

The regular monthly meeting of the Retirement Board of Allegheny County was held on June 21, 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 Ted Puzak, Amy Weise for Chelsea 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

Ken Kasack, 2416 East Carson 15203: In my practice I do a lot of reading and I get a lot of information from clients of mine so I just want to go through a couple of things I brought today. My presentation today is detailing why the county should invest in liquefied natural gas shipping. The first article is "Can Liquefied Natural Gas Solve the Trade Deficit?" and as much as I appreciate liquefied natural gas and what it is doing to America, the answer will be no. If China for example bought every drop of liquefied natural gas that is created this year they will send us \$13 billion dollars, the trade deficit is \$375 billion dollars. It is a start and no matter what happens in the tariff war; China will never put tariffs on LNG. The second article, "LNG Exports to Add 1 to 2 trillion dollars to US Economy by 2050". So we are really on the introduction of a great new industry here and a lot of ancillary industries also benefit from that. The third thing that I want to bring up here is a client sent me a transcript of the meeting before this meet from last month and I know there was some discussion about my presentation in also the MLPs. I was an MLP investor before moving to LNG. A brief history of MLP investments would benefit us all; after the oil embargo of 1973 we were not a secure country in terms of energy. So they started a way to incentivize investment in infrastructure and that was the MLP. MLPs exploded say 2002-2003 but what happened was when Range Resources came here to Western PA and opened their first well in 2006, which changed everything. By 2014 when OPEC had a meeting that decided to let the price of oil go where it was, it tanked the MLP industry, the MLP index declined by 35% in the year 2015. Many companies that were MLPs are gone from the industry, last year 8 companies were taken private by their general partner. Right now there are 10 companies on the watch list including EQM, which was the mid-stream company set up by Equitable Gas. So when we look at the MLP index and we go up 5%, up 10%; right now that index is 265 or so on the day that OPEC made their announcement that index was 514. So the MLP index has been cut in half. The MLP story was a great story for a period of time but that story is done now.

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro, to approve the minutes of the May 17, 2018 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the April 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 June.

VENDOR EXPENSES

VENDOR	DATE	AMOUNT
FEDERATED (Core Broad)	1/1/18 -3/31/18	\$ 18,489.71
FEDERATED (High Yield)	1/1/18 -3/31/18	\$ 54,095.22
FIDELITY INVESTMENTS (Select Int'l Plus)	1/1/18 -3/31/18	\$ 40,124.72
FUSION INVESTMENT GROUP	1/1/18 -3/31/18	\$ 2,027.86
MELLON CAPITAL	1/1/18 -3/31/18	\$ 28,165.17

Total Vendor Invoices for Approval

\$142,902.68

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 June. The following applications have been filed.

- Early Voluntary – 5
- Full Retirement – 13

MANAGER'S REPORT

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

The Dashboard as the month ending May 2018 for retiree payroll is up 5.52% YTD, contributions are up 7.4%, and contributions refunded are up 24.9%.

Life insurance claims are starting to fall into place with actual amounts, up 37.28%. Pension estimates continue to climb we are up about 47.57% for the year.

Total retirements are up 27.21% YTD. Early retirements are up 20.55%. At this point total capital calls are down 24.68%. Total capital calls for the last period total \$2.8 Million. The office budget is in line for the year.

Requesting the Board's approval of the 2017 financial statements and schedules, if approved they will be posted to the website this afternoon.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Roka to approve the financial statements and schedules for 2017 prepared by Case Sabatini.

Requesting the Board's approval of the open enrollment letter for the retiree life insurance. We have been working with the Standard, with approval today the open enrollment period would start when they receive the letter in the next week or two until August 31st. This is a joint letter signed by the Standard and myself.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to approve the open enrollment letter for retiree life insurance.

The ballots for the 2018 election were mailed out the week of May 28th; the deadline to return the ballots is this coming Monday, June 25th by 4:30. The ballots will be read by the election office Tuesday June 26th starting at 9am. Once the ballots are counted I will send an email to everyone announcing the winner.

