

The regular monthly meeting of the Retirement Board of Allegheny County was held on Thursday, September 18, 2014, in the Gold Room, 4th Floor, Courthouse, Pittsburgh, Pennsylvania At 12:00p.m.

When the roll call of the Board Members was made, Board members DiCristofaro, Liptak, Puzak, Szymanski, Wagner, Fitzgerald and Weinstein were recorded as being present.

Also present were Tim Johnson, Executive Director; David Lindberg and Felicia Bennett of Wilshire Associates; Margaret Belmondo of PFM Advisors; and Brian Gabriel of Campbell, Durant, Beatty, Palombo & Miller.

PUBLIC COMMENT

Roger Westman, Secretary of the Allegheny County Retirees Association, addressed the Board regarding the struggle many county retirees continue to experience in today's rising Costs of Living expenses. He addressed the needs of many of the county's former employees making difficult financial choices. Mr. Westman reported that the petitions completed by retirees and returned to him are being evaluated and at a later date he will provide the analysis of all data. One retiree, Mr. Woolslayer, recommended the ACRB adopt a three year plan increasing monthly benefits in the first year by \$25.00; second year would be by \$30.00; and \$35.00 in the third year. The news from the retirement board suggests that the funding is strong and the investments are growing. Mr. Westman stated, "Everything goes up, except the retiree pensions".

Ms. Elaine Miekoff, member of the ACRA, presented a letter written by Iris E. Deberson explaining the financial hardships she is experiencing. (Letter included)

Comments from Mr. Puzak stated that the Board is sympathetic to the needs of the retirees. Mr. Puzak also stated there is a process in regards to COLA which begins with an actuarial review and other Board members. Mr. Puzak reminded the members of the ACRA that the county has just come through several very difficult years. He also stated that in the future the board will address the situation.

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Mr. Szymanski, to approve the minutes of the July 17, 2014, Board Meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

Mr. Weinstein stated that a motion to receive and file the financial statements generated by the Controller's Office will be done in two motions:

- Pension Fund Assets, Statement of Changes, Net Plan Assets , and the RBAC Balance Sheet from June 30, 2014

The Board unanimously approved a motion by Mr. Szymanski and seconded by Ms. Liptak.

- Pension Fund Assets , Statement of Changes, Net Plan Assets , and the RBAC Balance Sheet from July 31, 2014

The Board unanimously approved a motion by Mr. Szymanski and seconded by Mr. Puzak.

APPROVAL OF INVOICES

Mr. Weinstein reminded board that there was no meeting in August thereby asking the board to approve a motion to ratify expenses in August and approve the following invoices for September:

MELLON CAPITAL	4/1/14-6/30/14	\$18,955.12
PHILADELPHIA TRUST CO.	4/1/14-6/30/14	\$7,488.04
SSgA	7/1/13-9/30/13	\$3,825.23
SSgA	4/1/14-6/30/14	\$4,080.77
Total Invoices for September Approval:		\$34,349.16

A motion was made by Mr. Puzak, duly seconded by Mr. Szymanski, motion carried unanimously.

APPROVAL OF APPLICATIONS AS PRESENTED

The Board unanimously approved a motion by Ms. Wagner, duly seconded by Mr. Szymanski, to ratify 28 Retirement applications and 2 disability applications for August 2014. Mr. Johnson brought to the attention of the members an additional application #94072 should have been included in the disability applications. This addition brings total disability from 2 to 3 applications.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro, to deny the Disability application # 79529 based on the opinion of Dr. Costa and the independent examiners Dr.'s Michael Gottlieb, McGonigal, and Bazron, that the petitioner is not totally/permanently disabled from gainful employment in Allegheny County.

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Ms. Liptak, to deny the Disability application # 79151 based on the opinion Dr. Costa Costa and the independent examiners Dr.'s Michael Gottlieb, McGonigal, and Bazron that the petitioner is not totally/permanently disabled from gainful employment in Allegheny County.

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. DiCristofaro, to approve 26 retirement applications for September 2014.

EXECUTIVE DIRECTOR'S REPORT

Mr. Johnson provided his monthly status report of the Retirement Board, highlighting the following:

- Contributions refunded MTD was \$242,158.49 YTD was \$2,702,271.84

- Total Gross Amount of Capital Calls: \$25,207,312.86
- Total Gross Amount of Rebalancing: \$22,000,000.00
- Update on Retirement Office Budget: YTD Variance at 41.46%

Highlights of Mr. Johnson's summaries:

1. The Dashboard figures include August 2014 except for the retirements that are relevant to the month we are in. Due to the hiatus, the MTD totals include August 2014 and the July total is included in the YTD.
2. For the Investments, there were 8 Capital Calls in the past couple of months since end of July totaling \$2,624,551.24. The most notable was the drawdown from Washington Alliance in the amount of \$1,810,000.00. Washington Alliance over the past 12 months has deployed 84% of the capital which was approved.

UPDATES:

The PBI report discussed in the spring has been reviewed by Mr. Johnson's office throughout the summer. The report is included. There are four open records requests and three of four are related to our activity in our private equity funds.

There have been 7 presentations on member education made over the summer. Four presentations with airport and one with the county's HR academy, and a board "preparing for retirement" training at the One Smithfield and they are adding the National Save for Retirement week via a vesting Webinar to our portfolio of training. The Webinar will focus on such topics as survivorship, rights and benefits, the military buyback, taking a lump sum payment vs. the annuity and a summary of the rules related workers compensation. Mr. Johnson included two news articles that occurred last month: Robbins Geller Sanctioned in Confidential Witness Scandal, and Ohio Police and Fire Terminates Thornburg.

