

The regular monthly meeting of the Retirement Board of Allegheny County was held on May 21, 2020 via Teams Meeting/Conference Call. The meeting was called to order at 12:00 pm.

Roll Call of the Board members was made, Board members, Chelsa Wagner, Rich Fitzgerald, Jennifer Liptak, Sarah Roka, Frank DiCristofaro, and Janice Vinci on behalf of John Weinstein were recorded as present.

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

#### **PLEDGE OF ALLEGIANCE**

#### **PUBLIC COMMENT**

No public comments were made.

#### **APPROVAL OF BOARD MINUTES**

*The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve the minutes of the April 16, 2020 board meeting.*

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

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

## MAY VENDOR EXPENSES

VENDOR	DATE	AMOUNT
GRIDIRON PARTNERS MGMT PARTNERS-FI	1/1/2020-3/31/2020	\$ 7,164.96
GRIDIRON MGMT PARTNERS-MA	1/1/2020-3/31/2020	\$ 4,865.77
CIM INVESTMENT MANAGEMENT (Fixed Income)	1/1/2020-3/31/2020	\$ 8,455.76
CIM INVESTMENT MANAGEMENT (Small Cap)	1/1/2020-3/31/2020	\$ 7,677.13
CIM INVESTMENT MANAGEMENT (Israel Bonds)	1/1/2020-3/31/2020	\$ 3,613.33
CS MCKEE INVESTMENT MANAGERS	1/1/2020-3/31/2020	\$ 18,781.40
COOKSON PIERCE & CO INC	1/1/2020-3/31/2020	\$ 695.50
EARNEST PARTNERS	1/1/2020-3/31/2020	\$ 28,904.77
EMERALD ADVISERS (All Cap)	1/1/2020-3/31/2020	\$ 5,027.52
EMERALD ADVISERS (Small Cap)	1/1/2020-3/31/2020	\$ 20,079.75
EMSTONE ADVISERS, LLC	1/1/2020-3/31/2020	\$ 4,132.28
FEDERATED (Core Broad)		\$ -
FEDERATED (High Yield)		\$ -
F.N.B. WEALTH MANAGEMENT		\$ -
FIDELITY INVESTMENTS (Select Int'l Plus)	1/1/2020-3/31/2020	\$ 25,226.95
FRAGASSO FINANCIAL ADVISORS	1/1/2020-3/31/2020	\$ 8,462.00
HARVEST FUND ADVISORS LLC	1/1/2020-3/31/2020	\$ 34,445.21
iNetworks OF, LLC		\$ -
MELLON CAPITAL	1/1/2020-3/31/2020	\$ 6,162.06
COLUMBUS MACRO, LLC (formerly Raylient)	1/1/2020-3/31/2020	\$ 1,910.69
SALIENT	1/1/2020-3/31/2020	\$ 26,375.98
SEGALL, BRYANT & HAMILL		\$ -
STATE STREET GLOBAL ADVISORS (MSCI World)	1/1/2020-3/31/2020	\$ 6,092.53
STATE STREET GLOBAL ADVISORS (S&P 500)	1/1/2020-3/31/2020	\$ 4,816.00
TWIN CAPITAL MANGEMENT	1/1/2020-3/31/2020	\$ 24,309.58

Total Vendor Invoices for Approval

\$247,199.17

## **PENSION APPLICATIONS**

*The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve pension applications filed with the Retirement Office for the month of MAY 2020.*

The following applications were filed:

- Early Voluntary - 10
- Full Retirement – 14
- Disability - 1

## **MANAGER'S REPORT**

### **Walter Szymanski**

- A. RBAC Board Member Election information
  - Ted Puzak and JF McKellan – Mr. Puzak's name will appear first on the ballot
  - June 29<sup>th</sup> The last day to return ballots to the Elections Department
  - June 30<sup>th</sup> Elections will count the ballots
- B. 2019 Financial and Actuarial Report – request for the board's approval and acceptance.  
*The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to accept and approve the 2019 Financial and Actuarial Report.*

## **SOLICITOR'S REPORT**

### **Brian Gabriel**

The report is current as of May 14, 2020, there were no specific action items under the solicitor's report for the board to consider.

