

**ALLEGHENY COUNTY EMPLOYEES'
RETIREMENT SYSTEM**

DECEMBER 31, 2023 AND 2022

**ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

YEARS ENDED DECEMBER 31, 2023 AND 2022

CONTENTS

	<u>Page(s)</u>
Report of Independent Auditors	3
 Financial Statements	
Statements of Fiduciary Net Position	5
Statements of Changes in Fiduciary Net Position	6
Notes to Financial Statements	7-19
 Required Supplementary Information	
Schedule of Changes in Net Pension Liability	20
Schedule of Employer Contributions	21
Schedule of Annual Money-Weighted Rate of Return	22
Note to Required Supplementary Information	23



CASE | SABATINI

PROFESSIONAL ACCOUNTING,
CONSULTING & BUSINESS
ADVISORY SERVICES

April 8, 2024

President and Members of the Retirement Board
Allegheny County Employees' Retirement System
Pittsburgh, Pennsylvania

REPORT OF INDEPENDENT AUDITORS

Opinion

P.O. BOX 10885
WHITEHALL TOWERS
470 STREETS RUN ROAD
PITTSBURGH, PA 15236-2023

We have audited the accompanying financial statements of the Allegheny County Employees' Retirement System (Retirement System) as of December 31, 2023 and 2022, and for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

TELEPHONE: (412) 881-4411
FAX: (412) 881-4421
WEB: WWW.CASESABATINI.COM

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Allegheny County Employees' Retirement System as of December 31, 2023 and 2022, and the changes in its fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed more fully in the disclosure about the discount rate in Note 6 to the financial statements, the Allegheny County Employees' Retirement System is projected to reach a depletion date in 2038. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

The Retirement System's management is responsible for the preparation and fair presentation of these financial statements, in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

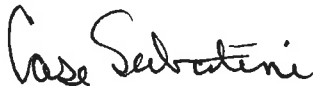
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Retirement System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability, the schedule of employer contributions, and the schedule of annual money-weighted rate of return on pages 18 through 21 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Certified Public Accountants
Pittsburgh, PA

CASE | SABATINI ▶ P.O. Box 10885 ▶ WHITEHALL TOWERS ▶ 470 STREETS RUN ROAD ▶ PITTSBURGH, PA 15236-2023
TELEPHONE: (412) 881-4411 ▶ FAX: (412) 881-4421 ▶ WEB: WWW.CASESABATINI.COM

P I T T S B U R G H ▶ W E X F O R D ▶ P A L M B E A C H

Members of the American and Pennsylvania Institute of Certified Public Accountants

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31,**

	ASSETS	
	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 19,936,301	\$ 49,818,501
Investments (at fair value):		
Equity:		
U.S. Common and Preferred Stock	76,938,665	74,429,387
American Depositary Receipts	129,582	350,227
S&P 500 Index Fund	71,850,780	68,771,098
Non-U.S. Stocks and Equity Mutual Funds	148,935,008	120,567,257
Bonds and Notes:		
Corporate Certificates of Deposit	252,139	656,596
U.S. Government and Related Agency Debt	35,224,249	40,047,699
Fannie Mae and Freddie Mac Debt	20,339,966	16,170,135
Fixed Income Mutual Funds	168,458,899	150,805,240
U.S. Corporate Debt Instruments	33,935,843	28,231,711
Non-U.S. Government and Corporate Debt	11,086,118	11,667,861
Other Investments:		
Hedge Funds	26,695,632	24,216,372
Real Estate Investment Trusts	152,475,757	127,165,694
Venture Capital / Private Equity	175,939,693	223,820,417
Receivables:		
Amounts Due from Brokers for Sold Investments	224,507	244,482
Accrued Interest and Dividends	1,547,963	1,622,127
Accrued Employer Contributions	2,314,010	1,814,140
Accrued Employee Contributions	2,314,010	1,811,480
Other Assets	5,856	6,916
Total Assets	<u>\$ 948,604,978</u>	<u>\$ 942,217,340</u>
	LIABILITIES	
Liabilities:		
Vouchers Payable	\$ 413,293	\$ 200,354
Accrued Payroll	14,134	9,769
Payroll Withholdings	2,803	2,335
Accrued Liabilities	1,378,717	1,456,457
Amounts Due to Brokers for Purchased Investments	230,086	4,277,590
Other Liabilities	29,651	1,926
Total Liabilities	<u>\$ 2,068,684</u>	<u>\$ 5,948,431</u>
	FIDUCIARY NET POSITION	
Net Position Restricted for Pensions:	<u>\$ 946,536,294</u>	<u>\$ 936,268,909</u>

The accompanying notes are an integral part of these financial statements.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31,

