

The regular monthly meeting of the Retirement Board of Allegheny County was held on October 19, 2023, in the Gold Room, 4th Floor, County Courthouse. The meeting was called to order at 12:00 p.m.

Roll Call of the Board members was made: Board members, John Weinstein, Ted Puzak, Corey O'Connor, Rich Fitzgerald, Jennifer Liptak, Sarah Roka, and Frank DiCristofaro were in attendance.

Also, in attendance: Walter Szymanski, Manager, Retirement Office, Brian Gabriel, Campbell Durrant, Solicitor, Brad Rigby, Cowden, Chris Brokaw and Tim Walters, AndCo Consulting, Ed Boyer, Asset Strategy, and Perry Giovannelli, PFM.

## **PLEDGE OF ALLEGIANCE**

## **PUBLIC COMMENT**

None

## **APPROVAL OF BOARD MINUTES**

*The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro to approve the minutes of the September 21, 2023, board meeting.*

## **APPROVAL OF FINANCIAL STATEMENTS**

*A. The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro, to approve the August 2023 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**

*No invoices were presented for September 2023*

## **PENSION APPLICATIONS**

*A. The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro, to approve the pension applications filed with the Retirement Office for the month of October 2023.*

Early Voluntary	4
Full Retirement	9
Disability	1
Re-Calc	1

## **MANAGER'S REPORT**

### **Walter Szymanski**

The Dashboard reports as of October 19, 2023, Retiree Payroll is up 8.00%, YTD. Total Contributions made are up 11.88%. Contributions Refunded are down -38.31%. Total Retirements YTD down -33.33%. Pension Estimates are up 3.21%; Capital Calls up 4.61%. Capital Calls as of prior board meeting \$490,752.49.

The Office budget is as of September 30, 2023.

#### **Board Approval:**

- 1. The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro, to approve the proposal for DocuSign in the amount not to exceed \$12,000 for a period of one (1) year. The proposed contract includes online notary and 500 retiree application folders a year.*
- 1. The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro, to approve the Act 44 policy and checklist based on the committee recommendation.*

## **SOLICITOR'S REPORT**

### **Brian Gabriel**

The solicitor's report is current as of October 12, 2023. Direct questions to Mr. Gabriel as needed.

- Follow up on Court of Common Pleas of Allegheny County Complaint, Arbitration Division, file number AR-23-818, for the recovery of an overpayment (contributions) in the amount of \$11,685.27. The proposed settlement was declined by the board and the arbitration hearing is scheduled for late February 2024.
- The proposed agreement with Asset Strategy has been reviewed and there are no material changes from the prior contract other than the term and fee.

## **CONSULTANT'S REPORT**

### **AndCO**

#### **Chris Brokaw**

### **Market update through September 30, 2023**

Negative returns across the Equity Market for the month. S&P 500 Large Cap, Russell 2000 as well as the international developed and emerging markets, MSCI EAFE NR and MSCI EM NR. In the Fixed Income markets, the Barclay's U.S. Aggregate returned a negative -2.54 for the month which resulted in negative quarterly Fixed Income returns as well. Interest Rates moved up across the board. Fear of a potential near future recession and continued higher interest rates impacted the market. Private equity, real estate, or infrastructure investments not in the public market performed well in August and relatively well in September.

### **Recommendations**

1. Washington Alliance Capital Fund I and II Promotion to Primary Portfolio – The recommendation to move the Washington Alliance Capital Funds I and II from the Emerging Manager program to the primary portfolio and to commit an additional \$5 million to the Washington Alliance Capital Fund II to increase the total commitment to that fund to \$7 million. The committed capital will be called over time and funded through rebalancing in the portfolio.

Fund I, since 2013 has distributed \$6.9 million and has a current value of \$13.4 million. Fund II, originally invested in 2020, has distributed \$500,000 and has a current value at \$2.2 million. The total value of the two Funds is \$15.6 million as of August 31, 2023. The investments are expected to continue to generate distributions through 2027. The recommendation is based on the following criteria: 1) Stability 2) growth in assets 3) the ability of the manager to identify and analyze properties for inclusion in the portfolios and 4) strong relative performance.

The board discussed the AndCo and PFM recommendation of \$5 million commitment and where the funds are coming from. Holding the promotion item.

*The board unanimously approved a motion by Ted Puzak, duly seconded by Frank DiCristofaro, to approve the recommendation to commit an additional \$5 million to Washington Alliance Fund II.*

Financial Reconciliation, Total Fund, YTD August 31, 2023 – Periodic liquidations are required to meet the net cash flow requirements in the portfolio that are primarily for benefit payments. In the 2023 year-to-date period through August 31, \$36 million was raised in the portfolio to fund cash outflows. The largest sources have been: Private Equity, \$9 million; US Equity, \$8 million; High Yield Fixed Income, \$8 million; and, Real Estate, \$6 million. The Private Equity distributions are from mature portfolios that were funded up to 20 years ago.

2. Administrative Item – BNY Securities Lending Collateral – the current contract has been in effect since 2004, the current recommendation is to approve an amendment to the agreement to disallow the use of cash as collateral in the program. This is a slight change in how BNY administers the program. Removing cash collateral removes reinvestment risk, Treasury Bills and Notes are relatively safer with less risk.

