

The regular monthly meeting of the Retirement Board of Allegheny County was held on May 16, 2019 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:13 pm.

When the roll call of the Board members was made Board members Amy Weise on behalf of Chelsea Wagner, 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

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 April 18, 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 March 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
ALTAIR MANAGEMENT PARTNERS (Multi Asset)	1/1/19 -3/31/19	\$ 2,691.69
ALTAIR MANAGEMENT PARTNERS (Fixed Income)	1/1/19 -3/31/19	\$ 6,782.01
CIM INVESTMENT MANAGEMENT (Fixed Income)	1/1/19 -3/31/19	\$ 7,870.92
CIM INVESTMENT MANAGEMENT (Small Cap)	1/1/19 -3/31/19	\$ 9,512.62
CIM INVESTMENT MANAGEMENT (Israel Bonds)	1/1/19 -3/31/19	\$ 3,572.73
CS MCKEE INVESTMENT MANAGERS	1/1/19 -3/31/19	\$ 17,456.36
Cookson Peirce & Co Inc	1/1/19 -3/31/19	\$ 696.00
EARNEST PARTNERS	1/1/19 -3/31/19	\$ 36,251.66
EMERALD ADVISERS (All Cap)	1/1/19 -3/31/19	\$ 4,614.37
EMERALD ADVISERS (Small Cap)	1/1/19 -3/31/19	\$ 30,493.46
EMSTONE ADVISERS, LLC	1/1/19 -3/31/19	\$ 3,338.56

F.N.B. WEALTH MANAGEMENT	10/1/18 -3/31/19	\$ 4,379.79
FIDELITY INVESTMENTS (Select Int'l Plus)	1/1/19 -3/31/19	\$ 25,125.82
FRAGASSO FINANCIAL ADVISORS	1/1/19 -3/31/19	\$ 9,700.00
RAYLIANT ASSET MANAGEMENT (formerly FUSION)	1/1/19 -3/31/19	\$ 1,957.95
SALIENT	1/1/19 -3/31/19	\$ 33,439.65
SEGALL, BRYANT & HAMILL	1/1/19 -3/31/19	\$ 49,627.33
STATE STREET GLOBAL ADVISORS (S&P 500)	10/1/18 -12/31/18	\$ 4,666.54
STATE STREET GLOBAL ADVISORS (S&P 500)	1/1/19 -3/31/19	\$ 3,889.17
TWIN CAPITAL MANGEMENT	1/1/19 -3/31/19	\$ 27,815.25

Total Vendor Invoices for Approval

\$283,881.88

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 May. The following applications were filed.

- Early Voluntary – 8
- Full Retirement – 14
- Modifications - 1

MANAGER'S REPORT

If you turn to your manager section of the booklet, we'll start with the dashboards. Retiree payroll for the month of April was up 7.14% contributions are up 6.5%. Contributions refunded were up 9.66%. New members are up 35.75%. Life insurance claims are up 6.85%. And you'll see there with the members with additional life and the members with the 4k the additional life is always going to be higher for this year due to the open enrollment last year. We go on to the retirement section total retirements are up 11.26%. If we turn the page, pension estimates are down currently 16.7%. Capitol calls are up 19.27%. Capital calls as of the prior board meeting where \$4,077,624 dollars and the office budget is included on the next page. If there are any questions I will be happy to answer them.

So, board approval requests, behind my report, you'll see the invitation that was supplied by a PFM. We're going to request the board's approval of the invitation to the pension summit, a PFM will be offering four hours of CPE credits. The attendees, once approved, will be sent out starting tomorrow and early next week.

Mr. Weinstein: You have a compiled the list of invitees, correct?

Mr. Szymanski: Yes. And 100 will be going out electronic and then there's going to probably be about 85 going out by mail. Invitees include the surround counties, labor councils and finance managers for the municipalities.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to approve the invitation for the pension summit provided by PFM.

And then next you'll see that I have the draft agenda. There will be some final touches on it. We just got news today, the state treasurer will be joining us for the round table discussion, so he'll be added to this as well.

Mr. Weinstein: I had the extended an invitation to Joe Torsella, the state treasurer, and he accepted to participate and bring some information about the state pension plan to the region to let people know what's happening. So, I'm glad that he was able to attend.