	2023	2022
Additions:		
Contributions:		
Employee	\$ 45,774,168	\$ 42,673,844
Employer	<u>45,555,684</u>	<u>42,522,522</u>
Total Contributions	<u>91,329,852</u>	<u>85,196,366</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	55,105,734	(114,027,033)
Interest	4,240,903	3,299,195
Dividends	10,917,341	10,818,871
Partnership Income	1,172,875	3,800,280
Stock Loan Income	<u>32,778</u>	<u>41,032</u>
	71,469,631	(96,067,655)
Less: Investment Management Fees	<u>3,747,422</u>	<u>3,297,432</u>
Total Investment Income (Loss) - Net	<u>67,722,209</u>	<u>(99,365,087)</u>
Miscellaneous Income	<u>748</u>	<u>46,384</u>
Total Additions - Net	<u>159,052,809</u>	<u>(14,122,337)</u>
Deductions:		
Benefit Payments	138,670,922	132,764,392
Refunds of Employee Contributions	8,367,726	13,756,044
Salaries, Wages and Related Expenses	345,475	325,138
Administrative & Miscellaneous Expenses	<u>1,401,301</u>	<u>1,348,058</u>
Total Deductions	<u>148,785,424</u>	<u>148,193,632</u>
Net Increase (Decrease) in Net Position	10,267,385	(162,315,969)
Net Position Restricted for Pensions at Beginning of Year	<u>936,268,909</u>	<u>1,098,584,878</u>
Net Position Restricted for Pensions at End of Year	<u>\$ 946,536,294</u>	<u>\$ 936,268,909</u>

The accompanying notes are an integral part of these financial statements.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 1 – Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Allegheny County Employees' Retirement System (Retirement System) have been prepared on the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

Investments of the Retirement System are presented at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Bonds and notes not regularly on a national exchange are valued based on the last reported sale price or mean of the latest bid and ask price. Other investments consist of ownership interests in various private equity funds. These interests are recorded at the latest available book value of Retirement System's ownership interest, generally being December 31, 2023. The book value for these investments approximates fair value due to the requirement for these funds to follow the guidance of Accounting Standards Codification 820-10, *Fair Value Measurements*.

The Retirement System has adopted investment guidelines that summarize the investment philosophy of the Board and set forth investment targets and performance objectives for the fund. In 2022, the Retirement Board approved changes to the target allocations for investments. The investment guidelines, adopted June 16, 2011, were last amended June 16, 2022. The target allocations are included in the revised investment guidelines and are included in these notes.

Actuarial Cost Method

The Retirement System Plan (Plan) utilizes the entry age normal method. Under this method, normal cost percent is determined separately for each active participant as the level percent of expected career earnings required to fund expected plan benefits. A dollar nominal cost is computed by applying this percent to the participant's expected earnings for the current plan year. The participant's actuarial accrued liability is the difference between the present value of all future plan benefits expected to be paid on his benefit and the present value of his future normal costs.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2023 AND 2022

NOTE 2 – Plan Description

The Retirement System is sponsored by the County of Allegheny, Pennsylvania (County). The Retirement System is presented as the Pension Trust Fund (Fund) of the County, within the financial statements of the County as a whole.

The Retirement System Board (Board) administers the Retirement System. The Board consists of the following seven members: the County Executive, the County Controller, the County Treasurer, two members elected by the County employees and retirees, one member appointed by the County Executive, and one member appointed by the County Council.

The Retirement System is a single-employer, defined benefit, contributory retirement benefit plan covering substantially all employees of the County. Benefit and contribution provisions for the Retirement System are determined under the statutes enacted by the General Assembly of the Commonwealth of Pennsylvania. The Board, pursuant to express statutory authority, has the right to increase the employee contributions in the event it is actuarially determined that a contribution increase is required in order for the Board to meet its funding requirements. Any increase in employee contributions imposes a statutory requirement upon the County to match the employee contributions. Also, the obligation of the Fund to pay retirement benefits is further secured by statutory obligation imposed upon the County to utilize its taxing authority to meet the Board's obligation to make monthly benefit payments to retirees.

Monthly benefit payments are determined for each individual according to the retirement option and the age and length of service at retirement. Additionally, the Board, at its discretion, can provide for cost of living allowances to retirees based on meeting certain actuarial funding levels as more fully described in the House Bill 869 of the General Assembly of the Commonwealth of Pennsylvania. Under normal retirement (attainment of age 50 with 20 years of service for police and firefighters; age 55 with 20 years of service for deputy sheriffs, jail guards, and probation officers; age 60 with 20 years of service for non-uniformed employees), the retirement benefit is equal to 50% of the final average salary, plus 1% thereon for each full year of service between 20 and 40 years. Final average salary is the monthly average of the 24 highest months of compensation in the last 48 months of employment preceding retirement.

