

The regular monthly meeting of the Retirement Board of Allegheny County was held on Thursday, April 17, 2014, in the Gold Room, 4th Floor, Courthouse, Pittsburgh, Pennsylvania at 12:00 p.m.

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

Also present were Tim Johnson, Executive Director; Felicia Bennett and David Lindberg of Wilshire Associates; Ed Boyer of Asset Strategy; and Brian Gabriel of Campbell, Durant, Beatty, Palombo & Miller.

PUBLIC COMMENT

Patricia Cray, President of the Allegheny County Retirees Association, referred to her request from the November meeting to increase the Cost of Living Adjustment (COLA) by \$25 per month, beginning January 2014. Ms. Cray provided evidence as to why there is a need for the COLA increase by describing examples of the financial struggles some of the retirees are facing. The examples included two women who worked for Children and Youth services and receive pensions of \$425 and \$450 a month.

APPROVAL OF BOARD MINUTES

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak, to approve the minutes of the March 20, 2014, Board Meeting.

APPROVAL OF MONTHLY FINANCIAL STATEMENTS

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak, to receive and file the monthly financial statements from February 28, 2014.

APPROVAL OF INVOICES

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Fitzgerald, to approve that no invoices were received for April 2014 payment.

APPROVAL OF APPLICATIONS AS PRESENTED

The Board unanimously approved a motion by Mr. Szymanski, duly seconded by Mr. Puzak, to approve 12 Retirement applications and 2 Modifications for April 2014.

The Board unanimously approved a motion by Ms. Liptak, duly seconded by Mr. Fitzgerald, to approve 1 Previous Service Buybacks for April 2014.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski, to approve the Disability application 90812 based on the opinion of the independent examiners and the opinion Dr Frank J. Costa that the petitioner is totally/permanently disabled from gainful employment in Allegheny County.

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski, to approve the Disability application 83105 based on the opinion of the independent examiners and the opinion Dr Frank J. Costa that the petitioner is totally/permanently disabled from gainful employment in Allegheny County.

EXECUTIVE DIRECTOR'S REPORT

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

- The Dashboard now includes investments, cumulative total of investment transactions and the amount of transactions.
- Tyler Web Calculator update
- Annual Airport visit
- Two recommendations were made this meeting: Acceptance of the 2014 Board Election Timeline and Annual Audit of the Employee Retirement System by Case Sabatini.

Ms. Wagner asked for clarification of the TBD listed for when the Election will be publicized. Mr. Johnson responds by stating that the date will be published on the website the same day as Board approval.

Mr. Weinstein recommends putting the audit on the website.

Mr. Puzak recommends for the Retirement Office to provide valid information on term insurance for anyone inquiring about retirement. Mr. Weinstein responds by recommending a special meeting for the Board and the Retirement Office to discuss what is exactly presented to those considering retirement.

REPORT OF THE SOLICITOR

Mr. Gabriel provided to the Board the Solicitor's Monthly Confidential Report and had three recommendations for the Board to consider.

1. Re: the overpayment of \$24,644.78 made through contributions by member 10640, it is the recommendation of the Solicitor that the amount be paid back in full.
 - The issue was recognized by the member when he/she called to verify and review his/her service time.
 - Mr. Weinstein made a comment that the ultimate lesson from this would be to pay close attention to people that have been employed, left, took his/her benefits and then came back.
2. Re: Disability appeal for member 87335, it is the recommendation of the independent Hearing Officer and the Solicitor that the Appellant be scheduled for a second round of independent medical examinations by three practicing physicians.
 - Ms. Wagner asks the Solicitor how we go about selecting three new physicians. Mr. Weinstein and the Solicitor respond that Dr. Costa will oversee the process.

- Ms. Wagner also said she would abstain from the motion because of her relationship with the family of the applicant.
3. Re: Proposal of an amendment to the investment manager fee schedule for the Fragasso agreement, which reflects a reduction in fee level. The Solicitor recommends that this amendment be accepted by the Board.
- Ms. Wagner asks why this was a matter of the Solicitor rather than the Consultants in terms of the fees. Mr. Weinstein and Mr. Johnson respond that it was a change in the contract by replacing the fee schedule, which would need Board approval.
 - Ms. Wagner then asks if our consultants were involved in the process. Mr. Johnson responds that the consultants were involved and PFM made the original recommendation. PFM was not able to make the meeting, and so it was the under the discretion of the President to make the decision of who should present the recommendation, which he chose the Solicitor.

Mr. Weinstein had the idea to expand Hearing Officer availability to Mr. Johnson as the disability applicants move forward. Because there is only one Hearing Officer, Mr. Weinstein recommends expanding so there is an active pool of attorneys in the event one is not available. His recommendation includes adding two respected Allegheny County attorneys, Paul Gitnick and P.J. Murray. Mr. Weinstein provided the Board with both gentlemen's resumes and entertained a motion that both men be added to the pool of Disability Hearing Officers. Solicitor agrees with concept. Mr. Puzak agrees. Ms. Wagner comments that she thinks both are great attorneys but for the future, as the Board looks to expand the pool, Ms. Wagner would like for a diversity component to be included.

