
EMSTONE ADVISERS, LLC		
FEDERATED (Core Broad)		
FEDERATED (High Yield)		
F.N.B. WEALTH MANAGEMENT	10/1/19-12/31/19	\$ 2,337.81
FIDELITY INVESTMENTS (Select Int'l Plus)	10/1/19-12/31/19	\$ 27,222.05
FRAGASSO FINANCIAL ADVISORS	10/1/19-12/31/19	\$ 8,860.00
HARVEST FUND ADVISORS LLC	10/1/19-12/31/19	\$ 43,275.22
iNetworks OF, LLC	7/1/19-3/31/20	\$ 49,347.14
MELLON CAPITAL	10/1/19-12/31/19	\$ 6,155.45
COLUMBUS MACRO, LLC (formerly Raylient)	10/1/19-12/31/19	\$ 2,110.38
SALIENT	10/1/19-12/31/19	\$ 32,680.63
SEGALL, BRYANT & HAMILL	10/1/19-12/31/19	\$ 51,581.78
STATE STREET GLOBAL ADVISORS (MSCI World)	10/1/19-11/6/19	\$ 3,329.93
STATE STREET GLOBAL ADVISORS (MSCI World)	11/6/20-12/31/19	\$ 4,168.41
STATE STREET GLOBAL ADVISORS (S&P 500)	10/1/19-12/31/19	\$ 4,976.89
TWIN CAPITAL MANAGEMENT	10/1/19-12/31/19	\$ 27,462.64

Total Vendor Invoices for Approval

\$401,899.16

IV. APPLICATIONS

a. FEBRUARY 2020 PENSION APPLICATIONS

The board unanimously approved a motion by Sarah Roka, duly seconded by Jennifer Liptak, to approve the Pension application filed with the Retirement Office for the month of February 2020.

The following applications were filed:

- Early Voluntary - 14
- Full Retirement - 33
- Recalculation - 1
- Payment Plan - 1

b. INDEPENDENT MEDICAL EXAM OPINIONS FOR DISABILITY APPLICATIONS

The board unanimously approved a motion by Ted Puzak, duly seconded by Jennifer Liptak, to approve the disability applications of members 090731, 087579, and 091873.

The board unanimously approved a motion by Ted Puzak, duly seconded by Jennifer Liptak, to deny the application of member 00085.

V. REPORTS

a. MANAGER'S REPORT

Walter Szymanski

Retiree payroll is up 7.28% as compared to this time last year. Contributions made are up 5.79%, contributions refunded are up 3.59%. Total retirements for the year are down 4.17%. Capital Calls are up 29.81%, and the office budget is listed on page 2 of the tab REPORTS/Manager.

BOARD APPROVAL REQUEST

Requesting the acceptance and vote on appeal number 2019-2, in which the board, having received and reviewed a report and recommendation, vote on whether to approve and adopt the proposed finding, conclusions, and recommendations of the hearing officer in appeal 2019-2, thereby denying the appeal.

The board unanimously approved a motion Sarah Roka, duly seconded by Frank Dicristofaro, to accept and adopt the proposed findings of the Hearing Officer in Appeal no. 2019-2, thereby denying the appeal.

b. SOLICITOR'S REPORT

Brian Gabriel

The report is current as of February 13th, there were no specific action items under the solicitor's report for the board to consider.

c. CONSULTANT'S REPORTS

i. Wilshire

David Lindberg

38th Annual Client Conference, Sunday, April 5th - Tuesday, April 7th, feel free to contact us if you need additional information, we'd love to have any one of you attend.

Our report is brand-new in format. In the interests of time, we'll just hit a couple of highlights in it.

The capital market review is not in this booklet right now, but just to talk about 2019: great year in the markets. All asset classes were positive, the US equity market was up 31%, non-US equity markets were strong, real estate was strong, and because rates came down with the exception of the 4th quarter, that led to strong bond market returns, we had an almost 9% return out of the bond markets.

In this new report, to highlight one of the new metrics and measurements, page 5 is an Attribution Analysis of Performance over the past 1 year. The top left chart is at the total fund level: the bottom bar shows a 15.2% return for the fund for the year, the middle bar shows the fund benchmark was 14.2%, so you're at 90 basis points over the benchmark in the Total Value Added block, the top bar within the graph.

