

The regular monthly meeting of the Retirement Board of Allegheny County was held on September 17, 2020 via Teams Meeting/Conference Call. The meeting was called to order at 12:01 pm.

Roll Call of the Board members was made: Board members, Ted Puzak, Chelsa Wagner, Rich Fitzgerald, Jennifer Liptak, Sarah Roka, Frank DiCristofaro, and John Weinstein.

Also, in attendance: Walter Szymanski, Manager, Retirement Office and Brian Gabriel, Campbell Durrant, Solicitor, David Lindberg and Craig Morton, Wilshire Consulting, Ed Boyer, Asset Strategy, and Perry Giovannelli, PFM.

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 July 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 June 2020 and July 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 August 2020 Invoices.

AUGUST VENDOR EXPENSES

VENDOR	DATE	AMOUNT
GRIDIRON PARTNERS MGMT PARTNERS-FI	4/1/20-6/30/20	\$ 6,851.99
GRIDIRON MGMT PARTNERS-MA	4/1/20-6/30/20	\$ 4,803.93
CIM INVESTMENT MANAGEMENT (Fixed Income)	4/1/20-6/30/20	\$ 8,635.47
CIM INVESTMENT MANAGEMENT (Small Cap)	4/1/20-6/30/20	\$ 7,420.97
CIM INVESTMENT MANAGEMENT (Israel Bonds)	4/1/20-6/30/20	\$ 3,657.23
CS MCKEE INVESTMENT MANAGERS	4/1/20-6/30/20	\$ 19,612.22
COOKSON PIERCE & CO INC	4/1/20-6/30/20	\$ 736.00
EARNEST PARTNERS	4/1/20-6/30/20	\$ 27,585.88
EMERALD ADVISERS (All Cap)	4/1/20-6/30/20	\$ 5,701.72
EMERALD ADVISERS (Small Cap)	4/1/20-6/30/20	\$ 24,824.34
EMSTONE ADVISERS, LLC	4/1/20-6/30/20	\$ 4,165.67
FEDERATED (Core Broad)	4/1/20-6/30/20	\$ 20,159.63
FEDERATED (High Yield)		\$ -
F.N.B. WEALTH MANAGEMENT	4/1/20-6/30/20	\$ 2,417.70
FIDELITY INVESTMENTS (Select Int'l Plus)	4/1/20-6/30/20	\$ 25,167.19
FRAGASSO FINANCIAL ADVISORS	4/1/20-6/30/20	\$ 8,204.00
HARVEST FUND ADVISORS LLC	4/1/20-6/30/20	\$ 30,465.98
iNetworks OF, LLC	4/1/20-6/30/20	\$ 22,482.72
MELLON CAPITAL	4/1/20-6/30/20	\$ 4,988.11
COLUMBUS MACRO, LLC (formerly Raylient)	4/1/20-6/30/20	\$ 1,885.53
SALIENT	4/1/20-6/30/20	\$ 22,824.55
SEGALL, BRYANT & HAMILL		\$ -
STATE STREET GLOBAL ADVISORS (MSCI World)	4/1/20-6/30/20	\$ 5,934.91
STATE STREET GLOBAL ADVISORS (S&P 500)	4/1/20-6/30/20	\$ 4,833.45
TWIN CAPITAL MANGEMENT	4/1/20-6/30/20	\$ 24,495.71

Total Vendor Invoices for Approval

\$287,854.90

PENSION APPLICATIONS

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

- A. Ratify August 2020 Application
 - Early Voluntary - 10
 - Full Retirement – 22
 - Modifications - 6
- B. September 2020 Applications
 - Early Voluntary - 9
 - Full Retirement – 18

INDEPENDENT MEDICAL EXAM OPINION FOR DISABILITY APPLICATIONS

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve the disability application of member #095517 upon the recommendation of three designated physicians that the member IS NOT totally and permanently disabled from gainful employment in Allegheny County.

MANAGER'S REPORT

Walter Szymanski

The Dashboard Retiree Payroll is up 6.74%, YTD at \$77,014,249.88. Contributions Refunded down 12.98%. Number of Refunds are down 22.53%. New Members are down 42.50%. Total Retirements on the year up 12.45%. Full Retirement up at 41.67%. Early Retirement down 6.52%. Pension Estimates are up 28.05%. Calls are up 143.03%. Walk Ins down 43.78% due to COVID19. Capital Calls are down 32.05%. Capital Calls as of prior board meeting \$1,062,748.99

The Office Budget is as of August 31, 2020.