SOLICITOR'S REPORT

The solicitors report is current as of May 10, 2019. There are two particular items I'd like to bring to the board's attention. If you look at page six under number six, subsection a entitled Corcept Therapeutics Incorporated. The board has received a request and recommendation from Grant & Eisenhofer that the board consider a motion to retain and authorized Grant & Eisenhofer to request an internal books and records inspection of Corcept pursuant to the recommendation dated April 25th, 2019 and this would be on the condition that separate authorization by the board will be required prior to filing of a derivative action, if any. So just in terms of context, this is very similar to the last few matters brought to the board's attention. That is, it's a no cost first step, it does not mean that suit is authorized or will be filed. It does mean that class action counsel will have an opportunity to obtain more information and then come back to the board if they recommend legal action.

Mr. Weinstein: Do we know what the 2,783 shares of value?

Mr. Gabriel: I do not have the value on that.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Ms. Liptak to approve the request based on the solicitor's recommendation for Grant & Eisenhofer to request internal books and records from Corcept Therapeutics, Inc on the condition that further board approval will be needed for any derivative action.

The second item is identified on page nine of the solicitor's report and is attached as attachment two. The board has received and reviewed a recommendation from the hearing officer in connection with the disability appeal with member #97187 and so having received that recommendation I would ask that the board consider and vote on the recommended proposed findings of fact, conclusions of law and proposed order that were submitted by the hearing officer.

The proposed order would be modified to substitute the number for the name and would read the appeal of member #97187 is denied. And the proposed findings, conclusions of law and order that's submitted by the hearing officer are accepted.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Ms. Weise to deny the appeal of member #9718 and accept the proposed findings, conclusions of law and order submitted by the hearing officer.

Mr. Weinstein: if the individual would like to appeal they would go to court of common pleas?

Mr. Gabriel: Yes, the next step would be to file a statutory appeal to the court of common pleas. Depending upon the status of the member they are able to reapply after one year of if their condition worsens or changes.

WILSHIRE

Craig: I'll go through the March performance flash report that you should have and then hand over at Felicia to talk about what's happened in the market since then. So, starting on page two of the March monthly report, we see the asset allocation of the plan versus the policy. Total assets just over \$926 million dollars. That is another 6 million increase from the month prior. And obviously the two months prior to that were large increases as well. So a strong first quarter, we see the most persistent overweight in US Equity and Non US Equity leading to total public equity being the most overweight position in the portfolio, offset somewhat by private equity being slightly underweight. Then fixed income and real estate are somewhat underweight to given those policy targets were just raised in December with the new asset allocation. Cash at \$7.3 million dollars, that's still roughly where we are today. There have been, as Walt mentioned, some big increases in capital calls in the first quarter, which is why we're bringing another cash raise recommendation today, which would be instead of our normal every other month. We had an extra one inserted last month with the removal of Mellon Equity, so that helped cover some big cash flows early this year. And now we're back on this every other month schedule hopefully for a while. Jumping forward to page three, you see for the month while equity returns remained strong, the manager returns did not quite keep up with the index returns in US and Global Equity while Non-US was roughly in line with its benchmark. So, another month of rising markets, but the managers weren't quite able to capitalize on it and in the few cases.

For the quarter Non-US Equity is one of the main drivers of performance. You can see the quarterly return of 11.6% begin the benchmark 10.3%, that's driven largely by Baillie Gifford, which was up 13.9% for the quarter and outperformed by over 3.5%. So, as I said in the last meeting, a manager that has a really good track record, 2018 was an off year for them and 2019 they've really got back on track in a strong way, so that's good to see. Core Fixed Income slightly underperformed for the month. Part of that is due to the fact that you have some lower duration exposure. So, the Agg was up more than the intermediate because of what interest rates were doing for the month, we saw more recently rates rising, but in March it actually helped to be longer duration. And then on page four, on the bottom line, we see the total fund lag by 18 basis points for the month, up about a percent while the bench was up 1.15%. For the quarter pretty much in line with the benchmark up 7.02 versus 7.08.

So, a 7% return for the first quarter helped undo a lot of the damage from the market sell off in the fourth quarter. The other main driver of performance in this first quarter was the MLP composite. You can see they've outperformed by 3.7% for the quarter. Both managers, Harvest and Salient, were up over 20% while the benchmark was up 16.8%. So, if there's any questions we can get into more detail about specific composites or managers or I'll hand it over to Felicia to talk about what's transpired since the end of the quarter. Anyone have any questions?