The Attribution Analysis steps show how you earned the 90 basis points over the total fund benchmark. The chart to the top right breaks it down into three categories. First, Asset Allocation, and you'll see a positive 0.7% that is a measurement of what the allocation was relative to the policy benchmark. You're never perfectly on the benchmark, and so it has positives and negatives, and in total it was 70 basis points positive for the year. Second bar is the Manager Value Added, 1.2%. This is across the entire fund, all managers together relative to each of their own benchmarks, how much value was added or lost throughout the year. It was a good year for most of the asset management in the fund, 1.2% value added from managers. Third bar, in the 'other' category, there's a lot of residual that comes into this, you'll see that was a 1% drag. Most of that is from cash allocation, given that you have to maintain enough cash to pay benefit payments throughout the year. Cash is not in the policy

benchmark, so this was a year markets were so strong, that any cash drag had a significant impact on performance.

The three charts on the bottom of the page: on the left side, we show the asset allocation differences to target in the green bars. You are able to see where you're overweight and where you're underweight. These are the average weights throughout the year. The top two, for example, US equity and non-US equity on average, you've been overweight there, and then that's offset by underweights in core fixed income, private equity, real estate, etc. Those are the allocation differences. Then the next chart, the blue one, breaks down the 70 basis points that came from those asset allocation positions, and shows where did the differences in your allocation help or hurt you. The top line, for example, the biggest contributor, US equity, 40 basis points. That is because throughout the year, you were on average overweight US equity by 2.7% relative to your policy and it was a year where that was a really good thing, because US equity was up 31%. Then the final chart on the bottom right, total manager value added, is 1.2% at the total fund level. We break that down by the asset classes, the biggest driver is within non-US equity. The value added that came from non-US equity contributed 80 basis points, about 2/3 of that total 120 basis points came from one asset class, the non-US equity portfolio. The Total Fund Attribution Analysis page is really nice with a dashboard look at what drove your fund over the past year, and if at times when you open the performance book and only have a few minutes to review, this page is recommended because it provides the most information.

Craig Morton

Moving to asset allocation on page 3, we remain overweight public equity, about even on private equity when you combine that with the life settlements, offset by underweights to fixed income and the real assets. Cash ended the quarter at about 8 million, we have a cash raise recommendation today because that's fallen even a little bit below that, recommend raising another 4 million in cash. Total assets ended last year at \$964.7 million.

Page 6, briefly going down the different asset classes for the quarter and the year, and a very positive quarter, equity 9.2% and 10.6% from your equity composites, another 9% from global. For the quarter, fixed income was slightly positive, high yield up 2.7%. Down the 1-year column as you'll see 30% in US, 26% in non-US, almost 9% in core fixed income and almost 13% in high yield. On the bottom of page 7, that all rolls up to 4.4% return for the quarter, out-performing the benchmark by 55 basis points. The one-year, 15.16% return for the total fund vs 14.24% index return, almost 1% added for the year. Which, again, the 90 basis point ties back to the number **David** showed on the attribution page.

Without getting too much into specific managers, in non-US equity, Baillie Gifford, a name we keep mentioning over and over again, was a top performing manager. The US composite as a whole, on page 8, was up 31.5%, just outperforming by 5 basis points. There was a mix of out and underperformance, being slightly overweight small-cap was a bit of a drag on the portfolio and large cap and growth tended to outperform. Really strong contribution from Earnest Small Value, Emerald on the All Cap allocation for the year turned it around later in the year to do well, and CIM Small at the bottom of the page. As mentioned, Baillie Gifford added a lot of value this year, but in the interests of time I'll jump all the way to page 17 to another new chart, and it's a nice look back that summarizes the return, risk and how the overall portfolio efficiency is ranked against the peer groups over the years. The first box we can see 1, 3, and 5 year rankings for your total return, which have ranked in the bottom quartile for the 1 and 3 years, your plan tends to have a lot less equity than other public plans, about 22% US and the average plan in this universe has 40%, so they doubled your allocation to US equity, which was the strongest performer in the 1 year. But then if you go over to the middle set of charts, the standard deviation of the amount of risk your portfolios take, you rank in the top quartile – top as in best, not highest. For the 1, 3, and 5-year periods. So you're taking less risk, and all of that adds up to the last set of columns. Your Sharpe ratio, which is a risk-

adjusted return ratio. You're ranking in the top half, or even for 5 years the top 10% of funds. For periods like the last 1 year, the US equity dominated all of the markets, you can trail some of the peers that are more highly allocated. On a risk-adjusted basis, you're in the top of the peer group.