Act 125 was passed in December, 2013 and applies to County employees hired or re-hired on or after February 21, 2014. It changed vesting from 8 to 10 years and the service requirement from 20 to 25 years. For the purpose of calculating final average salary, final average salary was changed from the highest 24 months out of the final 4 years to the highest 48 months out of the final 8 years and overtime compensation is limited to 10% of base pay.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2023 AND 2022

NOTE 2 – Plan Description (Continued)

Employees are required to contribute 10.5% of covered compensation. Employee contributions are matched equally by the County, as prescribed by the Second Class County Code of the Commonwealth of Pennsylvania. Employees with at least 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions plus interest thereon, which was approximately 1.67% in 2023. Employees with less than 24 months of service who terminate prior to satisfying the minimum service requirements for a retirement benefit are entitled to refunds of their contributions only.

At January 1, 2023 and 2022, the dates of the most recent available data, participants in the Retirement System were as follows:

	<u>2023</u>	<u>2022</u>
Participants:		
Retirees and beneficiaries	5,367	5,225
Deferred vested	<u>405</u>	<u>318</u>
	<u>5,772</u>	<u>5,543</u>
Current Employees:		
Vested – non-uniform	2,596	2,819
Vested – all others	514	529
Vested – police and fire	166	164
Non-vested – non-uniform	2,648	2,662
Non-vested – all others	320	335
Non-vested – police and fire	<u>111</u>	<u>101</u>
	<u>6,355</u>	<u>6,610</u>
Total	<u>12,127</u>	<u>12,153</u>

NOTE 3 – Contributions Required and Contributions Made

The Retirement System's funding policy requires that the County match all employee contributions on an equal basis and fund those amounts currently. The Board, pursuant to express statutory authority, has the right to increase or decrease the employee's contribution in the event it is actuarially determined that a contribution increase is required in order for the Board to meet its funding requirements. Any increase in employee contributions imposes a statutory requirement upon the County to match the employee contributions. Also, the obligation of the Retirement System to pay retirement benefits is further secured by statutory obligation imposed upon the County to utilize its taxing authority to meet the Retirement System's obligation to make monthly benefit payments to retirees.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2023 AND 2022**

NOTE 4 – Cash and Investments

The Retirement System is required to invest no less than 22% of its portfolio in fixed income securities and the remaining portion primarily in stocks or equities; along with hedge funds, venture capital and real estate, which are not to collectively exceed 45% of the total portfolio.

The Retirement System is authorized by the Board to invest in obligations of the U.S. government, agencies and instrumentalities, commercial paper rated at least A-2 by Standard & Poor's or P-2 by Moody's Investors Service, Inc. (Moody's), bankers' acceptances, and corporate obligations including mutual funds, rated A by Standard & Poor's or A-2 by Moody's. The securities of any one issuer should not exceed 5% of the fair value of the fund. This limitation does not apply to securities issued or guaranteed by the U.S. government or its agencies. In the case of U.S. government agency issues, the securities of any one agency should not exceed 10% of the fair value of the fund.

As of December 31, 2023, the Retirement Board had the following cash and investments:

<u>Cash or</u> <u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities from December 31, 2023</u>			
		<u>Less than</u> <u>1 year</u>	<u>1-10</u> <u>Years</u>	<u>11-20</u> <u>Years</u>	<u>More than</u> <u>20 years</u>
Government & related agency debt	\$ 35,224,249	\$ 1,667,682	\$ 24,419,794	\$ 5,887,677	\$ 3,249,096
Corporate certificates of deposit	252,139	-	252,139	-	-
Fannie Mae and Freddie Mac debt	20,339,966	11,627	305,496	2,838,356	17,184,487
Corporate debt	33,935,843	454,963	25,699,582	3,173,926	4,607,372
Non-U.S. gov't and corp. notes	<u>11,086,118</u>	<u>1,684,346</u>	<u>8,404,067</u>	<u>837,600</u>	<u>160,105</u>
Total debt securities	<u>100,838,315</u>	<u>\$ 3,818,618</u>	<u>\$ 59,081,078</u>	<u>\$ 12,737,559</u>	<u>\$25,201,060</u>
Cash and cash equivalents	19,936,301				
Bond mutual funds	168,458,899				
Equity mutual funds	148,935,008				
Stocks and ADRs	77,068,247				
Real estate investment trusts	152,475,757				
S&P 500 index fund	71,850,780				
Hedge fund	26,695,632				
Private equity/venture capital	<u>175,939,693</u>				
Total cash and other investments	<u>841,360,317</u>				
Total cash and investments reported on Pension Trust Fund Statement of Net Position	<u>\$ 942,198,632</u>				