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve to extend the contract with Case Sabatini for one year at a cost of \$16,000. This contract is a piggyback off the Controller's Office contract, as done in the past, with Case Sabatini and would cover the 2020 audit.

The board unanimously approved a motion by Frank DiCristofaro, duly seconded by Sarah Roka, to approve the updated Right to Know policy. The Policy has been prepared and review by the Solicitor. This policy reflects the most up to date template provided by the office of open records. Walt Symanski is the RTK Officer for the County Retirement Office.

President Treasurer, John Weinstein, brought to the attention of the board that the Retirement Office is in preparation of drafting the 2021 budget and Mr. Szymanski will present a draft copy to the board at the October 2020 RBAC meeting. Members of the board are to communicate with Mr. Szymanski any concerns they may have regarding the 2021 budget prior to the next scheduled meeting.

SOLICITOR'S REPORT

Brian Gabriel

The solicitor's report is current as of September 10 , 2020.

Action presented to the board for approval contained under section 8A Opinions/Recommendations, of the Solicitor's Report. By statue, Member 2565, the surviving spouse is entitled to a survivor benefit \$75 a month. Pursuant to that benefit, there should not have been a reduction in the monthly benefit paid to the member over the years. Therefore, it is recommended to be a reimbursement to the surviving spouse for the amount that was inaccurately reduced over the years. That total is approximately \$16,000.

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve the consideration and recommendation to authorize the reimbursement of the reduction of the retirement benefit for the surviving spouse benefit in the approximate amount of \$16,000.00 for member #2565.

CONSULTANT'S REPORT

Wilshire

David Lindberg

- Monthly Perspectives, through the end of August, U.S. equity (Wilshire 5000 Index) quarterly return to date is 13.39% coming off the second quarter return of roughly 22%. US Equity YTD 9.65%. US Equity by size/style, more diverse than they have ever been, Large Cap has outperformed Small Cap by roughly 18% YTD.
- Non-US Equity, MSCI ACWI ex USA, reflects the index return of the non-U.S. broad equity investments. QTD is up 8.93%, second quarter return of 16%, still not a positive rate from the international equity markets YTD (-3.05%).
- Fixed Income, Bloomberg Barclays US Aggregate YTD 6.85%, expectation for return on fixed income are low, YTD numbers are strong. TIPS index is 9.63% YTD and 3.42% QTD. A lot of turnaround in market and improvement in returns.

Craig Morton

- July Flash Report, ended with \$935.2 million, last year ended about \$960 million. Cash flow out of \$3 million monthly goes out to retiree funding. Cash balance \$10,462 million.
- Investment Performance, US Equity Composite up 5.53% for the month of July. Non-US Equity Composite up 5.15%. Moving in a positive direction.
- MLP's were down about 3.5% for the month, while the composite suffered a loss of about 1%. Very challenged market segment for the YTD, 1 year and since inception, however strong management has mitigated the losses.
- Total Fund, month of July 2.68%, index up 2.46%. Numbers are roughly in line with the benchmark over most trailing periods.
- Page 6 Managers, Cookson Peirce, adding value YTD up 9.63%, Baillie Gifford Intl Equity, an area where we have taken cash and will recommend taking cash out of today, continues to drive outperformance in the non-U.S. composite.
- Page 11, MLP Performance value added at 8% over the last year, but market value down about a third.
 - Mr. Weinstein presented a question regarding MLP's. Timing has been bad, are you maintaining with your other clients? What is your strategy? Since inception is at -16.98% which is significant as the board discussed negative items in Executive Session. This is not just COVID related.
 - Response: MLP's as you know, in the last couple of years, has had a huge correlation to oil and the volatility in oil. It is an interesting area, and we are not abandoning investments in this area; we are looking at a broader measure of these investments because the MLP vehicle have converted to C corporations. We still believe mid-stream pipeline investments are good investments for clients but it has been a difficult time in the short period with the volatility of oil in the last couple of years.
 - What was the original investment in 2018?
 - The target has been 5%, the original investment dollar would need to be looked up, \$28 million right now which is underweight. Certainly not all COVID related, due to the energy industry and what has happened there in the last few years.
- Cash Memo discussed in the Executive Session, we would like to raise that to keep it around the \$10 million level which has been good for us to keep up with retirement funding and capital calls. The recommendation to raise the current cash of \$3,000,000 with the following withdrawals: \$1.5 million from Emerald Small Cap Growth, \$0.5 from Earnest Small Cap Value, and \$1.0 million from Baillie Gifford International.