## **CONSULTANT'S REPORT**

### **Wilshire**

#### **Craig Morton**

- 1<sup>st</sup> Quarter Board Summary Document – Page 2, Coronavirus Timeline, [Wilshire.com/covid19](http://Wilshire.com/covid19) provides a variety of resources and articles in relation to COVID19.
- Monthly Summary – Page 3, Asset Allocation vs Policy Allocation, at the end of the quarter assets were \$853,214,000, during the quarter assets pulled down from about \$960,000,000 at the end of last year to close to \$800,000,000 at the trough in mid-March. Markets recovered substantially by the end of March.
- Total Fund Attribution – Page 4, Total Fund, Total Performance - down 10.4% for the quarter with a benchmark down 10.9%; Outperformance by nearly 0.5%. Average Active Weight, overweight to equity and underweight to core fixed income. Asset Allocation Value Added, equity and core fixed income had a strain performance. Underweight to MLPs – added some value, as did the high-yield and MLP managers' performance.

Page 5, Overweight equity was a bit of a drag, but if you look in the bottom right, the non-US equity managers, led by Baillie Gifford, and the MLP managers, added considerable value compared to benchmark.

- Performance Summary – page 6, Investment Performance and Market Values, For the quarter, US equity slightly underperformed, core fixed income underperformed, high yield outperformed. Page 7, hedge funds underperformed and MLPs outperformed. These together get the numbers in the attribution, down 10.4% vs the benchmark, which is down almost 10.9%. Page 9, Baillie Gifford outperforming by over 2.5% for the quarter Segal Bryant continues to struggle, potential replacement in the coming quarter if this underperformance continues.
- Page 10, two core managers, CS McKee and Federated lagged, contributing to the core fixed income composite's underperformance. Gridiron Capital Fixed Income significantly underperformed the Bloomberg Barclays Aggregate Index. This isn't as much of a traditional core fixed income fund as the others, hopefully they will bounce back substantially in April and May.
- Page 11, Oaktree and Federated High Yield held up very well in the order. Oaktree performed as expected in a down market in the first quarter. Overall, the high-yield composite outperformed by 1.5% for the quarter.
- Page 13, Gridiron and Maplewood both had very tough quarters, capital from the Maplewood fund being returned as they've decided to close the strategy down. MLP managers, in a very difficult market for MLPs, traded down steeply with oil down almost 60% for the quarter, but the managers were able to outperform by 8-10%.
- Plan Sponsor Peer Group Analysis – Page 20, Total Fund vs All Public Plans -Total Fund, A very strong quarter, ranking in the 12<sup>th</sup> percentile. The fund has less equity than other similar plans, so it's lagged a bit in recent years as equity raced higher, but this more conservative allocation proved its worth in the first quarter and over the longer term periods it's definitely proven itself to be a prudent investment plan, ranking in the top quarter or third of funds over all these periods.

## David Lindberg

Monthly Perspectives – April month-to-date information. During that first quarter, it looked like there was a market peak February 19<sup>th</sup>, the market was at a high point before selling off. We bottomed on March 23<sup>rd</sup>, the sell-off was roughly 35% for US Equities. From there, on March 23<sup>rd</sup> all the way through yesterday, May 20, we recovered 24%. Which when you put that in year-to-date terms, the US Equity market fell 8% from January through yesterday. While those numbers were severe double digits through that period, we've been able to resolve that. Year-to-date return of around -8%, this quarter, April 1<sup>st</sup> through yesterday, the US equity market is up 16%. We do hope that this recovery continues, and if it does, we'll see a lot different numbers in the review of this quarter ending June 30<sup>th</sup>. In your documents, the monthly performance for April, and there's a bit of a new format for this, which starts off with a global 60/40 portfolio. April 30<sup>th</sup> – so the top line shows a global 60/40 – that's in all the countries, worldwide, non-US and US equity combined. That's 60% of it/40% US core bonds. For the month of April, that portfolio gained 7.14% month to date. Year to date, that comes out to -5.74%. Next, we have a risk parity index in terms of performance, and then down to the US equity markets, the Wilshire 5000 index for the month of April was up over 13%, and as I was saying earlier it's down 8% year to date through May 20<sup>th</sup>. A couple of other things I'll point out in US equity by size/style, if you