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures," requires disclosures related to deposit and investment risks. The following is a description of the deposit and investment risks:

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

DECEMBER 31, 2023 AND 2022

NOTE 4 – Cash and Investments (Continued)

Interest Rate Risk – Limiting investment maturities is a means of managing exposure to fair value losses arising from rising interest rates. The Retirement Board's investment guidelines require the effective duration of each Fixed-Income Investment Manager's portfolio to comply with the schedule below:

<u>Fixed-Income Class</u>	<u>Index</u>	<u>Duration Limit</u>
Short-term	Merrill Lynch One-Three-Year Gov't	+/-20%
Government/Credit	Lehman Brothers Gov't/Credit	+/-20%
Core	Lehman Brothers Aggregate	+/-20%

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The Pension Fund's Fixed-Income Investment Managers are authorized by the Retirement Board to invest in marketable debt issues of the U.S. Treasury, U.S. Agencies, U.S. corporations, U.S. banks or other financial institutions, mortgage or asset backed securities, Yankee bonds, and cash equivalents. Domestic bonds in the core-fixed income portfolios must be rated Baa/BBB or better by either Moody's or Standard & Poor's.

The investment guidelines allow for two different classifications of fixed-income managers – core fixed income or high-yield fixed income. Core-fixed income portfolios should normally maintain an average market-weighted quality of Aa/AA. High-yield fixed income securities are bonds that are typically below investment grade bonds. These high-yield fixed income securities do not carry credit ratings below BBB by definition.

The Pension Trust Fund's December 31, 2023 investments in fixed income investments have received the following ratings:

Rating Standards & Pooors'	Other Government Securities	Corporate Certificates Of Deposit	FNMA & FHLMC	Corporate Bonds	Non-US Gov't & Corporate Debt
AAA	\$ -	\$ -	\$ -	\$ 2,202,604	\$ -
AA	8,668,394	-	-	1,677,753	-
A	-	-	-	8,984,278	1,446,884
BBB	-	-	-	15,776,775	1,464,158
BB	-	-	-	28,906	-
B	-	-	-	-	-
CCC	-	-	-	-	-
CC	-	-	-	-	-
D	-	-	-	-	-
Not Rated	<u>26,555,855</u>	<u>252,139</u>	<u>20,339,966</u>	<u>5,265,527</u>	<u>8,175,076</u>
Totals	<u>\$ 35,224,249</u>	<u>\$ 252,139</u>	<u>\$20,339,966</u>	<u>\$ 33,935,843</u>	<u>\$ 11,086,118</u>

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2023 AND 2022**

NOTE 4 – Cash and Investments (Continued)

Rating Moody's	Other Government Securities	Corporate Certificates Of Deposit	FNMA & FHLMC	Corporate Bonds	Non-US Gov't & Corporate Debt
Aaa	\$ 32,600,232	\$ -	\$ -	\$ 3,486,438	\$ 749,469
Aa	-	-	-	2,011,649	64,289
A	-	-	-	10,636,697	1,303,412
Baa	-	-	-	12,175,465	1,735,803
Ba	-	-	-	599,914	-
B	-	-	-	-	-
Caa	-	-	-	-	-
Ca	-	-	-	-	-
C	-	-	-	-	-
Not Rated	<u>2,624,017</u>	<u>252,139</u>	<u>20,339,966</u>	<u>5,025,680</u>	<u>7,233,145</u>
Totals	<u>\$ 35,224,249</u>	<u>\$ 252,139</u>	<u>\$20,339,966</u>	<u>\$ 33,935,843</u>	<u>\$ 11,086,118</u>

The Retirement Board has passed a "Statement of Investment Policy" which gives the High Yield Fixed Income asset class a target asset allocation of 12% of total fund assets. Within the High Yield Fixed Income class, the policy allows 60% of this class to be invested in Defensive High Yield investments and 40% to be invested in Opportunistic High Yield investments. The policy further defines the Opportunistic High Yield investments as "may include CCC and below rated securities", and Defensive High Yield investments "only generally excluding CCC and below securities."

The credit ratings for the Pension Fund's mutual fund investments are unknown.

Custodial Credit Risk – Cash and cash equivalents – For deposits, custodial credit risk is the risk that in the event of bank failure, the fund's deposits may not be returned to it. As of December 31, 2023, the book value of the Pension Trust Fund's cash and deposits was \$1,752,753 and the bank balance was \$2,495,938. Of the \$2,495,938 bank balance, \$250,000 was covered by federal depository insurance. \$2,245,938 is uninsured and subject to custodial credit risk and is collateralized in accordance with ACT 72. An additional \$18,183,548 in cash or cash equivalents was held by the Fund's investment managers in temporary investment vehicles. The investment guidelines state cash equivalent investments may be U.S. Treasury Bills, U.S. Government repurchase agreements (with a minimum of 102% collateral), money market funds, or commercial paper. If commercial paper is used for short-term investments, it must be rated at least A-1 or A by Moody's or Standard & Poor's.

