

The regular monthly meeting of the Retirement Board of Allegheny County was held on September 20, 2018 in the Gold Room, 4th floor, Courthouse, Pittsburgh, Pennsylvania. The meeting was called to order at 12:06 pm.

When the 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 were recorded as being present.

Also present were Brian Gabriel of CDBPM Law and Walt Szymanski, the Retirement Office Manager.

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 July 19, 2018 Board meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

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

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

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to ratify expenses for August and accept the invoices for September.

VENDOR EXPENSES

VENDOR	DATE	AMOUNT
ALTAIR MANAGEMENT PARTNERS	4/1/18 -6/30/18	
CIM INVESTMENT MANAGEMENT (Fixed Income)	4/1/18 -6/30/18	

CIM INVESTMENT MANAGEMENT (Small Cap)	4/1/18 -6/30/18	
CIM INVESTMENT MANAGEMENT (Israel Bonds)	4/1/18 -6/30/18	
CS MCKEE INVESTMENT MANAGERS	4/1/18 -6/30/18	
EARNEST PARTNERS	4/1/18 -6/30/18	
EMERALD ADVISERS (All Cap)	4/1/18 -6/30/18	
EMERALD ADVISERS (Small Cap)	4/1/18 -6/30/18	
EMSTONE ADVISERS, LLC	4/1/18 -6/30/18	
FEDERATED (Core Broad)	4/1/18 -6/30/18	\$ 17,011.54
FEDERATED (High Yield)	4/1/18 -6/30/18	\$ 54,036.75
F.N.B. WEALTH MANAGEMENT	4/1/18 -6/30/18	
FIDELITY INVESTMENTS (Select Int'l Plus)	4/1/18 -6/30/18	
FRAGASSO FINANCIAL ADVISORS	4/1/18 -6/30/18	
FUSION INVESTMENT GROUP	4/1/18 -6/30/18	
HARVEST FUND ADVISORS LLC	4/1/18 -6/30/18	
iNetworks OF, LLC	4/1/18 -6/30/18	
MELLON CAPITAL	4/1/18 -6/30/18	
PENN CAPITAL	4/1/18 -6/30/18	
SALIENT	4/1/18 -6/30/18	\$ 33,294.75
SEGALL, BRYANT & HAMILL	4/1/18 -6/30/18	
SINGULAR GUFF(DREOF II)	4/1/18 -6/30/18	
STATE STREET GLOBAL ADVISORS (MSCI World)	1/1/18 -3/31/18	
STATE STREET GLOBAL ADVISORS (MSCI World)	4/1/18 -6/30/18	
STATE STREET GLOBAL ADVISORS (S&P 500)	4/1/18 -6/30/18	
TWIN CAPITAL MANGEMENT	4/1/18 -6/30/18	

Total Vendor Invoices for Approval

\$104,343.04

PENSION APPLICATIONS

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to ratify the Pension applications filed with the Retirement Office in the month of August. The following applications were filed.

- Early Voluntary – 12
- Full Retirement – 19
- Disability – 1

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to approve the Pension applications filed with the Retirement Office in the month of September. The following applications have been filed.

- Early Voluntary – 10

- Full Retirement – 6
- Disability – 1
- Modifications - 2

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to ratify the denial of the Disability Application of Member #097187 based upon the recommendation of three designated physicians that this member IS NOT totally and permanently disabled from any gainful employment in Allegheny County.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve the Disability Application of Member #098666. It is the recommendation of three designated physicians this member IS totally and permanently disabled from any gainful employment in Allegheny County.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve the Disability Application of Member #089553. It is the recommendation of three designated physicians this member IS totally and permanently disabled from any gainful employment in Allegheny County.

MANAGER'S REPORT

If you turn to the managers tab in your book I will highlight some areas in the dashboard for this month retiree payroll is up 5.62%, contributions are up 8.32%, contributions refunded are up 7.91% and number of refunds are also up to 38.9%. Life insurance claims, that number still may be slightly skewed due to the tracking that we started this time last summer. Pension estimates are up quite a bit. We've had a number of members in the office, partially due to the fact that we had an open house last month.