*The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro to approve the amendment to the Securities Lending Authorization agreement to disallow the use of cash collateral in the Securities Lending program.*

## **Asset Strategy**

### **Ed Boyer**

Two parts to the report. The first relates to performance on the investment partnerships and the other relates to the management fees.

As of December 30, 2022, the 2022 Management Fees total \$2,693,112.62.

Public Market Equivalent Performance, the model assumes the fund's cash flows are invested in and out of a specified public index. The goal is to outperform the public markets by 3% – 5% absolute. The model shows Allegheny County, during this period, outperformed the market at 4.50%

Asset Strategy contract was included for the board to review.

## **PFM**

### **Perry Giovannelli**

Rebalancing memorandums

- StoneRidge Investment Partners Small Cap Growth – PFM recommends \$2 million investment to the EM program. StoneRidge, a Small Cap Growth strategy, restructured in 2009 and is now an emerging and minority-owned RIA.

Time was allowed for questions and discussion. Board members Fitzgerald and Liptak requested additional time to review the material and hold the request to the November meeting.

*The board approved a motion by Frank DiCristofaro, duly seconded by Sarah Roka to approve an initial \$2 million investment adding StoneRidge Investment Partners LLC, Dynamic Small Cap equity to the emerging managers program; voting 5 in favor and 2 against.*

- Reallocation and Investment Recommendation
  - Reduce Fragasso Financial Advisors Large Cap by \$1.5 million

- Reduce Emerald Advisers, Inc All Cap by \$1.2 Million
- Invest an additional \$1,000,000 in Cookson Peirce Equity

Time was allowed for questions and discussion. Of the 2.7 million, \$2 million for Stoneridge Investment Partners LLC, as voted on above. The \$700,000 plus \$300,000 cash will make up the \$1 million for Cookson Peirce Equity investment. Board members Fitzgerald and Liptak requested additional time to review material and hold the request to the November meeting.

*The board approved a motion by Frank DiCristofaro, duly seconded by Sarah Roka to approve an investment an additional \$1 million in Cookson Peirce Equity; voting 5 in favor and 2 against.*

## **COWDEN**

### **Brad Rigby**

Presented the Allegheny County Employee' Retirement System Executive Summary and Actuarial Report dated January 1, 2023.

- Total Funded Status Ratio, TFSR, ratio of the present value of benefits earned to date and benefits that are expected to be earned in the future compared to the market value of assets and present value of contributions to be made in the future. The percentage has fallen due to the market decline in 2022. Funded Ratio 2023 63.9%
- Participant Data – The ratio of actives to inactive has remained relatively stable but is trending downward. For an underfunded plan that relies on member contributions (matched by the county) the level of the member population is important. Active population has not returned to pre covid numbers which impacts projections.
- History of Funded Ratios – a ratio of 100% or more is favorable indicator. A ratio of less than 100% may be tolerated over the short-term but a ratio of 100% is necessary for the long-term solvency of the Fund. As of January 2023, the TFSR is at 63.9%
- History of Normal Cost – The Normal Cost of a plan is determined by the adopted actuarial funding method. Under the Entry Age Normal cost method, the county utilizes the normal cost is defined as a level of contribution such that the present value of all the future normal costs at entry age is precisely equal to the present value of all future benefits at entry age. This is a most important figure because barring future actuarial gains/losses or benefit modifications, the plan's total cost will eventually reach this level. This occurs when the unfunded liability is exactly equal to \$0. January 2023 Normal Cost as a % of payroll 9.2% and Normal Cost (includes expense load) \$39,012.

## NEW BUSINESS

Chairman Weinstein brought a motion to the board. With his history of 30 years associated with the board and has taken this position seriously and felt it to be important to do the best for Allegheny County employees and retirees. Looking forward to 2024, a new board, taking the next couple of months to work with the retirement office, solicitor and establish experience with members and associates. Mr. Weinstein motioned to name Frank DiCristofaro, Elected Member, as chairman of the board effective immediately.

Board discussion, members Fitzgerald, O'Connor and Liptak concerned about the timing, urgency, and legality of reorganization at this time. No objection to Mr. DiCristofaro seniority and other members' experience. The board would reorganize in January 2024, nonetheless.

Procedurally, per the Solicitor, a majority vote is needed to add the motion to the October agenda as an amendment.

Mr. Weinstein withdraws the original motion.

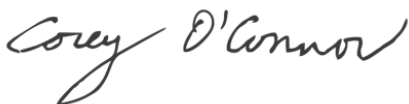
*The board approved a motion by John Weinstein, duly seconded by Ted Puzak to add a motion to the October 2023 agenda to reorganize the position of the RBAC chair; voting 4 in favor and 3 against.*

*The board approved a motion by John Weinstein, duly seconded by Ted Puzak to appoint Frank DiCristofaro as chairman of the board effective immediately; voting 4 in favor and 3 against*

## ADJOURNMENT

*The Board unanimously approved a motion by Frank DiCristofaro, duly seconded by Corey O'Connor to adjourn at 1:16 pm.*

Sincerely,



Corey O'Connor  
County Controller