Custodial Credit Risk – Investments – For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside entity. The Pension Trust Fund does not have a formal investment policy to mitigate custodial credit risk. However, to reduce investment risks, the Board's investment guidelines do set target and range asset allocations for all investments.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2023 AND 2022**

NOTE 4 – Cash and Investments (Continued)

The total plan targets are as follows:

<u>Asset Allocation</u>	<u>Target</u>
US Equity	16.5%
Non-US Equity	16.5%
Private Equity	20.0%
Core Fixed Income	12.5%
High Yield Fixed Income	12.0%
Global Infrastructure	5.0%
Private Real Estate	12.5%
Liquid Policy Portfolio	<u>5.0%</u>
Total	<u>100.0%</u>

Concentration of Credit Risk – The Retirement Board’s investment guidelines do not set total fund diversification guidelines. However, they do attempt to minimize the impact of substantial loss in any specific industry or issue by establishing specific limits for the portfolios of each of the investment managers. For the equity investment managers, no more than 5% of each manager’s equity portfolio may be invested in any one company (valued at cost), and no more than 10% of each manager’s equity portfolio may be invested in any one company (valued at market). In addition, equity investments may not exceed the benchmark index by 20% of the Global Industry Classification Standard (GICS) economic sector allocation.

For the core fixed-income managers, except for U.S. Treasury and Agency obligations, each manager’s fixed-income portfolio may not contain more than 10% (valued at market) of a given domestic issuer; no more than 10% of each portfolio’s market value may be in Yankee bonds. If an investment manager chooses to invest in SEC Rule 144A securities without registration rights, such securities may not consist of more than 10% of the portfolio.

Foreign Currency Risk –For cash and investments, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At December 31, 2023, the Retirement Board held \$53,973 in foreign cash, \$39,586,244 in common stock investments, and \$11,068,118 in fixed income investments, all in various non-U.S. dollar denominations.

Rate of Return – For the year ended December 31, 2023, the annual money-weighted rate of return on the Pension Trust Fund’s investments, net of the Pension Trust Fund’s expense, was 7.45 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value – The Pension Trust Fund categorizes its fair value measures within the fair value hierarchy established by generally accepted accounting principles. This hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2023 AND 2022**

NOTE 4 – Cash and Investments (Continued)

Investments in entities that calculate their Net Asset Value (NAV) per share, or its equivalent, are exempt from classification by the fair value hierarchy. As explained in Note 1, the other investments are recorded as the book value of the Pension Trust Fund's capital account, which is considered to be equivalent to NAV and an approximation of fair value since these investments are reported at fair value under FASB standards.

<i>Investments by Fair Value Level</i>	12/31/23	<i>Fair Value Measurements Using</i>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity				
U.S. Common and Preferred Stock	\$ 76,938,665	\$ 76,938,665	\$ -	\$ -
American Depository Receipts	129,582	129,582	-	-
S&P 500 Index Fund	1,621,737	1,621,737	-	-
Non-U.S. Stocks /Equity Mutual Fds	<u>91,444,842</u>	<u>91,444,842</u>	-	-
Total Equity	<u>170,134,826</u>	<u>170,134,826</u>	-	-
Bonds and Notes				
US Govt and Related Agency Debt	35,224,249	-	35,224,249	-
Fannie Mae and Freddie Mac	20,339,966	-	20,339,966	-
Fixed Income Mutual Funds	16,253,543	16,253,543	-	-
U.S Corporate Debt	33,935,843	-	33,935,843	-
Non-US Govt and Corporate Debt	<u>11,086,118</u>	-	<u>11,086,118</u>	-
Total Bonds and Notes	<u>116,839,719</u>	<u>16,253,543</u>	<u>100,586,176</u>	-
Total Investments by Fair Value Level	<u>286,974,545</u>	<u>\$ 186,388,369</u>	<u>\$100,586,176</u>	<u>\$ -</u>
<i>Investment by Net Asset Value (NAV)</i>				
Equity				
S&P 500 Index Fund	70,229,043			
Non-U.S. Stocks /Equity Mutual Fds	<u>57,490,166</u>			
Total Equity	<u>127,719,209</u>			
Bonds and Notes				
Fixed Income Mutual Funds	<u>152,205,356</u>			
Total Bonds and Notes	<u>152,205,356</u>			
Other Investments				
Hedge Funds	26,695,632			
Real Estate Investment Trusts	152,475,757			
Venture Capital/Private Equity	<u>175,939,693</u>			
Total Other Investments	<u>355,111,082</u>			
Total Investments by Net Asset Value	<u>635,035,647</u>			
Total Investments Measure at Fair Value	<u>\$ 922,010,192</u>			