You have the typical perspectives in your materials, which is January, to highlight some of these have already changed substantially to where we are mid-February. At the top of this chart the US equity market was about flat through January, lots of highs and lows, and ended the month at one basis point. The US equity market now, through last Friday, Valentine's Day, is up 5%. We've had a strong recovery in February. Non-US markets, January were negative 2.69%, they're about flat now, so those recovered quite a bit in the first half of February as well. We continued to have strong bond returns from rates, inching down yet just a little bit further. You'll see the top line under US-fixed income, the Bloomberg-Barclays US Aggregate Index, was up 1.92% just for the month of January, and it's very close to that level right now year-to-date. We're off to a solid start from the markets in the first six weeks of this year.

Craig Morton

Cash Flow Memo Recommendation - The next item we need a board vote, remain overweight in non-US equity, we're recommending \$1 million each from the index fund and Twin, because you're slightly overweight large cap, half a million each from Emerald and Earnest small cap, to keep that large/small balance where we want it, and then \$1 million from Baillie Gifford, as it continues to be slightly above its target within the non-US composite. That comes up to \$4 million total, down from our usual because we're expecting some sizable distributions this month, so we don't need to raise the full \$5 million that we have been in the past.

The board unanimously approved a motion Tom Puzak, duly seconded by Sarah Roka, to approve the cash flow recommendation as submitted and requested by the consultant, Wilshire Consulting, at \$4 million. \$1 million from SSGA S&P500 Index, \$1 million from TWIN Capital, \$500,000 from Earnest Small Cap, \$500,000 from Emerald Small Cap, and \$1 million from Billie Gifford.

ii. Asset Strategy

No update

iii. PFM

Perry Giovannelli

Good afternoon. I do have one recommendation to run by the board. Washington Alliance is now forming their second fund, Fund 2, and so you're very familiar with them from being in your program already with fund one. The performance in fund 1 has done out-of-the-park, basically, from a performance standpoint. Just as a reminder, they're 5-year number is at 19.92% vs the benchmark at 8.25%. Since inception, this September it'll be 7 years since you've been invested in fund 1, is 20.14% return vs the benchmark at 8.97, very solid. They're running the same program again as far as forming fund 2, they're in the first phase of the capital they're raising, and they're raising about 20 million dollars to do that piece. We're recommending that we start into fund 2 with 2 million dollars, which will run pretty much like we did fund 1, where it'll be an opportunity to do another investment down the road as they raise their capital, their overall goal is to get 75 million. At this point they have the first 20 million raised. They have a closing schedule for March, and that's why I'm in front of you now, so we can move forward and get the paperwork if you approve it.

Additional time was provided to further discuss the request for \$2 million allocation commitment to Washington Alliance Capital. John Weinstein provided positive compliments on the performance of Mr. Mendenhall, Washington Alliance, over the years, and saw no reason not to move forward. Frank Dicristofaro provided positive compliments on their performance as well. Jennifer Liptak complimented Washington Alliance Capital on their work, however questioned the timeframe and felt it was not the time to make new fund investment due to outstanding questions she has regarding where the board stands with advisors. Amy Weise echoed Ms. Liptak and would have appreciated an executive session prior to the vote.

The board approved a motion by Frank Dicristofaro, duly seconded by Sarah Roka, to approve the \$2 million allocation commitment to Washington Alliance Capital for a new fund by a vote of 4-2. Jennifer Liptak voted no, as further discussion and advisor review needed. Amy Weise voted no for reason of further discussion was needed.

VI. NEW BUSINESS

No new business.

NOTE: Executive Session was held prior to the Board meeting, which was being continued after today's Board meeting.

VII. ADJOURNMENT

The Board unanimously approved a motion by the Chair, John Weinstein to adjourn at 12:31 pm.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Chelsa Wagner". The signature is fluid and cursive, with the first name "Chelsa" being more prominent than the last name "Wagner".

Chelsa Wagner, Secretary