Act 125 Tyler Update: We converted the system on June 1st, 2018. We are currently running the new version, we ran our first payroll and sent a test file to the bank and everything appears to be good. The next step will be the web calculator, we have a call scheduled next week so once this is all tested the calculator will be updated. This will allow those Act 125 employees to be able to sign on and get their pension estimates.

SOLICITOR'S REPORT

Solicitor's Report is current as of June 14, 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 April 30th. On page 2 the actual allocation versus your policy allocation, about \$926 million dollars at the end of April. I will highlight some differences relative to your policy target; overweight to public equity in the far right column, serving partially as a placeholder for your uncommitted private equity. Total public real assets are underweight; this is something we will be addressing in our 2018 asset allocation, which is in progress. Performance, let's start on page 4 at the bottom. Total fund for the month returned an absolute of 0.72 which is about in line with the index of 0.67; looking out over one year 8.71 absolute return was ahead of the benchmark by nearly 70 basis points. Flipping back to page 3, US Equity in line with the market for the month, absolute return of 0.4%. Looking out over one year that is well ahead of the index, 13.7% absolute return. With Emerald small

cap and Emerald all cap being the strangest performers in the asset class. Non US Equity behind for the month 0.76, ahead of the benchmark for the past one year. With a 16.4 absolute return Baillie Gifford continues to outperform their benchmark. Global equity, we have one manager here behind for both the month and the trailing one year. Core Fixed Income is negative for the month but your managers outperformed the index by 23 basis points. CS McKee and Federated both continued to outperform and we see a similar theme over the past one year. High yields are in line with the benchmarks for the month, just marginally behind. TIPs, you have one manager here the Mellon Capital index fund which is in line with the index. Real estate not everything has been marked but just to point out 12% absolute return over the past one year. Hedge funds one manager here, behind relative to the bench mark of cash +3% but for the month they were ahead of their own index by 62 basis points. Finally MLPs gaining some back for the month with 7% absolute return, still trailing the index of 8%.

Craig Morton, of Wilshire Associates, provided a brief Capital Market Review through the end of May 2018. In the month of May US Equities added almost 3%, for the year to the end of May just under 2.5%. Outperforming international equities which had a poor month in May, down 2.3% measured by the MSCI AC World ex US index. About 1.5% of that was due to the dollar strengthening. Emerging markets lead the decline down 2.2% but on a YTD basis are actually out performing developed markets on a local currency basis, but then translated back to the US dollar we see a bigger impact on emerging currencies so about a 200 basis points of currency drag on emerging markets.

In June we have seen some of the trade tensions specifically with China flair back up, so equities are mixed but in general trending downward. We will see how the rest of the month plays out, through the first half we saw those fears flair up and earlier in the year we saw similar, so we will keep an eye on it.

The Barclays Aggregate had a good month, up 71 basis points, bringing it roughly flat for the quarter, down about 70 in April and up about 70 in May. High yield was roughly flat, down 3 basis points for the month, but was up in April so a positive return of about 60 basis points in the quarter. As Calvin mentioned, there was strong MLP performance in April followed up with another 5% in May. For the quarter MLPs have recovered 13.5% and as of the end of May the index was actually up about 1% for the YTD period so we continue to monitor that as well, MLPs roughly flat for the year so far.

Finally the cash raise memo that everyone has a copy of, again keeping with the trend we have seen this year, every other month we need to raise a bit more cash to fund the capital calls and benefit payments. We are recommending another \$5 million dollars as we had in February and April. At this time because of the out performance of US Equities that has become the largest overweight; we are recommending taking from US Equities, specifically \$3.5 million from Mellon equity and \$1.5 million from Emerald small cap.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to approve the reallocation for US Equities, specifically \$3.5 million from Mellon equity and \$1.5 million from Emerald small cap.

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 12:23pm.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Chelsa Wagner". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Chelsa Wagner, Secretary