Felicia: You have a perspectives document for the month of April, which was another strong market for equities and for fixed income. That rally continued until the beginning of May though, particularly with the president Trump's announcement on increasing tariffs against Chinese imports really rattled the market and sold off, and month to date US equities are off almost 3.5% and Non US equities are off almost 4%. So, have you erased the gains that we saw here in April. Fixed income assets have increased both over the month of April, slightly as well as May month to date. So, we do have some resiliency in those markets despite the selloff in in equities that we've seen. Markets seem to be stabilizing a little bit. Again, in terms of fixed income the market is still expecting that the Fed will actually cut rates that still priced into the markets, although it's coming neutral despite the Fed saying that they're going to hold steady. So, less concern about long term inflation with breakeven spreads being modestly and under 2%. But what remains to be seen is the impact of the trade war will have on equity markets.

I will just point out on the left margin of the page where it lists some of our recent research papers. The second one is the report on state funding systems which looks at asset allocation and returns, et Cetera. Hopefully you're all receiving a distribution announcing our research, but if you aren't in any of these, catch your eye, be happy to send copies out for benchmarking or references.

If you go down to the bottom box of this page, just to touch on real assets, Craig mentioned MLPs which had a very strong first quarter responding to the rebound in energy prices. The MLP index was off 1% in the month of April. Commodities overall, were kept low given some of the concerns about a lack of inflation and global demand.

Mr. Weinstein: Felicia, this a report that you're referring to the consulting report on the state retirement system. Do we have that?

Felicia: Sure. I'd be happy to send that. We look at all the major state plans and get their CAFRs and do an analysis on their assumptions and their experience.

Craig: As I alluded to, back to the \$5 million bimonthly rate, that's worked pretty well for last year and a half. This go around, we want to maintain the right exposure within equity in the overall portfolio equity is overweight but then within equity a US is overweight and within US small cap specifically is it's drifted above its 20% target. So, recommending that we take \$3 million dollars from small cap split out \$1 million dollars from Earnest small value, \$1.5 million dollars from Emerald because we want to maintain the growth value balance and Emerald growth has outperformed, so Emerald is slightly more overweight than Earnest, and then \$500,000 dollars from CIM small cap. So that would give us \$3 million dollars from the small cap portfolio which would bring that rate roughly right back down to its 20% target within US Equity. And then within Non-US, which is also an overweight for the portfolio, Baillie Gifford is drifting up towards about 45% of the Non-US composite and its target is 40%. So, we want to reign them back in a bit there. Their out performance is causing them to start creeping towards half the Non-US portfolio. So, we want to reign that in a bit. So, \$2 million dollars from Bailey. So, \$5 million dollars should hopefully hold us over for a couple of months again as these capital calls fall back in line with our expectations.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to approve a \$5 million dollar cash raise. \$2 million dollars from Baillie Gifford, \$1 million dollars from Earnest small cap, \$1.5 million dollars from Emerald, and \$500,000 from CIM small cap.

PFM

Perry: Back in the fourth quarter we approved using Maple Wood Global LLC as an investment. From a further clarification standpoint, we're actually recommending investing in the LP versus the separate account. Basically, the liquidity in the fees are all the same in both those situations and the transparency. But over time the LP will be less money from a trade standpoint. But I wanted to make that further clarification from the recommendation we made in the fourth quarter.

Mr. Weinstein: So, will that change the agreement.

Perry: Yes, it will be an LP agreement. Brian has that.

Mr. Gabriel: So just to further clarify, the investment allocation was approved on November 15th, 2018 so that's not changing. It's just the vehicle is being clarified.

Mr. Weinstein: So, do we have to amend the new contract then?

Mr. Gabriel: I think the board has to give authorization to enter into the limited partnership agreement since that was not specifically addressed.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to give authorization to enter into the limited partnership agreement with Maple Wood LLC.

NEW BUSINESS

Mr. Szymanski: I would like to thank everyone who has been working on the pension summit; Wilshire, Perry and all of our sponsors.

Mr. Weinstein: Please keep Mr. Puzak in your prayers, he is going through some health issues, and Janice Vinci who had knee surgery last week and is recovering.

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

ADJOURMENT

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Ms. Roka to adjourn at 12:38pm.

Respectfully submitted,



Chelsa Wagner, Secretary