

The regular monthly meeting of the Retirement Board of Allegheny County was held on February 21, 2019 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:10 pm.

When the roll call of the Board members was made Board members Jennifer Liptak, Rich Fitzgerald, Sarah Roka, Frank DiCristofaro, and Janice Vinci for John Weinstein were recorded as being present. (Mr. Weinstein arrived during the 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 January 17, 2019 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

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

VENDOR EXPENSES

VENDOR	DATE	AMOUNT
ALTAIR MANAGEMENT PARTNERS	10/1/18 - 12/31/18	\$ 6,378.05
CIM INVESTMENT MANAGEMENT (Fixed Income)	10/1/18 - 12/31/18	\$ 7,701.02
CIM INVESTMENT MANAGEMENT (Small Cap)	10/1/18 - 12/31/18	\$ 9,451.94
CIM INVESTMENT MANAGEMENT (Israel Bonds)	10/1/18 - 12/31/18	\$ 3,613.17

CS MCKEE INVESTMENT MANAGERS	10/1/18 - 12/31/18	\$ 16,912.01
EARNEST PARTNERS	10/1/18 - 12/31/18	\$ 35,969.81
EMERALD ADVISERS (All Cap)	10/1/18 - 12/31/18	\$ 4,199.80
EMERALD ADVISERS (Small Cap)	10/1/18 - 12/31/18	\$ 26,792.77
EMSTONE ADVISERS, LLC	10/1/18 - 12/31/18	\$ 3,256.56
FIDELITY INVESTMENTS (Select Int'l Plus)	10/1/18 - 12/31/18	\$ 35,200.83
FRAGASSO FINANCIAL ADVISORS	10/1/18 - 12/31/18	\$ 9,406.00
FUSION INVESTMENT GROUP	10/1/18 - 12/31/18	\$ 1,864.92
MELLON CAPITAL	7/1/18 -9/30/18	\$ 21,947.58
SALIENT	10/1/18 - 12/31/18	\$ 31,508.43
SEGALL, BRYANT & HAMILL	10/1/18 - 12/31/18	\$ 48,330.34
TWIN CAPITAL MANGEMENT	10/1/18 - 12/31/18	\$ 26,657.33

Total Vendor Invoices for Approval

\$289,190.56

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 February. The following applications were filed.

- Early Voluntary – 12
- Full Retirement – 30
- Disability – 1
- Payment Plans – 1

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the Disability Application of Member #088083. It is the recommendation of three designated physicians this member IS totally and permanently disabled from any gainful employment in Allegheny County.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the Disability Application of Member #079805. It is the recommendation of three designated physicians this member IS totally and permanently disabled from any gainful employment in Allegheny County.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the Disability Application of Member #097933. 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 areas on the dashboard. So, beginning with retiree payroll, payroll is up 6.76%. Contributions are up 4.35%, contributions refunded are up 52.83%. I added a new section requested at the prior meeting; members that have the 4K life and members with the additional life. So what we'll do is have a monthly total for every month to show where it was this year compared to last year. You can see the large jump from this year to last year for members with additional life that was due to the open enrollment. Pension estimates are down 26.55%. You turn to the next page, capitol calls are up 11.26% at \$3.2 million dollars. For the month we had \$3,282,835 dollars in capital calls, total retirements on the year up 10.77% with full retirement being the large amount of that number.

The office budget as of January 31st, 2019 is just a picture for now. It's not complete as the comptroller's office I believe is still working on post-closing entries and finishing their books and next month we will have a more accurate picture of where we're at budget wise to the end of February. Are there any questions on the dashboard? So, I do have a few board approval requests.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve the hearing officer's recommended finding of fact and conclusions of law for appeal number 2018-1, member number 065078 denying the appeal.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. Fitzgerald for preliminary approval of the winter 2019 newsletter. Please review and let me know if there are any changes by March 1, 2019. If no edits, it will be mailed to all retirees and included as payroll handout for active employees.

Updates:

- The 2018 1099's were completed and mailed on January 15, 2019.
- The total number of retirees with life insurance and additional life insurance have been added to the dashboard. The total number of retirees that opted into the additional life insurance in the open enrollment for 2018 was 494.
- The pension summit will be June 14th.