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2023 AND 2022**

NOTE 4 – Cash and Investments (Continued)

<i>Investments by Fair Value Level</i>	12/31/22	<i>Fair Value Measurements Using</i>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity				
U.S. Common and Preferred Stock	\$ 74,429,387	\$ 74,429,387	\$ -	\$ -
American Depository Receipts	350,227	350,227	-	-
S&P 500 Index Fund	1,347,768	1,347,768	-	-
Non-U.S. Stocks /Equity Mutual Fds	<u>85,884,566</u>	<u>85,884,566</u>	-	-
Total Equity	<u>162,011,948</u>	<u>162,011,948</u>	-	-
Bonds and Notes				
US Govt and Related Agency Debt	40,047,699	-	40,047,699	-
Fannie Mae and Freddie Mac	16,170,135	-	16,170,135	-
Fixed Income Mutual Funds	9,155,582	9,155,582	-	-
U.S Corporate Debt	28,231,711	-	28,231,711	-
Non-US Govt and Corporate Debt	<u>11,667,861</u>	-	<u>11,667,861</u>	-
Total Bonds and Notes	<u>105,272,988</u>	<u>9,155,582</u>	<u>96,117,406</u>	-
Total Investments by Fair Value Level	<u>267,284,936</u>	<u>\$ 171,167,530</u>	<u>\$ 96,117,406</u>	<u>\$ -</u>
<i>Investment by Net Asset Value (NAV)</i>				
Equity				
S&P 500 Index Fund	67,423,330			
Non-U.S. Stocks /Equity Mutual Fds	<u>34,682,691</u>			
Total Equity	<u>102,106,021</u>			
Bonds and Notes				
Fixed Income Mutual Funds	<u>141,649,658</u>			
Total Bonds and Notes	<u>141,649,658</u>			
Other Investments				
Hedge Funds	24,216,372			
Real Estate Investment Trusts	127,165,694			
Venture Capital/Private Equity	<u>223,820,417</u>			
Total Other Investments	<u>375,202,483</u>			
Total Investments by Net Asset Value	<u>618,958,162</u>			
Total Investments Measure at Fair Value		<u>\$ 886,243,098</u>		

Equity and Bonds and Notes securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Bonds and Notes classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2023 AND 2022**

NOTE 4 – Cash and Investments (Continued)

The Equity and Bonds and Notes securities reported at NAV are valued daily and the Pension Trust Fund can generally withdraw their investment on demand. The Pension Trust Fund has no obligation to make additional investments in these funds.

The Other Investments reported at NAV are valued over a range; generally, either monthly or quarterly. Most of these investments do not allow the Pension Trust Fund to withdraw their funds from the investment. For those that allow withdrawals, they can occur either monthly or quarterly, with notice of 60 to 120 days. As explained more fully in Note 5, the Pension Trust Fund is obligated to contribute approximately \$29 million to these funds.

NOTE 5 – Commitments and Contingencies

The Retirement System is subject to asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management and legal counsel, the resolution of these claims will not have a material adverse effect on the Retirement System's net assets or results of operations. Certain other investments of the Retirement System consist of the Retirement System entering into agreements as limited partners in private equity funds. These agreements generally provide for the Retirement System to make commitments as to the amount of funds the Retirement System will contribute to these funds. The decision as to whether these funds are required to be contributed and the amounts of any particular contribution are determined by the general partners of these funds. As of December 31, 2023, the Retirement System has approximately \$29 million in outstanding commitments under these agreements.

NOTE 6 – Net Pension Liability

The components of the net pension liability at December 31, 2023, were as follows:

Total Pension Liability	\$ 3,051,521,618
Plan Fiduciary Net Pension	<u>946,536,294</u>
Net Pension Liability	<u>\$ 2,104,985,324</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.02%

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2023 AND 2022**

NOTE 6 – Net Pension Liability (Continued)

The components of the net pension liability at December 31, 2022, were as follows:

Total Pension Liability	\$	2,815,118,412
Plan Fiduciary Net Pension		<u>936,268,909</u>
Net Pension Liability	\$	<u>1,878,849,503</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		33.26%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Projected salary increases	5.75% for age <25 5.25% for age 25-29 4.25% for age 30-34 3.75% for age 35-39 3.25% for age >40
Investment rate of return	7.75%
General inflation	2.75%
Active Participant Load	10%
Contribution rate	10.5% of salary

