

The regular monthly meeting of the Retirement Board of Allegheny County was held on July 19, 2018 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:07 pm.

When the roll call of the Board members was made Board members Chelsa Wagner, Rich Fitzgerald, Jennifer Liptak, Sarah Roka, Frank DiCristofaro, and John Weinstein were recorded as being present.

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

## **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 June 21, 2018 Board meeting.

### **APPROVAL OF MONTHLY FINANCIAL STATEMENTS**

The Board unanimously approved a motion by Ms. Wagner, duly seconded by Mr. DiCristofaro to accept the May 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**

No invoices for July.

### **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 July. The following applications have been filed.

- Early Voluntary – 17
- Full Retirement – 20

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the Disability Application of Member #092482. 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 #077328. 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**

I'll highlight some areas on the dashboard. A retiree payroll is up 5.57% for the year, contributions made are also up 7.88%, contributions refunded up 15.59%, and the number of refunds are up 48.69%.

If we go down to the life insurance claims paid. Once again, we only started tracking around this time last year, so that number will be slightly skewed up to at the current moment. If you turn to the next page, retirements are up on the year as a whole 23.26%, full retirements are up, early retirement are actually down, and capital calls for the year at this point in time are down 27.5% from last year. Total capital calls we have for the month are at 1.2 million.

Office budget is right in line for the years, we're actually a little below where we could be and I have a couple requests of the board for approval.

Does anybody have any questions for us on the dashboard? I apologize.

Phase XIV started the reevaluation process on some of the disabled employees, asking the board's permission to reevaluate its member #10650, to be reevaluated by three physicians. So I'm going to ask for board approval on that one.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve the reevaluation of member #10650 by recommendation of the medical consultants.

Next, I have the 2017 annual report behind my manager's report and with the board's okay we will submit these to be printed and mailed to all the active and retired members.

If that's all right with the board rule, it's included in your packet, that financial measure or report for years ending 16 and 17, so if everyone could take a look at that and then by next Friday if there's any questions or problems or concerns, we can address it, but if not, then we'll give preliminary approval to it.

The Board unanimously approved a motion by Ms. Wagner, duly seconded by Mr. DiCristofaro to give preliminary approval for the annual report 2017. (Later approved via email on 7/27/18)

2018 Election Results: Posted to the website and released in an HR blast.

Act 125 Tyler Update: Web calculator recently went live. There are still a few bugs we're working out, but as for the most part, everything is good.

## **SOLICITOR'S REPORT**

Thank you John, I have one action item coming out of the executive session this morning with Robbins Geller and that is to ask that the board consider and authorize a representation agreement with Robbins Geller and authorize Robbins Geller to serve an inspection demand on restoration hardware's board of

directors.

The authorization is specific to the inspection demand and it would be expected and required that Robbins Geller would then report back to the board relative to its findings and whether further action and actual shareholder litigation is advisable.

The actual motion is to authorize the board president to execute a representation agreement with Robbins Geller specific to restoration hardware and an inspection demand.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to authorize the board president to execute a representation agreement with Robbins Geller specific to restoration hardware and an inspection demand.

Solicitor's Report is current as of July 13, 2018. No questions or additional comments.

## **WILSHIRE**

Kalvin Born, of Wilshire Associates, first we will start in the executive summary of investment performance as of May 30th. On page 2 your actual allocation versus policy allocation, towards the bottom total assets just under \$918,000,000 as of May 31<sup>st</sup>. Public equity off to the far right, continues to be the most overweight asset class in the portfolio, really serving as an offset to the underweight to private equity until we're able to fully commit and then looking down total public real assets underweights to tips and commodities, commodities specifically, which will be addressed in our upcoming asset allocation study.

So if we jump over to page four at the bottom of the page, total fund, nicely ahead for the month showing some good downside protection, returning negative 54 basis points relative to your index, which is down a percent and a quarter. Year to date similarly ahead of half a percent, down 73 basis points while your index was down one point two percent.

Looking out longer term, three and five years, also nicely ahead of the policy index. 6.33% absolute return over three years was 50 basis points ahead of the index. Then over five years, 6.8% return was 53 basis points ahead of your index. We flipped back over to the top of page three. I'll review some of composite performance, US equity, modest overweight to small cap stocks, and added value you're ahead for the month 3.16% absolute return was ahead by 41 basis points and year to date modestly ahead 20 basis points with it 2.5% absolute return. Non US equity right below that were ahead of the index for the month. Baillie Gifford and an allocation to small cap stocks and bond us equity added value for the month, year to date you are just modestly behind the index 8 basis points.