SOLICITOR'S REPORT

Solicitors report is current as of February 14, 2019. I do have one action item for the board, under the category of shareholder Class Action Litigation. Specifically on page seven of the solicitor's report. The pension fund is a party to litigation filed against Aetna. We are represented by Labaton in that litigation and recently, meaning in the last few months, a merger took place involving Aetna and CVS, which prompted a recommendation by our outside counsel to enter a stipulation of discontinuance that preserves the ability to pursue the initial claims should the merger not happen. But assuming the merger takes place and is finalized, which it appears it will, the lawsuit is no longer viable. And so they, because of timing reasons, have entered into that stipulation. The Stipulation is attached to the report and I would ask that the board consider and recommend the board approve the ratification of that decision.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to ratify the stipulation of discontinuance recommended by our outside counsel, Labaton, for the case involving Aetna and CVS.

WILSHIRE

Calvin: So let's start on page 20 of the executive summary report. So as you all are well aware at this point, fourth quarter was very difficult in the capital markets. We saw US equity markets sell off 14% in the fourth quarter. Much of this occurred in December alone. Non US equity markets were down 12% real assets and high yield, two asset classes that you're invested in, went alongside equity markets and sold off during the fourth quarter. And we ultimately only saw two asset classes with positive returns and that was core fixed income and cash with a roughly 1% positive return and a half a percent return respectively.

So, with that said, at the bottom of page 20 your total fund value at the end of December was around \$872 million dollars as your fund sold off alongside the equity markets. But we will see shortly that your asset allocation did provide some downside protection and fared much better than some of your pure portfolios. On page 21, your net of fee performance relative to the policy index for the quarter, a net of fees down 6.66% was 86 basis points behind the policy benchmark of 5.8%. Looking out over the past one year, negative 3.35% for your total fund was about 1.3% behind the policy index of 2.06. And then finally looking out over five years, 4.83% for you're a total fund was about in line with your policy benchmark. So relative to peers on page 22 as I mentioned, your fund had provided some downside protection with your asset allocation focused on downside protection and diversification for the one quarter period your fund ranking of the top one third of public funds in this universe. While your policy was in the top quartile, a 22nd percentile looking out over the past one year, a similar story, negative 3.17 from a gross of fee ranked 37th and a peer universe while were a policy also ranked 22nd and the average portfolio was down over 4%.

So with that said, let's jump over to the perspectives newsletter. Given the significant recovery that we've seen in January and continuing on in February, so census reporting in January, US equity markets were up nearly 9% as measured by the Wilshire 5,000 index, 8.65% in January alone, Non US equity markets were up 7.5% as measured by the MSCI AC US index. But bond markets specifically core fixed income or the Bloomberg Barclay's US aggregate was up another 1% for the month of January. High yield recovered nicely, returned 4.5% in January.

And then real assets continued with the recovery trend, real estate was up on almost 11.5% for January,

and we saw MLPs recovering nicely up nearly 13% in January alone. This trend continued through February month to date. At the end of last week, US equity markets were up nearly 3% for the month of February. Non US equity markets were up another 1.5%. And fixed income markets, were about flat. So what does this mean for your portfolio? We've estimated that your return year to date through the end of last week was 5% and your total fund value is a \$916 million dollars. You have recovered much of the selloff off that we saw in December through month to date in February. So coming back, thinking ahead next month, we expect much stronger performance specifically from your active managers as the volatility has created some opportunity for those managers.

We recommend a current cash raise of \$5 million dollars, this is expected to come \$2.5 million dollars from Ernest small cap value, \$2.5 million from Emerald small cap and a half a million dollars from CIM small cap.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve a cash raise of \$5 million dollars; \$2.5 million dollars from Earnest Small Cap, \$2.5 million dollars from Emerald Small Cap, and \$500,000 dollars from CIM Small Cap.

Oaktree high yield, one of your high yield investments is terminating their trust vehicle, which is what you are invested in. They still have other vehicles that you can enter into a, so the high yield strategy will continue to be offered another form. They're recommending that you transitioned us to the LP format of the vehicle. There are no changes to the team. So, we would recommend that you transition all of your assets, which are roughly \$56 million dollars, to this LP structure, with notice needing to be given to Oaktree today, this afternoon. Then the transition must occur by the end of this month.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve transitioning of all assets (\$56 million dollars as of 12/31/18) to the available LP structure, with the strategy to be reviewed as part of the fixed income structure work being done this year.

NEW BUSINESS

No new business

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

ADJOURNMENT

The Board unanimously approved a motion to adjourn at 12:28pm.

Respectfully submitted,



Chelsa Wagner, Secretary