

The regular monthly meeting of the Retirement Board of Allegheny County was held on September 21, 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, Jennifer Liptak, Sarah Roka, and Frank DiCristofaro were in attendance.

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

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

Ken Kaszak

In past public comments I have talked about the index and the fact the index had a major decline last year. The equity income outperformed the index. Speaking today, as a low fee advisor, who has previously published an article in the Business Times. Acknowledge that AndCo lowered the fund by 17 basis points to 2 basis points. Today, I'm defending the index fund. At the end of March 2023, Wilshire 5000 index had only 3480 companies and has not had 5000 since the 2005. According to the Wall Street Journal in the mid 90's there were 7300 publicly traded companies. Public Traded companies are disappearing. Companies do not want to deal with advisors and poor expectations. It is difficult to beat the index and the index is relentless. The point of the presentation - all the managers you are paying fees to, analyze them to see if they are outperforming the index. If they are not, invest the money in the index or an equity income portfolio. From the mid 1990's at 7600 public companies to 3600 whom many are not investable. The suggestion is to study advisors with non-index funds, study their fees and see if they are outperforming the benchmarks.

APPROVAL OF BOARD MINUTES

The board unanimously approved a motion by Frank DiCristofaro, duly seconded by Corey O'Connor to approve the minutes of the July 20, 2023, board meeting.

APPROVAL OF FINANCIAL STATEMENTS

A. The board unanimously approved a motion by Frank DiCristofaro, duly seconded by

Corey O'Connor, to ratify the June 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

B. The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro, to approve the July 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

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

AUGUST VENDOR EXPENSES

VENDOR	DATE	AMOUNT
GRIDIRON PARTNERS MGMT PARTNERS-FI	4/1/23-6/30/23	\$ 21,510.63
GRIDIRON MGMT PARTNERS-MA	4/1/23-6/30/23	\$ 6,172.74
CIM INVESTMENT MANAGEMENT (Fixed Income)	4/1/23-6/30/23	\$ 16,908.51
CIM INVESTMENT MANAGEMENT (Small Cap)	4/1/23-6/30/23	\$ 9,351.38
CIM INVESTMENT MANAGEMENT (Israel Bonds)	4/1/23-6/30/23	\$ 3,755.59
CSM ADVISORS, LLC	4/1/23-6/30/23	\$ 19,762.07
COOKSON PEIRCE & CO INC	4/1/23-6/30/23	\$ 1,611.00
EARNEST PARTNERS	4/1/23-6/30/23	\$ 32,192.42
EMERALD ADVISERS (All Cap)	4/1/23-6/30/23	\$ 8,616.13
EMERALD ADVISERS (Small Cap)	4/1/23-6/30/23	\$ 25,713.38
EMSTONE ADVISERS, LLC	4/1/23-6/30/23	\$ 2,577.65
FEDERATED (Core Broad)	4/1/23-6/30/23	\$ 19,359.16
F.N.B. WEALTH MANAGEMENT	4/1/23-6/30/23	\$ 2,338.05
FIDELITY INVESTMENTS (Select Int'l Plus)	4/1/23-6/30/23	\$ 24,776.72
FRAGASSO FINANCIAL ADVISORS	4/1/23-6/30/23	\$ 8,965.00
iNetworks OF, LLC	4/1/23-6/30/23	\$ 22,482.72
SEGALL, BRYANT & HAMILL	4/1/23-6/30/23	\$ 54,105.76
STATE STREET GLOBAL ADVISORS (MSCI World)	4/1/23-6/30/23	\$ 6,185.07
STATE STREET GLOBAL ADVISORS (S&P 500)	4/1/23-6/30/23	\$ 3,456.93
TWIN CAPITAL MANGEMENT	4/1/23-6/30/23	\$ 33,338.21
Total Vendor Invoices for Approval		<u>\$323,179.12</u>

PENSION APPLICATIONS

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

Early Voluntary	10
Full Retirement	11
Payment Plans	1

- B. *The board unanimously approved a motion by Corey O'Connor, duly seconded by Sarah Roka, to approve the pension applications filed with the Retirement Office for the month of September 2023.*

Early Voluntary	5
Full Retirement	8

Board member O'Connor requested time to recognize recent retiree Kevin J. Wells, a Controller's Office employee of 37 yrs., for his lifetime career and dedication to public service of Allegheny County.