If you turn to the next page, total retirements are up for the year, 18.75%, full retirements are up 16.7%, and early retirements are down 11.54% and a capital calls are actually down 24.15% even though the number of the totals of increased, but not the numbers in dollars. If you on to the capital calls from July 17th through August 30th, is covers the last two months, there was \$4.6 million dollars in calls and office budget is in line for the year.

A few updates, the retirement office held an open house on August 29th. We received a lot of positive feedback from those that attended. I would like to thank our staff and Duncan Financial for doing a great job.

The retirement office will be participating in the County benefit fairs, the fairs take place in October, the list below provides all of the dates.

- Oct 1 Area on Aging
- Oct 3 South Park
- Oct 4 Shuman Center
- Oct 5 Kane Scott
- Oct 9 Boyce Park
- Oct 10 Kane Ross
- Oct 12 COB

- Oct 15 North Park
- Oct 16 Medical Examiner
- Oct 17 Lexington
- Oct 19 Health Clack
- Oct 22 Kane McKeesport
- Oct 23 Kane Glen Hazel

The life insurance enrollment period ended August 31st. There were approximately 500 retirees that signed up for additional life insurance.

We are currently working with Tyler to make the web calculator accessible to Airport Authority and Court Employees.

Mr. DiCristofaro: I stopped at the office for their open house; I want to commend Walter and his staff. They did a great job. Thanks for doing such a nice job.

SOLICITOR'S REPORT

Solicitor's Report is current as of September 13, 2018. No questions or additional comments.

There are two action items attached to the solicitors report and then one additional item that I will get to after that. The first of which is attached to your materials, is a request that the Board consider and approve authorization for the board president to execute consent forms regarding the assignment of the investment advisory agreements with Emerald Advisors Inc. and EmStone Advisors, LLC as necessitated by change in control of emerald under the US Advisers Act of 1940.

The Board unanimously approved a motion by Ms. Roka, duly seconded by Mr. DiCristofaro to approve the board president to execute consent forms regarding the assignment of the investment advisory agreements with Emerald Advisors Inc. and EmStone Advisors, LLC.

The second action item is regarding appeal number 2018-02. That's concerning member #75621. This is a request that the Board consider and vote on the proposed resolution to accept and adopt the proposed findings of fact conclusions of law and recommended order of the hearing officer that, accordance with the findings of fact and conclusions of law adopted by the Board, appeal number 2018-02 is hereby closed.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Roka to accept and adopt the proposed findings and resolution, closing appeal number 2018-02.

The final item came out more recently since we finalize the report and this concerns the Cyan litigation, which is identified at page eight of the solicitors report, for purposes of reference. It's a case that has been around since 2014 and the retirement board is one of the plaintiffs. We've received a request and recommendation that the board approve a settlement. That recommendation is by class action council Robbins Geller, and we recommend that the board consider and approve the recommended settlement. That settlement is subject to final judicial review and approval.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to approve the recommended settlement by Robbins Geller in the Cyan case.

WILSHIRE

Calvin Born, of Wilshire Associates, first we will start in the executive summary of investment performance as of July 31st. So just on page two here, your actual allocation versus your policy, a total fund assets just over \$938 million dollars at July 30. First looking off to the far right, some relative variances relative to your policy, modestly overweight public equity, we've continued to say that this is that parking lot figure underweight to private equity. Then down towards the bottom half strategically underweight real assets at this time, which we are addressing during our asset allocation analysis.

Let's skip over to page four. Just quickly at the bottom, starting at the total fund, 2.06% absolutely return net of all fees for the month of July was marginally behind its index, just 28 basis points, longer term one year ahead of your index, 6.8% absolute return was roughly 60 basis points ahead. Looking out over five years 7% absolute return for your total fund is 40 basis points ahead of its index. Let's just flip back over to page three at the top and review some of the composites US equity in July was behind the index 3.13% absolute return was 34 basis points behind the Wilshire 5,000 index given an overweight to small cap which underperformed large cap during the month.

Notable over the past one year, nearly a 17% absolute return off your US Equity managers is the strongest asset class in your portfolio. Non US Equity below that roughly in line with the index, 2% absolute return. Global equity, just one manager here, fusion capital is behind in July 2.8% relative to a 3% return out of the MSCI ACWI, which combines both US and non US markets, looking out over the past one year behind 3.85%. Core fixed income, strong relative returns out of your core fixed income managers. A 0.18% absolutely returned for the month was 16 basis points ahead of the Barclays aggregate index and looking out over the past one year negative 0.5% provided some strong downside protection as the market was down 0.8%.