look year-to-date, in the top line, which is the large cap index, down 9%, and in the fourth line small caps down 21.5%. Continued large divergences between large and small cap funds. And as you know, every time we come to you with a cash flow recommendation, we have it based off the structural targets that you have in place and can approve. Those moves that we make in those situations help to keep this structure in line with where you have it by policy. For the month-to-date as you can see in that first column, we've had stronger results here, small caps at 14.43 vs 13.16 large cap. And then non-US equity, first line of the next section, the MSCI ACWI ex US index for the month up 7.5%. Comparing that to US equity up 13%, non-US equity up 7.5%. Then we go down and you'll see the Bloomberg Barclays Aggregate Index up 1.78% month to date. And just 2 columns over in the year-to-date column, those aggregate bonds have been really performing as they've been designed to do, up 4.98%. And if you scroll about halfway down through that section, US tips are up 4.52%. Those are two areas of real safety in the fund. And then finally, at the very bottom is real assets. And we're having a lot of struggle with real assets, particularly with the crude oil market, we'll see a lot of these indexes are negative. Even the mid-stream energy index, so the MLPs that Craig was talking about, year-to-date down 31%, *month-to-date* we have a 29.5% recovery on those. So a lot of bounce back-happening there. So that's April, and I'll give you just a few month-to-date figures on May, I mentioned that the US equity market month-to-date figures on May just for the month is up 2.4% through yesterday, non-US markets are up just a little bit over 1%, and then we have aggregate bonds coming up just a few basis points, about 14 basis points.

### **Craig Morton**

Asset Allocation and Cash Schedule is as of May 8<sup>th</sup>, the reports are produced on a regular basis. About \$895 million is the total plan balance, cash is up about a million, so about \$10.5 million. There's been a decrease in hedge funds and private equity is down slightly as we've started to get those up-to-date market values, and then a slight increase in the fixed income portfolio as well. Those changes since May 8<sup>th</sup> net out to leave you with still about \$895 million as our current estimate of the plan balance. And on the next page, the cash balance is at around \$10.5 million, and those first two capital calls from May, Blackstone, and the Maplewood return capital have happened, and for the rest of the month we only have about \$350 thousand of capital calls that we know of at this time. Capital calls have come in below our conservative estimates, we've been assuming \$3 million in capital calls each month, the other half of this month at the 5/31 line, another \$1.5 million assumed. That's probably going to come in less than that \$1.5 million. We expect to end the month with about \$5.5-6 million in cash, and then we can discuss another cash raise next month to get back to that \$10+ million benchmark we've been using for the last few years. The cash is in a good position now, no need to do another cash raise for May.

Over \$895 million, so you're back up from the end of March by roughly \$40 million.

### **Asset Strategy** **Ed Boyer**

Request was made regarding I—networks. Two commitments were made to them, over a year and a half ago, that included 12.5 million dollars to their core strategy in the venture (capital) space, and another 2.5 million to this other strategy that had a conservative element of yield and an attractive risk return, a good risk return profile. Since the venture capital deal flow has slowed up a bit, and they're seeing more demand for the income yield total return, the other

strategy that just had 2.5 million, they came to us that they could shift a little bit of the allocation from the 12.5 million to the smaller allocation, which was originally 2.5 million. I-Network is requesting up to a half a million for a new investment.

Mr. Boyer's motion request to the board to approve up to .5 million dollars being redirected from the VC fund over to that smaller fund, which was originally 2.5 million, now up to 3 million. The opportunities they're seeing in that strategy – these are generally local businesses, to support the local community.

**Jen Liptak, Amy Weise, and Frank DiCristofaro** agreed that a summary or write up is needed prior to voting on the request from I-network. Under normal circumstances, a write up and an executive session would have occurred.

**Ed Boyer**

To clarify, the two main allocations were previously approved at 2.5 million and 12.5 million. All we're asking for – or I-networks [?] is asking for – is to shift up to 500 thousand from the 12.5 million, taking it down to 12 million, and the other one from 2.5 million up to 3 million. It's not a new allocation per say.

*The board agreed to receive the I-networks recommendation via email, review the material, and ratify at the next meeting.*

**NEW BUSINESS**

No new business.

**ADJOURNMENT**

*The Board unanimously approved a motion by Janice Vinci to adjourn at 12:31 pm.*

Respectfully submitted,



Chelsa Wagner, Secretary