

The regular monthly meeting of the Retirement Board of Allegheny County was held on March 21, 2019 in Conference Room 1, 1st floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:11 pm.

When the roll call of the Board members was made Board members Rich Fitzgerald, Amy Weise on behalf of Chelsa Wagner, 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

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 February 21, 2019 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to accept the January 2019 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 March.

VENDOR EXPENSES

VENDOR	DATE	AMOUNT
FEDERATED (Core Broad)	10/1/18-12/31/18	\$ 17,083.57
FEDERATED (High Yield)	10/1/18-12/31/18	\$ 53,950.22
HARVEST FUND ADVISORS LLC	10/1/18-12/31/18	\$ 43,146.39
MELLON CAPITAL	10/1/18-12/31/18	\$ 20,127.49
STATE STREET GLOBAL ADVISORS (MSCI World)	10/1/18-12/31/18	\$ 7,343.66

Total Vendor Invoices for Approval

\$141,651.33

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 March. The following applications were filed.

- Early Voluntary – 7
- Full Retirement – 13
- Disability – 2
- Payment Plans – 1

MANAGER'S REPORT

We'll start with retiree payroll. As of this time is up 7.3% contributions made are up 5.71% contributions refunded are up 23.5%. Life insurance claims are up 42.09% and we've added the new section there with the members with the 4k life. So currently there was 4,396 with the 4,000 as opposed to last year was 4,232. Members of the additional life was 1,171 as opposed to last year was 643. Turning to the next page; retirements on the year up 9.89%, pension estimates are down 14.35% and capital calls are down 16.79%. Capital calls totaled \$1.5 million dollars for time between this meeting and the last meeting. And the office budget is pretty much right in line for the year and that's all I have today.

SOLICITOR'S REPORT

Solicitors report is current as of March 12, 2019. There are two attachments to the report. I do not have any additional items to bring to the board's attention at this time.

WILSHIRE

Calvin: We sent a January flash and a February perspective, which is our one-page update on what the market said. I'll start in the January flash on page two, which has a summary of the month end asset allocation versus target. And the policy target column has been updated to represent the new targets that were approved in December. Given the slight change in some of the targets that you can see, the core fixed income is now underweight by just under 3%. That's a result of the target being raised by 2.5%. So, as we worked through the structure work in the second quarter we'll look to move that closer to target. The US equity is the most significant overweight at this time about 20 million overweight. That's why we continue to take cash from there as needed. We are expecting to probably do a cash raise again next month given the level of capital calls and the distributions for retirees.

The private equity remains an underweight, an offset in large part by life settlements. So overall with that target coming down to 20% we're much closer than we've been in previous quarters and years to target there. Then we just mentioned that cash showing \$9.6 million dollars roughly for the end of January. We're at about \$9.9 million dollars now, but we expect that given those capital calls and the retiree funding to be down to probably about half. So, by the time we come next month, we'll probably recommend about another \$5 million dollars. You get back to that 10 that's been a good level for us to keep over the last year or so. We've been pretty consistent with having to raise every other month to keep that level. Also jump to the next page. Strong market performance and manager performance for January, which is good to see after the fourth quarter. US equity, Non-US equity and core fixed income managers all added value versus their composites.

Those were the main drivers about performance. And that was slightly offset by some of the asset allocation. And you'll see on the bottom of page four, the total fund was up 4.4% versus the benchmark of 4.45%. We'd expect that 4.4% to come up a little bit when some of the managers that don't report in time for our reporting or update quarterly to come in like on the real estate side. So, pretty much in line with the target, without some of those managers even reporting. So, a strong month relative to benchmark and a good bounce back from the fourth quarter. The MLP managers had a great month bouncing back. It was a strong asset class; the benchmark was up 12.6% and managers managed to outperform by 2.75% on top of that. So, I'll briefly just touch on a few of the manager success stories from the month on page five. You can see at the bottom of the page Emerald was one of the star performers in small cap and then at the top of the next page in all captain. Martell actually as a brief update on that.

Martell: We met with Emerald at the end of February and we talked to them about their performance, their outlook for 2019 and to get a firm update just to make sure everything was going well with them. They gave us a report in the middle of March of what was going on, we'd go through their funds that they have. And the small cap is actually up 3% quarter to date and going. And then also there one-year number's up another 3%. Their small cap product is doing very well. On the all cap side, their numbers are a little bit better than what the small cap was. Now they're coming in at about 6% above the benchmark, even though their one year's trailing by 1%. We see that as a rebound come out in the fourth quarter when we saw all the equities in the composite go down. So as of right now, Emerald is one of your better managers and they're doing pretty well. So, we'll keep looking into them and other managers.

Calvin: Briefly on the Non-US side at the top of page seven, Baillie Gifford was the key value add for the month after lagging so an off year for them. A very strong manager, usually very consistent. 2018 was one of their years where they lagged, but you can see that long-term track record since 2009, we're coming up on a decade where they've outperformed by about 3% annually. So, a very strong manager. Glad to see them bounce back. On page eight, briefly I'll just mentioned the two main core managers CS McKee and Federated bounce back as well, both outperforming. We don't expect to see huge outperformance and core fixed income, but we do like to see consistent small outperformance. So, it's good to see them get back on the right side of their benchmark for the month.

And again, those managers over the long term too, since inception you can see a good solid consistent value add that 36 and 56 basis points doesn't seem like much, but for core fixed income where you're using that as kind of a risk mitigator to offset your equity consistency of small outperformance is better than the blowing it out one quarter and then lagging the next. You want to be able to counter them in tough times. Altair on the fixed income side was the top performing manager with a really strong month of January, outperformed by almost 4%. And then the last one I'll touch on briefly is page 11. As I mentioned, the MLP managers had a very strong month on top of a very strong month for the asset class, both up over 15 for both managers.