REPORT OF THE SOLICITOR

Mr. Gabriel provided to the Board the Solicitor's Monthly Confidential Report and had only one recommendation for the Board to consider. An appeal from the denial of the disability retirement application in relation to employee #94250 dated August 29, 2014. A hearing officer submitted in addition to the findings and the conclusions a proposed order that upon careful review of the evidence submitted at the hearing, including the testimony of Appellant, it is hereby ordered that the appeal dated July 14, 2014 be denied. Mr. Gabriel recommended to the Board the acceptance of the findings of the Hearing Officer for member #94250. Motion by Mr. Puzak, seconded by Ms. Wagner, motion unanimously approved.

Mr. Gabriel stated he had no additional action items, but will entertain any questions on the report or other items. No other questions were rendered.

CONSULTANT'S REPORT

WILSHIRE ASSOCIATES

Mr. Lindberg started off introducing two new team members, Calvin Born and Jonathan Berger.

Ms. Bennett provided a summary of the Capital Market review for periods ending August 31, 2014.

The US Market YTD are up 9.3% and up 2% QTD whereas the Non US Market is down that much. There was a turnaround in Emerging Markets and they are up 10.6% YTD. The yield curve has shifted down for the Fixed Income.

Mr. Lindberg also discussed the preliminary Flash Report for period ending August 31, 2014. Highlighted was the total fund CYTD being 5.25%. Mr. Lindberg stated that the market was stronger in US Equity than in Non U.S. Equity. The US Markets were up 17% over 5 years making the total Market Value \$850,510 million. Each Asset Class hit close to its monthly benchmark. As for the measure of the Total Fund Exclusive of the Private Equity, that composite was up 1.44% as opposed to its benchmark of 1.25%. The Non US Equity's biggest struggle is in the 1 year number where it is 3.2% behind the market benchmark. Mr. Lindberg stated that all four of the Non US managers are underperforming at the same time with the biggest being Thornburg. High Yield continues to be behind as it is a more defensively positioned portfolio. In the US Equity portfolio some of the emerging managers are lagging especially Fragrasso and Philadelphia Trust. Mellon Equity is doing well with returns. Apex Capital has had a solid performance of 4.6million but Cleveland Capital has been lagging significantly. Non US Equity shows Thornburg is the biggest challenge. They have had some changes that are being addressed. Mr. Lindberg stated that they will be addressing all of the Non US Equity structures in the next month. This total structure process will include managers, their performance, and how have we allocated the targets within those who are active and those who are less active. High Yield and Tips Portfolio both hit their benchmarks.

NEW BUSINESS

Mr. Lindberg addressed the small \$6 million allocation in the Israel Bonds. He stated that they usually send in Harold Markus from their office when a bond matures and he presents new options. Mr. Lindberg recommended that a local manager, CIM, oversee the Israel Bond portfolio. CIM offered to do so for 20 basis points, which would lower them from 28 basis points to 25 basis points in the Intermediate Government Credit portfolio. The Board unanimously approved a motion by Ms. Wagner, duly seconded by Mr. Puzak, to authorize to amend the CIM contract to include Israel Bonds.

Ms. Belmondo from PFM had three recommendations:

- To terminate Cleveland Capital since they are pressing to move toward a limited partnership. Moving to an LP structure was previously not recommended by consultants due to the risk. Cleveland Capital has been a money manager since 2009 and currently manages \$5.3million and are under the threshold. They also have 40% sitting in cash and claim they are looking for opportunities causing a lag in performance. Cleveland Capital is falls below the benchmark and are in lowest quartile of their peer group.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski to terminate Cleveland Capital.

- To terminate Philadelphia Trust Company since their returns have been lagging and they have exceeded the 3 year limit. They have been an emerging manager since 2011 and manage 6.1 million and have significantly lagged in performance.

The Board unanimously approved a motion by Ms. Liptak, duly seconded by Mr. Szymanski to terminate Philadelphia Trust Company.

Mr. Weinstein questioned how long it would take to liquidate the assets from both terminated managers. Ms. Belmondo stated that both managers are very liquid portfolios and assets should be available within the next couple of weeks.

Ms. Wagner proceeded to question on the termination policy for Emerging Managers. Two points of analysis for this is if the term is exceeding three years for which is not intended and the performance. Ms. Belmondo stated that once the manager has been in the portfolio for three years, if they show good performance and are stable, can graduate to the Main Fund. Although manager can be terminated before the three year mark if there is cause for concern.

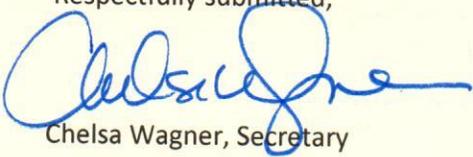
- Lastly, a recommendation regarding the local Fusion Investment Group, to fund a seed investment into the manager. They currently have \$250 million in Assets under Management. Since 2013, they have made some enhancements. Fusion has instituted a stop-loss. This means that if prices are falling significantly, if their floor is hit, they will sell no matter what. Fusion also has implemented a Trade Score. A Trade Score is a way for the manager to be informed when to enter or exit a position. Also a benefit is that Scott Umsted, former CEO, has left the firm. He was a concern due to the fact he focused on selling the firm to a larger firm. Mr. Umsted was more focused on development than investment. The recommendation is to fund 2.5 million with Fusion. If they meet the criteria of hiring a new CEO, exceed the benchmark over 12 month period and an additional \$50 million of institutional client commitments over next 12 months then the other 2.5 million will be recommended. If criteria are not met then Board can follow up with a decision on Fusion's future.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. DiCristofaro to hire Fusion Investment Group as an Emerging Manager based on the criteria listed.

ADJOURNMENT

The Board unanimously approved a motion by Ms. Wagner, duly seconded by Mr. Fitzgerald, to adjourn the meeting.

Respectfully submitted,



Chelsa Wagner, Secretary