INDEPENDENT MEDICAL EXAM OPINION FOR DISABILITY APPLICATIONS APPROVALS

- A. *The board unanimously approved a motion by Corey O'Connor, duly seconded by Frank DiCristofaro, to approve the disability application of member #101030 upon the recommendation of three designated physicians that the member **IS** totally and permanently disabled from gainful employment in Allegheny County.*
- B. *The board unanimously approved a motion by Frank DiCristofaro, duly seconded by Corey O'Connor, to approve the disability application of member #080737 upon the recommendation of three designated physicians that the member **IS** totally and permanently disabled from gainful employment in Allegheny County.*
- C. *The board unanimously approved a motion by Frank DiCristofaro, duly seconded by Corey O'Connor, to approve the disability application of member #088410 upon the recommendation of three designated physicians that the member **IS** totally and permanently disabled from gainful employment in Allegheny County.*

MANAGER'S REPORT

Walter Szymanski

The Dashboard reports as of September 21, 2023, Retiree Payroll is up 8.00%, YTD. Total Contributions made are up 6.22%. Contributions Refunded are down -42.58%. Total Retirements YTD down -32.58%. Pension Estimates are up 6.86%; Capital Calls up 12.09%. Capital Calls as of prior board meeting \$1,626,366.19

RETIREE FUNDING	BEGINNING BALANCE	Transfer to Cash Account	Change in Capital Value	ENDING BALANCE	
BLACKROCK LIQUIDITY	\$ 2,121,683.31	\$ -	\$ -	\$ 2,121,683.31	
	BEGINNING BALANCE	Transfer from Black Rock	Transfer to FNB for Payroll and Refunds	ENDING BALANCE	
CASH ACCOUNT	\$ 16,647,224.65	\$ -	\$ 5,900,000.00	\$ 10,747,224.65	

The Office budget is as of August 31, 2023.

Board Update:

- The office received one response to the Independent Performance Audit RFP, deadline was September 1, 2023. Under initial review, the only submission did not meet the minimum qualifications.
- The proposal for DocuSign, a system to help streamline Retirement Document processing, is included for the board’s review. Two options: 1st with online notary Services and the 2nd option is without the online notary service.
- The Act 44 checklist is included for the board’s review and edits. A vote will take place at the October 19, 2023 RBAC meeting.
 - Board member O’Connor requested the Act 44 Sub Committee meet to review the checklist and discuss suggested revisions prior to the next board meeting.

SOLICITOR’S REPORT

Brian Gabriel

The solicitor’s report is current as of September 8, 2023. Direct questions to Mr. Gabriel as needed.

Action Items:

1. Shareholder and Class Action Litigation, Bernstein Litowitz Berger & Grossman (BLB&G) recommends that ACERS file a securities class action complaint against AdaptHealth and certain of its senior executives where ACERS incurred a loss of approximately \$126,000 on investments.

The board unanimously approved a motion Frank DiCristofaro, duly seconded by Corey O’Connor, to file a securities class action against AdaptHealth based on the recommendation of BLB&G due to the exposure to the ACERS loss of approximately \$126,000.

2. Recoupment Actions, A a complaint was filed in Court of Common Pleas of Allegheny County, Arbitration Division, file number AR-23-818, for the recovery of an overpayment (contributions) in the amount of \$11,685.27. A proposed settlement has been discussed between the solicitor and the

defendant's attorney. Under the proposed settlement the defendant would pay back \$5,500 on a schedule payments beginning on September 30, 2023, and concluding at the end of December.