Mortality rates were based on the PubG-2010 Healthy Retiree Total Dataset with Pub-2010 Contingent Survivor Total Dataset table for spouses for all healthy employees except Police/Fire employees who use PubS-2010(A) Healthy Retiree Amount-Weighted, Above Median for Public Safety Employees. Pub-2010(A) Contingent Survivor Amount-Weighted, Above Median table for spouses. PubG2010 Disabled Retiree table for Non-Safety Employees is used for disabled Non-Uniformed Employees with all other disabled employees using PubS2010 Disabled Retiree table.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial valuation as of January 1, 2023 with update procedures used to roll forward the Total Pension Liability to December 31, 2023.

The long-term expected rate of return on the Pension Trust Fund investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 6 – Net Pension Liability (Continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2023 (see Note 4 for the discussion of the Pension Trust Fund's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. Equity	7.50%
Non-U.S. Equity	8.50%
Domestic Bonds	2.50%
Real Estate	4.50%
Alternative Assets	5.25%

Discount Rate - The discount rate used to measure the total pension liability was 4.71 percent. A projection of Plan Net Fiduciary Position was performed in order to determine if a depletion date was reached. Benefit payments were projected from the January 1, 2023 valuation date for the closed group of plan participants on that date. Administrative expenses were assumed to increase at 2.75%. Future employer and employee contribution rates were assumed to increase from the 2023 level of 10.5% of covered payroll to 11.0% effective January 1, 2024. Future new entrants were included in the projection of future contributions only to the extent that contributions in excess of their service costs are considered. Asset projections include future new entrants to the plan. The demographic composition of the new entrant group is similar to the recent group of new participants to the plan. Projections assume that the active headcount maintains a consistent level from the January 1, 2023 valuation date. Based on those assumptions, the Pension Trust Fund's fiduciary net position was projected to reach a depletion date in 2038. Therefore, in the determination of the discount rate, the long-term expected rate of return was applied through 2037 to projected benefit payments and a municipal bond rate of 4.00% was applied to projected benefit payments thereafter. For this purpose, the index used was the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2023.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability using the discount rate of 4.71 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 – percentage-point lower (3.71 percent) or 1 – percentage-point higher (5.71 percent) than the current rate:

	1% Decrease (3.71%)	Current Discount Rate (4.71%)	1% Increase (5.71%)
Net Pension Liability	\$ 2,511,613,246	\$ 2,104,985,324	\$ 1,768,679,865

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 7 – Tax Status

The Internal Revenue Service has determined and informed the Retirement System by a letter dated December 15, 1997 that the Retirement System is designated in accordance with the applicable sections of the Internal Revenue Code (Code). The plan document has been amended since receiving the determination letter. The Retirement System administrator and the Retirement System's tax counsel believe that the plan remains designated and is currently being operated in compliance with the applicable requirements of the Code.

