

The regular monthly meeting of the Retirement Board of Allegheny County was held on February 16, 2018 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:02 pm.

When the roll call of the Board members was made Board members Ted Puzak, Rich Fitzgerald, Jennifer Liptak, and Sarah Roka were recorded as being present. John Weinstein and Chelsa Wagner arrived at the meeting at 12:10pm.

Also present were Brian Gabriel of CDBPM Law and Walt Szymanski, the Retirement Office Manager.

PUBLIC COMMENT

There was no public comment

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Ms. Roka, to approve the minutes of the January 18, 2018 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. Fitzgerald to accept the December 2017 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 Ms. Roka, duly seconded by Ms. Liptak to accept the invoices for February.

VENDOR EXPENSES

VENDOR	DATE	AMOUNT
ALTAIR MANAGEMENT PARTNERS	10/1/17 - 12/31/17	\$ 4,933.06
CIM INVESTMENT MANAGEMENT (Fixed Income)	10/1/17 - 12/31/17	\$ 7,632.61
CIM INVESTMENT MANAGEMENT (Small Cap)	10/1/17 - 12/31/17	\$ 10,685.47
CIM INVESTMENT MANAGEMENT (Israel Bonds)	10/1/17 - 12/31/17	\$ 3,670.24
CS MCKEE INVESTMENT MANAGERS	10/1/17 - 12/31/17	\$ 16,877.93
EARNEST PARTNERS	10/1/17 - 12/31/17	\$ 40,263.66
EMERALD ADVISERS (All Cap)	10/1/17 - 12/31/17	\$ 4,113.36

EMERALD ADVISERS (Small Cap)	10/1/17 - 12/31/17	\$ 34,592.38
EMSTONE ADVISERS, LLC	10/1/17 - 12/31/17	\$ 2,734.86
FRAGASSO FINANCIAL ADVISORS	10/1/17 - 12/31/17	\$ 10,394.00
FUSION INVESTMENT GROUP	10/1/17 - 12/31/17	\$ 4,273.98
iNetworks OF, LLC	1/1/18 - 3/31/18	\$ 9,050.51
SALIENT	10/1/17 - 12/31/17	\$ 4,034.89
SEGALL, BRYANT & HAMILL	7/1/17 - 9/30/17	\$ 62,044.82
SEGALL, BRYANT & HAMILL	10/1/17 - 12/31/17	\$ 59,225.10
STATE STREET GLOBAL ADVISORS (S&P 500)	10/1/17 - 12/31/17	\$ 4,478.26
TWIN CAPITAL MANGEMENT	10/1/17 - 12/31/17	\$ 30,460.27

Total Vendor Invoices for Approval

\$309,465.40

PENSION APPLICATIONS

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

- Early Voluntary – 15
- Full Retirement – 26
- Modification – 2

The Board unanimously approved a motion by Ms. Roka, duly seconded by Ms. Liptak to approve the Disability Application of Member #075975. 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

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

The Dashboard as the month ending January 2018 for retiree payroll is up 4.07% YTD, contributions are up 8.99%, contributions refunded are down 1.81%, refunds are up 25.00%, new members are down 16.67%, disability applications are up 100%, disability appeals are down 100%, deaths are down 83.33%, life insurance claims paid are up 116.67% at 13 for \$91,300.00, pension estimates are up 318.52%, buyback applications are down 14.29%, total retirements for the year are up 41.30%, full retirements are up 36%, and early retirements are up 5.00%.

Capital Calls are up 11.33% with 16 for \$2,950,669.21. There was 1 allocation which was approved last year for \$26,500,000. Capital calls are a total of \$1,326,402.61. At the end of January we are in line with the office budget.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Ms. Liptak to send out the attached letter to inform the retirees about the new life insurance company.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Ms. Liptak to approve the security update from Surveillance Group. This is included in this year's budget.

The 2017 1099's were completed and mailed out on January 26, 2018.

Members of the RBAC Staff met with Koryak Consulting to begin work on the Capital Call Portal.

