The regular monthly meeting of the Retirement Board of Allegheny County was held on October 18, 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 on behalf of 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
No public comment.

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Ms. Roka, to approve the minutes of the September 20, 2018 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. DiCristofaro to accept the August 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

None for the month of October.

PENSION APPLICATIONS

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Roka to approve the Pension applications filed with the Retirement Office in the month of October. The following applications were filed.

- Early Voluntary – 9
- Full Retirement – 9
- Disability – 1
- Death – 1
- Payment Plan – 1 (buying back time)

MANAGER'S REPORT

Walt Szymanski: If you turn to the manager's report, we will start with the dashboard on page one. I'll go over some highlighted sections. Retirement payroll is up 5.61%. Total contributions have increased by 8.56%, contributions refunded are up 11.57%, and refunds are up 32.48%. Life insurance claims are up 77.54%, and pension estimates roughly 36.07%. Now the estimates are up, probably higher this year because we had that open house last month with quite a few people that came into the office.

So if you turn to the next page, total retirements year-to-date are up 8.78%, and while the number of capital calls is up the dollar amount is down from this time last year by 27.17%. And allocations are up 18.18%. Capital calls for the last period were $2.1 million dollars and the office budget is well within range for this time of year and I have no board approvals.

SOLICITOR'S REPORT

Solicitor's Report is current as of October 11, 2018. No questions or additional comments.

WILSHIRE

David Lindberg: You have the perspectives in your materials. These are the market perspectives through the end of the third quarter. I'll review these and Craig will go over the performance from a high level, but you can see as you look through this, the driver of returns year to date has been the US equity market. That's where the strength has been on a calendar year to date basis through the end of the third quarter. Although we're recording today through the end of August on the portfolio, but for the end of the third quarter, the US equity market was up over 10%, very strong third quarter. Most of this actually came in July and August. We had a 7.3% return for the third quarter and that was roughly half coming from July and half coming from August, so strong months in the US market.

You see some of the data on this page and drivers behind that. We have GDP very strong. We had a 4.2% GDP number for the quarter. Interest rates are rising as everyone is well aware. The Fed's been working to try to get inflation about 2% and trying to get rates up a bit and they've been successful with that. So in the US markets we've had just a lot of positive outcomes pretty much everywhere else in the world it's been a bit different. We've been off quite a bit in non US markets and within fixed income from rising rates, we've had bond returns at zero or lower year to date.

So just to review a few of the numbers on the front page of this report, you'll see the US equity table in the middle, the Wilshire 50,000 total market index, which is the broad market for the quarter is 7.27% and on the one year number that 17.6% and some of the things you'll notice, for instance if you look year to date and you look down at large cap versus small cap, you'll see a significant outperformance from the large cap stocks relative to small cap stocks or quarter to date, I should say it was another quarter where the tech names ran very strong in July and August for the quarterly returns.

So that continues to happen. But good overall US equity market performance unemployment is at a record low going back to 1969. So lots of jobs in the marketplace. The next page, if you look at non US markets here, it's been a little bit different as much of the rest of the world is also needing to slowly unwind quantitative easing. So in many ways the US market has just been ahead from that perspective and if you look at this table on the top of the page, page two on the left side of this in US dollar terms, the non US equity market, US index was up for the month, just about a half a percent. The year to date number is a -3.09%. And if you go to the table and look at that same number in local currency terms, that is 0.27%.

So they've actually had some positive return from equity markets outside of the US, but are strengthening dollar has reverted some of that back to a negative as it comes back to the US. So that's where we are just in terms of the current cycle within the markets, fixed income below there, which is the US aggregate index, a measure for core fixed income, noticing the year to date column, that's a negative 1.6%. So a negative returns from bonds. That's from rising rates that we've had throughout the year. We expect that to happen as the Fed is trying to push up rates, so we've had negative returns in bonds, we've had negative returns in non US stocks, US stocks have been positive, and then in the real asset category, if you look down at that section at the bottom a year to date returns, some come back here in commodities, they're up 11.8%, year to date. The MLPs are up 5.9% year to date, so you have a little sense of some of the real asset return. Real estate has been a positive contributor, but prices are certainly high in the real estate markets right now as well. It's largely been a US equity market return and we will soon be back probably next month and starting to look at the asset allocation with conducted an asset liability study. So we have a lot to bring to you in terms of asset allocation and even some investment structure work within the asset classes.

Mr. Weinstein: Maybe we could do a workshop David, as opposed to an executive session. Walt can help us schedule.

Craig, Wilshire: I'll just hit some high points here. Starting on page two, looking at the asset allocation, some notable overweights and underweights here, public equities, overweight to compensate for the private equity underweight. That's been a persistent overweight and underweight to cancel each other out. TIPs and commodities are underweight; there are policy ranges that have given the direction we expect the portfolio to go. When we reviewed the asset liability study in line with where we're planning to go. So no issue there. Cash was at $15.8 million dollars at the end of August. Now it's around $12 million dollars, so no need to raise additional cash at this time. Maybe next month after the benefit payments go out. I think I saw that today around $3 million dollars, so we'll be back under 10 so we'll revisit that next month. But for now, good on cash. Moving forward to page three at the composite level, as David mentioned, the US equity driven market, so being overweight US equity was a contributor for the month and the manager is also added value. The managers added value in non US equity despite the asset class being negative for the month, and in high yield, the manager's added value there as well, being underweight core fixed income and manager underperformance in that area. What's a slight detract for the month as a core was actually up for August. But as David mentioned, it's been a bit of a drag this year as rates have risen.

At the bottom of page 4, you can see the total fund was up 62 basis points for the month, which outperformed its benchmark by 10 basis points. MLPs underperformed for the month, but for the quarter is a very strong asset class to be in. Now, there are a few pages with some manager specifics. We'll touch on page five being one of them, as I mentioned, US equity has been a strong a segment of the market, but also the managers have been adding value in particular Emerald. You can see on the bottom of page five, the small cap growth segment of the market was one of the strongest to be in in August 6.25% and Emerald added at 2.5% outperformance on top of that just for the month.

And then if you move to the top of the next page, Emerald also has their all cap, a composite which also added about 2.5% value. Then just quickly on the bottom of that page, you can see Baillie Gifford adding value despite international equity markets being down for the month, still able to add about 90 basis points of value. On page eight briefly, as David mentioned, core fixed income to been down for the year, but in general for the year of the managers have been able to add some value in particular several of the managers that are benchmarked to an intermediate benchmark as opposed to the aggregate. So they have less duration in their portfolio and are less effected as rates rise. So that's been added to the portfolio this year as rates have risen.

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 12:20pm.

Respectfully submitted,

Chelsa Wagner, Secretary