Ms. Wagner is preparing a communications policy for the May meeting.

CONSULTANT'S REPORT

WILSHIRE ASSOCIATES

Ms. Bennett provided a summary of the Capital Market review in a different formatted document, titled Perspectives. The document is produced and published by Wilshire's research group after the end of the quarter.

The Federal Reserve continues it's tightening by reducing stimulus. Total nonfarm jobs added averaged 129,000 during the past three months and the unemployment rate fell from 7.0% in November to 6.7% in February; an example of continued strength in the economy. Consumer Price Index is up 0.1 in each of the first two months. The 10-year breakeven inflation rate closed the first quarter at 2.23%.

US Equity markets showed the Wilshire 5000 has gained 2.04% YTD. The index experienced a loss during January and a strong February, as well as moderate gain in March. One major factor to this increase is Obamacare and the close of enrollment in March. Large capitalization stocks trailed smaller shares during the quarter with the Wilshire Large-Cap Index up 1.95% vs. 2.57% for the Wilshire Small-cap Index. In the Non-US Equity Markets, Emerging Markets returned 3.07% MTD outpacing Developed Markets, who had meager, gains overall. In the Fixed Income Markets, yields fell and bond prices rose. The Aggregate Index was up 1.84% for the quarter,

TIPS market was up 1.95% and High Yield up 2.98%. The 10-year Treasury ended the quarter at 2.73%, 31 basis points lower than its level on December 31, 2013.

Mr. Lindberg discussed the preliminary Flash Report for the quarter. Total fund performance is about a 1.66% return for the quarter, with a total fund value at \$830,366,000. US Equity Composite was up over 2.38% QTD. Non US Equity Composite was the only asset class lagging for the quarter at -1.06%. The recovery in TIPS showed a 2.00% return QTD. Commodities had a nice recovery at 4.99% return QTD. Private Equity is a long term-investment and we will not see it keep up with the Public Market's Index. Every manager in the asset classes out performed this quarter. Non US Equity -1.06% behind the benchmark QTD. One major contributor to this is that Thornburg continues to lag -4.87% QTD.

ASSET STRATEGY CONSULTANTS

Mr. Boyer provided the Private Equity Performance Review. Also, Mr. Boyer requested that prior to the May meeting, Asset Strategy would like to conduct an interview of one or two managers. The group also will be seeking approval of some partnerships currently in the market place as follow-up investments, specifically Greenspring and Constitution Ironsides.

The Private Equity Performance Review highlighted numerous funds such as Adams Street Partnership, Birchmere Ventures IV, Ironsides Partnership II, Crestline, Draper Triangle Venture II, Goldman Sachs Private Partners, Mellon, Mesirrow, Permal, PLSG Accelerator, and ValStone. All funds were presented using a comparison chart of the Net IRR, Preqin Median and the S&P 500. A couple funds to highlight are Adams Street Partnership – 2003 U.S. Fund outperforming the S&P 500 by 1.56% and Ironsides II Co-Investment Fund returning almost 39% and will be sending back money this year, estimated \$3 million. Adams Street Partnership – 2009 Non-U.S. Emerging Markets Fund has struggled since the fund came out and lags -2.51%. Another lag can be seen in the Birchmere Ventures IV fund at -22.15%. However, there is only a very small investment with this fund of about \$5,000.

NEW BUSINESS

APPROVAL OF RBAC 2014 ELECTION SCHEDULE

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Ms. Wagner, to authorize the Executive Director to move forward with the RBAC 2014 Election Schedule as outlined in the provided timeline.

APPROVAL OF ANNUAL AUDIT OF EMPLOYEE RETIREMENT SYSTEM BY CASE SABATINI

The Board unanimously approved a motion by Ms. Liptak, duly seconded by Mr. Fitzgerald, to approve the submitted Annual Audit of the Employee Retirement System performed by Case Sabatini for the year ending December 31, 2013.

APPROVAL TO REIMBURSE OVERPAYMENT OF CONTRIBUTIONS

The Board unanimously approved a motion by Mr. Puzak, duly seconded by Mr. Szymanski, to approve that \$24,644.78 be reimbursed back to member 10640 due to overpayments made through contributions.

APPROVAL OF REEXAMINATION OF DISABILITY APPLICANT

Four Board members approved, one abstained, a motion made by Mr. Puzak, duly seconded by Mr. Fitzgerald, to approve that member 87335 be scheduled for a second round of independent medical examinations by three new practicing physicians, based on the recommendation of the independent Hearing Officer and Solicitor.

APPROVAL OF AMENDMENT TO FRAGASSO FEE SCHEDULE

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Mr. Puzak to approve the reduction of the fee schedule amendment for the Fragasso agreement based on the recommendation of the Solicitor.

APPROVAL TO ADD ATTORNEYS GITNICK AND MURRAY TO HEARING OFFICERS POOL

The Board unanimously approved a motion by Mr. Fitzgerald, duly seconded by Mr. Puzak to add attorneys Paul Gitnick and P.J. Murray to the pool of disability Hearing Officers for the fee \$250 per hour, based on the recommendation of Mr. Weinstein.

ADJOURNMENT

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

Respectfully submitted,

Chelsa Wagner, Secretary 