Global Equity, we have one manager here, Fusion Capital is behind for the month, six basis points, but year to date ahead nicely over 1%. Core fixed income for the month; modestly behind, absolute return of 60 basis points relative to the index 71. Year to date ahead of the benchmark by 32 basis points. CS

McKee and Federated core bond strategies are your best performing managers here. High yield for the month, marginally behind seven basis points, as well as year to date behind 60 basis points. We've continued to talk about the difficulty active managers have had in this environment as the lowest quality issues in the asset class have outperformed. TIPS you just have one manager here, which is a passive index allocation with Mellon Capital is in line with the benchmark.

Flipping over to page four, MLP is strong absolute return quarter to date around 15% out of your two managers gaining some back from the first quarter sell off that we experienced. And again for the month your managers both ahead of the index, 7.2% absolute return was over 2% ahead of the index. And lastly, real estate I just wanted to point out year to date, 4.3% absolute return was the highest returning asset class in your portfolio with Washington Alliance and Siguler Guff being your best performing managers there. I can take any questions or I can let a Craig update us on where we are through June 30.

Mr. Weinstein: Mr. Mendenhall is here from Washington Alliance; thank you for your performance.

Craig Morton, of Wilshire Associates, provided a brief Capital Market Review through the end of June 2018. In the month of June US Equities had a positive month and continued outperforming international equities

The Wilshire 5000 market index was up 65 basis points for the month of the year. Has started off a bit more vulnerable than we saw last year with trade tensions being one of the key reasons and the down days being a lot more severe than the up days. Although the up days have outweighed the down days, year to date through the first half of the year, a US equities were up nearly 4% as measured by the Wilshire 5000.

And compare that to international equities which were down for the month in local currency and US dollar terms. We talked about this last month; the US dollar in the last few months has weighed on the returns of international equities as the dollar has strengthened, part of that is due to the US rates rising while the rest of the world really hasn't started that process yet. The Fed in June raised rates again and are expected to do so several more times this year. So higher yields in the US attracts people to buy US dollars and invest in US fixed income. So as the dollar has gained for the month of June, it weighed on international equities by about 1%. So international equities were down about 0.75% in local terms. And 1.88% in US dollar terms.

Fixed income, as I mentioned, the Fed raised rates again in June, expected to do so several more times through the end of the year and the yield curve continues to flatten, which is to say that yields on the shorter end of the curve rose faster than in the longer end. There's a section on the front, bottom right corner of the prospective document that talks about how this relationship between the short and long end of the curve is interesting and potentially concerning if it maintains this way, usually when the curve flattens out considerably it's because of people's concerns over long term growth perspectives, which is keeping the long end of the curve those rates down. Not an immediate concern, but something to keep an eye on if it persists this way, that means that the market as a whole is telling us that it expects a

slowdown in economic growth in the future. And so we'll, we'll keep an eye on this to see if that relationship between the short and long end persists.

One last item to, to hit on is the MLP index was down about 1.5% for the month of June, but up 11.8% for the quarter. So rebounding strongly from this first quarter and through this morning have been particularly strong for MLPs; up over 4% so far in July. So a good news there and that's, those are the high level points I wanted to make. There's no questions I'll move to the cash raise.

We have a recommendation in sticking with our every other month, \$5,000,000 raise in anticipation for the meeting next month of being canceled, we brought this a month earlier. US equity continues to be the most significant overweight position and we're recommending that the \$5 million dollars be taken from the index fund this time. With the anticipation that we will be looking at the investment managers and the structure of the US portfolio more closely in the fall and just deciding how we want to potentially change any things around there. So taking it from the index since it is overweight.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Ms. Liptak to approve the reallocation of \$5 million dollars from the US Equities index fund per the recommendation of the consultants.

#### **ASSET STRATEGY**

Mr. Boyer, nothing additional for this month.

#### **NEW BUSINESS**

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro cancel the August Retirement Board meeting.

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

#### **ADJOURNMENT**

The Board unanimously approved a motion to adjourn at 12:33pm.

Respectfully submitted,



Chelsa Wagner, Secretary