Act 125 Tyler Update: Testing is in process and issues are being addressed with Tyler. Updates will be provided to the Board at each upcoming meeting until full implementation takes place.

SOLICITOR'S REPORT

Solicitor's Report is current as of February 8, 2018. Significant updates at 3(a) and 12(a). No questions or additional comments.

WILSHIRE

David Lindberg, of Wilshire Associates, provided the Monthly Performance Review through December 31, 2017. End of 2017 Asset Class performance; Emerging Markets top performer at 37.7% followed by Developed Non US Equities at 25.6% and US Equities at 21.0%. MLP was the worst performing asset class in 2017 at -6.5%. At the end of December 31, the total fund composite consists of \$939 million. There was a new allocation to MLPs which at \$17.8 million since then a new manager was added at \$26.5 million. Domestic and International equity continue to maintain an overweight relative to the policy which is a parking lot for the uncommitted private equity. The Total Fund was in line with the Benchmark for the quarter at 3.5% absolute return. Peer Universe rankings relative to other public funds; 66th percentile for the quarter and 71st for the trailing one year. Composite performance is at the top US Equity strong for both the quarter and the one year. Emerald and Ernest Partners were the best performing managers at 22.00% absolute return. Non US Equity is modestly behind for the quarter but at one year well ahead of the benchmark. This portfolio ranked in the top half of its peer universe. Baillie Gifford and the small cap allocation added value significantly this year. Global Equity we have one assignment here behind about 6% for the trailing one year. Core Fixed incomes are in line with the benchmarks for the quarter and modestly behind for the past one year, but a 3.3% absolute return with Federated leading the way as the best performing manager in 2017. High yield remain to be challenged for active managers throughout the year and down 87 basis points in the trailing one year. We made changes here bringing in the Federated strategy which has helped in the past two quarters. TIPS had a 3.1% absolute return in 2017. MLP's do not yet have a full quarter of data, we had a partial month. Commodities have since been liquidated but are nicely ahead of the index in 2017 with 4.5% absolute return. Real Estate is nicely ahead for the quarter and one year, 10% absolute return for 2017. Hedge

Funds had some changes with the liquidation of DRZ; 1% absolute return for the quarter but trailing one year -14% absolute return.

Craig Morton, of Wilshire Associates, provided a brief Capital Market Review through January 31, 2018. Things look good towards the end of January, since then we saw the market go into a correction. The S&P 500 was at one point down 10% which is considered a correction; 20% is when it is considered a bear market. It has been several years since the market has seen a correction. We saw a reversal starting on Friday February 2nd and continuing on Monday the 5th, where the market corrected very quickly with things selling of very aggressively. There been some concern that equities are overvalued but this correction seemed to be disconnected from the fundamentals. Since then we have seen a lot of those losses made back up. The S&P 500 is up almost 1% for the year again. Volatility may begin to increase slightly but should not reach where it was towards the beginning of February. February essentially wiped out January and we are basically back where we were at the end of 2017. MLP's are up 5.75% in January and down 6.5% through February 9th. Interest rates continue to rise; the Barclays US Aggregate was down a little over 1%. This will continue lower as rates continue to rise. Inflation has come in a bit higher than expected so bond yield have risen aggressively. Expectations are a one in three chance the Fed will have a fourth interest rate raise this year.

Cash Flow Recommendation Memo: Raising an additional \$5 million by moving \$2.5 million from both Twin Capital and Baillie Gifford. The Board unanimously approved a motion by Ms. Roka, duly seconded by Ms. Liptak to approve the cash raise.

Ed Boyer, of Asset Strategy, Constitution Capital announced yesterday that they are selling one of their companies they made an investment in. Fund three, the co-investment fund; they made an investment in NPI Research in January of 2016. They are now going to sell it for three times their money, getting us a return of \$1.6 million.

NEW BUSINESS

No new business.

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

ADJOURMENT

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Ms. Wagner to adjourn at 12:21pm.

Respectfully submitted,



Chelsa Wagner, Secretary