High yield fixed incomes roughly in line with the index for the month, 1% absolute return looking out over the past one year, modestly behind the index as a lot of the lowest quality issues and the index have outperformed and some of your managers will not be holding those issues.

TIPs we have a passive mandates here so you're in line with the index. At the top of page four, real estate over the past year has been strong, nearly doubling the index, 14.23% absolute return with Washington Alliance and Siguler Guff leading the way here, hedge fund skipping over private equity. Just one manager left here is ahead for the month 0.7% absolute return was 30 basis points ahead of its index. And finally MLPs, 6.3% absolute return. I'm looking out over to the inception return is now in the black. So you're positive from an assumption perspective, after a rough January in 2018.

Craig Morton, of Wilshire Associates, provided a brief Capital Market Review through the end of August 2018. Just briefly, there are not too many news events to discuss from August. The Fed met, but didn't change rates. US equities continue to do well up a further 3.5%. A symmetric by the Wilshire 5,000 of US

equities are up. Continuing to September is the DOW hit an all-time high this morning. International equity struggled partially due to strengthen the US dollar. The ACWI, which is a broad non US index that includes emerging market stocks, was down about 2% in US dollar terms versus 1.4% in local terms, so about a 60 basis point headwind from dollar strengthening.

Emerging markets were the biggest loser, relative to the other segments of the equity down 2.7%, largely due to currency in emerging markets. The indexes were only down about 0.5% in local terms, but 2.7% in dollar terms, so over a 2% headwind from the dollar for emerging currencies, and the Barclays Aggregate was up 64 basis points for the month.

We've seen most of that return given back as interest rates continue to move higher in the first half of September, TIPs and high yield were both up roughly 70 basis points and continuing adding onto Calvin's note about performance, strong performance from MLPs. They were up for further 1.6% in the month of August, and then so far through the first half of September, another 30 basis points on top of that. So something we keep revisiting is how they've rebounded from a poor start to the year. But over time people have evaluated the true impact. Realizing it's not as negative as the initial reaction to the news. So that's the brief update. The only other thing I'll mention is the Fed is meeting next week. Market's pricing is about 100 percent certainty of a further interest rate hike, so probably another 25 basis point hike to their short term target rate, which is currently targeting 1.752% so expect that the target to move up to two and a quarter.

ASSET STRATEGY

Mr. Boyer, Asset Strategy. During the executive session today, we heard from three managers. Upon further discussion, it was determined that the following three recommendations that board would consider. We heard from Emerald banking for a private equity fund focused on the financial sector and that we discussed a range of \$2 to \$4 million, initially it'll be \$2,000,000. The recommendation and upon subsequent sub docs that they might receive and dependent on where they end up on the capital raise, that could go up to \$4,000,000. We'll be back and track that accordingly. But for now, the recommendations is \$2,000,000.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to approve the recommended initial allocation of \$2,000,000 dollars at a fee of 1.5% for Emerald Banking.

The second recommendation is for Corey Capital for his new longevity fund, that recommendation is \$5,000,000. With a fee of 1.5%.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Roka to approve the recommended allocation of \$5,000,000 dollars at a fee of 1.5% for Corey Capital's longevity fund.

Common Fund Venture Capital fund partners the recommendation is for \$3,000,000 at this time as a venture capital fund to funds. And the fee will be based upon 70 basis points on the committed capital.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Roka to approve the recommended allocation of \$3,000,000 dollars for Common Fund Venture Capital.

PFM

Perry Giovannelli, PFM. Cookson Pierce, a Pittsburgh based firm formed in 1984. They are an all cap strategy manager with over 15 year track record. Performance wise, we had made a recommendation to invest \$500,000 dollars with the firm at 50 basis point fee.

The Board unanimously approved a motion by Mr. DiCristofaro, duly seconded by Mr. Puzak to approve the recommended allocation of \$500,000 dollars to Cookson Pierce.

NEW BUSINESS

No new business.

ADJOURMENT

The Board unanimously approved a motion to adjourn at 12:32pm.

Respectfully submitted,



Chelsa Wagner, Secretary