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve the recommendation of a current cash raise of \$3,000,000 to fund the cash account which will serve as a source of funds for current cash needs of benefit payments and capital calls.

Asset Strategy

Ed Boyer

Made a recommendation to extend the contract with Corry Capital Advisors until December

31, 2020.

Ms. Liptak presented a question, is the waiver retroactive back until the original contract end date. Mr. Boyer confirmed the fee waiver will be retroactive.

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve to extend the contract with Corry Capital Advisors, CCA Green Fund, until December 31, 2020 with fee waiver retroactive back to the first extension.

PFM

Perry Giovannelli

Pointing out 3 managers that have performed well YTD through June 30th.

- Core Manger up 35.65% vs the benchmark of 27.99%
- Eco Climate Leadership ETF up 24.53% vs benchmark of 20.54%
- Cooks & Pierce up 26.57% vs benchmark of 22.03%

NEW BUSINESS

- **New Consultant Contract** – Mr. Weinstein introduced **Sarah Roka** who Chaired the Investment Consultant Search Sub Committee. He commended the committee for their participation with diligence which began in June of 2019, it has been a challenge through COVID.
 - Sarah Roka provided brief overview – the committee met several times to discuss the proposals received from the firms that were interested in the RFP. We conducted several rounds of interviews then narrowed it down to 4 candidates through a meticulous process in addition to due diligence to determine the best fit for a primary consulting firm. We are proud to nominate AndCo Consulting to a 1-year contract beginning December 1, 2020.

The board unanimously approved a motion by Sarah Roka, duly seconded by Frank DiCristofaro, to approve the engagement of AndCo Consulting as the primary consulting firm for a 1-year contract beginning December 1, 2020 in the amount of \$165,000.

Mr. Weinstein thanked the entire staff of Wilshire. Ted Puzak, Rich Fitzgerald and himself has worked closely with Wilshire through the many years. We wish them well and appreciate all the work they have done on behalf of the taxpayers and members of the board. This was a difficult decision, however members of the board felt it was the right thing to do for our fund, at this time. Thank you for

your cooperation and professionalism through the years (13) we have worked together.

David Lindberg thanked Mr. Weinstein and the board for the opportunities and are disappointed they are not going to continue to work with the retirement board. Wilshire understands the process are thankful for the business they have had with us. They look forward to future opportunities.

- Mr. Fitzgerald appreciates Mr. Weinstein and Mr. Szymanski for the requested manager fee and consulting fee information, which was provide to the entire board. As we look at the numbers, we went from \$7 million in 2018, a little under \$7 million in 2019, and 2020 estimate about \$7.3 million. With every 1% we must put in from the taxpayers and employees it generates about \$3 million dollars. I would like to make a motion to form a subcommittee of the members of the board to evaluate our managers by the end of the year with a goal to reduce our total fee expenditure to around \$3 million dollars. This would be a significant savings, especially during this challenging time. Take this opportunity to find the managers that really excel and are outperforming the benchmarks.
 - Mr. Weinstein explained that there is no need for a motion to appoint a subcommittee. As discussed in executive session earlier, a new challenge is being offered to the new consultant to analyze the fee thoroughly and come back with a recommendation to RBAC, the board will establish a subcommittee who will then work with the consultant.
 - Mr. Fitzgerald concurs and suggests setting a goal to cut the total fee expenditure down to \$3 million, whether by reducing the number of managers or reducing the fees.
 - Mr. Weinstein stated the fee structure is based on the analysis of the fund and performance of the managers. Currently, .0048% fee based on the size of the fund and the amount we are paying through July/August. .0048% is not a lot money when it comes to the operation of a billion-dollar pension fund. Thoroughly analyze, not arbitrarily set a number, find out what can change and what can make it better is the challenge for the new consultant and subcommittee.
 - Mr. Fitzgerald prefers to set an ambitious goal and while closely meeting the goal is more productive. The managers are not hitting the mark and the board needs to make tough decisions for our pensioners. Mr. Fitzgerald withdraws his motion.

Next board meeting October 15, 2020

ADJOURMENT

The Board unanimously approved a motion by John Weinstein to adjourn at 12:42 pm.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Chelsa Wagner". The signature is written in a cursive style with a long horizontal flourish at the end.

Chelsa Wagner, Secretary