So, both added about 270 basis points over the benchmark and both added value since inception, which we're coming up on just about a year now for the composite. The asset class has been down largely driven by that month of January last year. The managers have added value and we've chipped away at that negative value over the course of the year. So those are the brief highlights. So, we wanted to give on January. If there's no questions, I'll just give a quick update on what happened in February from an index level.

I'm on that perspectives document now. The Wilshire 5,000 as our benchmark for US equity up another 3.5% for February. So, 12.5% roughly through the end of February for the quarter to date. Non-US not as strong the MSCI equity index was up another 2% for the month brings them to over 9.5% gain for the year.

The Bloomberg Barclays Ag was down 6 basis points for the month, still up 1% year to date. High yield did better than a core fixed income at 1.66% for the month, then a 6.25% for the year. And then like I mentioned before, a MLPs up a very strong 13% for the quarter to date. Most of that coming in January, was only up 0.25% in the month of February. And real estate has been another very strong asset class, which is a significant allocation in this plan, almost 12.5% year to date. So, everything's rebounding nicely from the fourth quarter sell off.

PFM

Perry: I just wanted to do a brief overview covering December 31st so, you know, not a surprise to any of you coming off of the last two months. Obviously the fourth quarter was really ugly. But a couple of things I did want to point out just from a management standpoint for Fragasso group, if you remember over the last few years I've been explained to you that they're trailing, when markets are up, their style will trail behind. They are set up to protect on that downside or more of a value driven type of large cap manager. And in the fourth quarter, all negative numbers obviously, but they beat their benchmark in that fourth quarter, they protected, and were good 200 basis points ahead of their benchmark from a negative standpoint.

So, they had a performance in that quarter of a negative 11.14% versus the benchmark at negative 13.52%. So, I know it's all negative numbers, but that's their style. What that did for them on long term, if you'd look out further now they're three-year numbers above benchmark at 10.07% versus 9.26%. That's what we have them in for this quarter it's bouncing back up in the first month of January. They're not going to participate as much in the rushing up of a market, but they are going to protect you on the downside.

So that was just something I wanted to make sure I pointed out there. I just wanted to point out from that standpoint of a manager, kind of sticking to their style and their process and strategy. From an alternative standpoint, Washington Alliance and Charleston capital, they're all performing very well. The strength of the portfolio overall for the emerging manager program for the calendar year of 2018 actually allowed that to be positive because of those three managers in their performance in general. So, with that, those are kind of the highlights there.

I got January 31 numbers. So, I do want to just point out a couple of positives here, but they're not in your book. Altair is a great example, what they did, the fourth quarter was rough on them, but December created an opportunity for them to start putting their strategy to work. And so, in the first month of January, they're performance is 4.84% versus the benchmark of 1.06%. They'll have a two-year number coming up at the end of the quarter, but that kind of bounced them right back to where their one-year number, they're actually over their benchmark 2.61% versus 2.25%.

So that's the positive of the unique strategy that played out the way it should. Emerald advisors up on the all cap product typical bad fourth quarter, but they bounced back really strong. So, their first month of the year is 14.47% return versus the benchmark at 9.18%. So very strong positives showing there. Another one just to point out for you, similar thing, the rough fourth quarter, but their first month of the year beat the benchmark by about 150 basis points. 9.48% return versus 8.01% February from a

preliminary number the managers are all on the same pace. So that's the update I wanted to give you on the brokerage and everything's going fine there.

One good thing is Fragasso Group is actually a good example where they do 100% of their, trades through the brokerage plan. So that's a good solid one upcoming. Right now, we're evaluating another brokerage firm that is actually owned

As I pointed out for Fragasso Group about a 100%, CIM is doing about 22%, Earnest partners is 55%. Amber is doing a good job, keep it around 23% and 19% respectively for their two products. So, like I said, overall participation is pretty good. I mean, could it be better? Yes. We always got to push on that and it's up to these brokers to also push on the manager to make sure they stay in front of them. That was in 25 is the minimum and what we want to get them to.

Mr. Weinstein: For the ones that are under it. How do you address?

Perry: We will reach out to the managers, but it has to fall on to the brokers. They need to kind of press all the managers and let them know that they're there. They got to kind of keep staying in front of them because if they don't, it's natural for the managers to kind of deal with who they deal with. And look for best price and just keep moving forward in the year to date. But I'll go back and reach out to them again and kind of go over it all over with them again.

We are looking at one more broker that is actually out of the Philadelphia area. One of the owners is a disabled veteran and make a focus on hiring disabled veterans. So, we're going to go through a process with them and most likely recommend them if everything looks right.

None of the other programs have that going on, these are all either minority owned, or woman owned. So, I think it's a nice opportunity, you need to fit another one in at this time, but it's a good reason to try to squeeze one in.

NEW BUSINESS

The pension summit is going to be Friday June 14th and we are sending out the sponsorship letters this week. Hopefully by next meeting I will have a preliminary agenda available. The summit will be from about 7:30 am until about 1:30 in the afternoon. There will be a breakfast and a lunch, and it will be at the Hyundai Club at PNC Park. We are also working on our invite list; looking at the list the ALOM used recently.

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

ADJOURNMENT

The Board unanimously approved a motion to adjourn at 12:30pm.

Respectfully submitted,



Chelsa Wagner, Secretary