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 62,759,797	\$ 91,871,740	\$ 74,907,088	\$ 54,579,545	\$ 53,144,885	\$ 49,762,212	\$ 49,757,279	\$ 30,707,225	\$ 30,573,729	\$ 34,628,592
Interest	144,410,140	118,927,365	106,653,983	119,077,372	115,737,989	112,947,656	107,626,883	110,765,848	106,192,763	98,256,438
Differences between Expected and Actual Experience	44,487,000	38,187,115	27,482,092	30,167,938	29,935,193	20,169,422	34,811,005	35,351,752	(1,277,131)	-
Changes of Benefit Terms	-	-	20,479,272	-	-	-	-	-	8,150,316	-
Changes in Assumptions	131,784,917	(673,860,833)	513,068,049	428,521,745	23,036,894	56,077,221	(38,440,255)	443,570,618	9,448,604	(218,138,548)
Benefit Payments, Including Refunds of Member Contributions	(147,038,648)	(146,520,436)	(131,719,898)	(122,418,662)	(114,944,892)	(107,006,347)	(101,578,731)	(96,537,679)	(91,468,361)	(83,481,880)
Net Change in Total Pension Liability	236,403,206	(571,395,049)	610,870,586	509,927,938	106,910,069	131,950,164	52,176,181	523,857,764	61,619,920	(168,735,398)
Total Pension Liability - Beginning	2,815,118,412	3,386,513,461	2,775,642,875	2,265,714,937	2,158,804,868	2,026,854,704	1,974,678,523	1,450,820,759	1,389,200,839	1,557,936,237
Total Pension Liability - Ending (a)	\$ 3,051,521,618	\$ 2,815,118,412	\$ 3,386,513,461	\$ 2,775,642,875	\$ 2,265,714,937	\$ 2,158,804,868	\$ 2,026,854,704	\$ 1,974,678,523	\$ 1,450,820,759	\$ 1,389,200,839
Plan Fiduciary Net Position										
Contributions - Employer	\$ 45,555,684	\$ 42,522,522	\$ 42,678,968	\$ 41,015,082	\$ 40,755,809	\$ 38,142,513	\$ 35,123,482	\$ 33,975,748	\$ 32,925,519	\$ 29,830,945
Contributions - Employee	45,774,168	42,673,844	42,959,431	41,239,884	40,950,512	38,344,289	35,184,080	34,102,601	33,151,939	30,170,618
Net Investment Income	67,722,957	(99,318,703)	143,326,985	76,241,406	127,906,505	(33,016,189)	115,610,121	66,162,258	11,081,867	35,993,409
Benefit Payments, Including Refunds of Member Contributions	(147,038,648)	(146,520,436)	(131,719,898)	(122,418,662)	(114,944,892)	(107,006,347)	(101,578,731)	(96,537,679)	(91,468,361)	(83,481,880)
Administrative Expense	(1,746,776)	(1,673,196)	(1,599,019)	(1,748,093)	(1,573,002)	(1,605,245)	(1,454,127)	(1,381,567)	(1,325,422)	(1,274,059)
Net Change in Plan Fiduciary Net Position	10,267,385	(162,315,969)	95,646,467	34,329,617	93,094,932	(65,140,979)	82,884,825	36,321,361	(15,634,458)	11,239,033
Plan Fiduciary Net Position - Beginning	936,268,909	1,098,584,878	1,002,938,411	968,608,794	875,513,862	940,654,841	857,770,016	821,448,655	837,083,113	825,844,080
Plan Fiduciary Net Position - Ending (b)	\$ 946,536,294	\$ 936,268,909	\$ 1,098,584,878	\$ 1,002,938,411	\$ 968,608,794	\$ 875,513,862	\$ 940,654,841	\$ 857,770,016	\$ 821,448,655	\$ 837,083,113
County's Net Pension Liability - Ending (a) - (b)	\$ 2,104,985,324	\$ 1,878,849,503	\$ 2,287,928,583	\$ 1,772,704,464	\$ 1,297,106,143	\$ 1,283,291,006	\$ 1,086,199,863	\$ 1,116,908,507	\$ 629,372,104	\$ 552,117,726
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.02%	33.26%	32.44%	36.13%	42.75%	40.56%	46.41%	43.44%	56.62%	60.26%
Covered-Employee Payroll	\$ 433,863,657	\$ 404,976,400	\$ 406,466,362	\$ 410,150,820	\$ 407,558,087	\$ 401,500,140	\$ 390,260,912	\$ 377,508,315	\$ 365,839,100	\$ 350,952,298
County's Net Pension Liability as a Percentage of Covered-Employee Payroll	485.17%	463.94%	562.88%	432.21%	318.26%	319.62%	278.33%	295.86%	172.04%	157.32%

See accompanying note to required supplementary information.

**ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<u>Statutorily Required Contribution</u>	<u>Contribution in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
2023	\$ 45,555,684	\$ 45,555,684	\$ -	\$ 433,863,657	10.50%
2022	45,522,522	42,522,522		404,976,400	10.50%
2021	42,678,968	42,678,698		406,466,362	10.50%
2020	41,015,082	41,015,082	-	410,150,820	10.00%
2019	40,755,809	40,755,809		407,558,087	10.00%
2018	38,142,513	38,142,513	-	401,500,140	9.50%
2017	35,123,482	35,123,482	-	390,260,912	9.00%
2016	33,975,748	33,975,748	-	377,508,315	9.00%
2015	32,925,519	32,925,519	-	365,839,100	9.00%
2014	29,830,945	29,830,945	-	350,952,298	8.50%

See accompanying note to required supplementary information.

**ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN**

	<u>Annual Money- Weighted Rate of Return, Net of Investment</u>
2023	7.45%
2022	-9.30%
2021	14.59%
2020	8.03%
2019	14.88%
2018	-3.57%
2017	13.69%
2016	8.19%
2015	1.33%
2014	4.40%

ALLEGHENY COUNTY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE PLAN YEAR ENDED DECEMBER 31, 2023

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	1/1/2023
Amortization	None
Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Actuarial assumptions:	
Projected salary increases	5.75% for age <25 5.25% for age 25-29 4.25% for age 30-34 3.75% for age 35-39 3.25% for age >40
Investment rate of return	7.75%
General inflation	2.75%
Active Participant Load	10%
Contribution rate	10.5% of salary

Change in Assumptions – The discount rate changed from 5.08% to 4.71%.