Board members took time to discuss and agreed that they are not in favor of a settlement. The settlement does not set the right precedent for the board to give away retirees' money and it would be better to continue with further litigation in the matter. Procedurally, the next hearing will take place February 2024

The board unanimously approved a motion by John Weinstein, duly seconded by Corey O'Connor, to reject the proposed settlement.

CONSULTANT'S REPORT

AndCO

Chris Brokaw

Recommendations

1. Income Distribution Request – Oaktree High Yield – The Allegheny County Employees Retirement Fund has approximately 6.0% of the fund invested in the Oaktree High Yield Bond portfolio, \$56.6 million. The fund requires between \$5.0 and \$7.5 million cash monthly to cover the benefit payments. The Oaktree portfolio is yielding 8.2%. The current income is being reinvested. The portfolio could generate an estimated \$4.5 million annually in cash distributions to support the cash distribution requirements of the portfolio and lessen the need to sell portions of the portfolio to raise cash for monthly benefit payments.

The board unanimously approved a motion by Frank DiCristofaro, duly seconded by Corey O'Connor, to approve the recommendation to instruct Oaktree High Yield to distribute income generated from the portfolio.

Market update through August 31, 2023

S&P 500 Total Return for the month was down -1.59% and YTD returned a positive 18.73%. The Russell 2000 Index was down -5.00% for the month. International stocks, represented by the MSCI EAFE NR posted negative returns for the month of -3.83%. Equity gave back some of the positive returns in July. Bonds were negative, with the U.S. Aggregate down -0.64% as interest rates have continued to increase. The Federal Reserve met this week and did not raise rates. Market expectations are that they may be done raising the rates for this cycle, potentially bringing stability to short term and long-term rates. Short-Term US Generic Govt 3 MTH T-Bills yield 5.44%. The current Fed Funds rate is set between 5.25 – 5.50%. Bond and cash yields

are up over 5%. YTD Sector Returns – the highest returning in the market is communications at 45.16% which has many technology related holdings in the index. Info Tech up at 44.66%. These positive returns represent a significant comeback in the equity market for 2023 from the negative performance in 2022.

Portfolio Update Through July 31, 2023

Asset Allocation & Performance – The Total Portfolio value at the end of July , was \$947,569,662. Total Fund performance YTD is +5.09%. Monthly Fund performance is +1.36%. Monthly returns were driven by the US equity investments that returned +3.59% and are up 19.71% for the YTD period. Asset classes that did well 2022 Real Estate and private equity had negative returns YTD 2023. The Large Cap, SSgA 500 Index performed well for the month at 3.22% and YTD 20.62. Of the larger equity allocations in the portfolio, Earnest Small Value posted good performance returning 13.23% YTD which was ahead of its index. Emerald Advisors Small Cap returned 18.53% YTD roughly in line with its index. Large Cap Equity performed poorly last year while this year has performed much better.

Financial Reconciliation, 1 month ending July 31, 2023 – Periodic liquidations are required to meet the net cash flow requirements in the portfolio that are primarily for benefit payments. The index fund SSgA S&P 500 sold \$2 million in July and Twin Capital liquidated \$2 million. Recognition that these parts of the portfolio have done really well and are now over their appropriate allocation. We are considering trimming overallocated asset classes for future liquidity.

Asset Strategy

Ed Boyer

Private Equity Market Investment Overview as of June 30, 2023 -Some of the aggregates are doing very well and are in the process of winding down. Example: Birchmere Ventures, call ratio 0.92, and valuation \$39,414 or Corry Capital, vintage year 2015, Valuation at \$6.7 million. Overall Call Ratio which represents the percentages of the call relative to the commitment as of June 30, 2023 is 0.91. At this level its customary to keep the allocations stable to not fall behind targets.

A few questions by Board Chair Weinstein to clarify the current allocation is on target and we expect, in a few quarters, the allocation will be below targets. Between 2010 – 2013 there were significant commitments made to the managing portfolio. Now on a regular basis the investments are giving back approximately \$1 million – 2 million. Mr. Weinstein suggested that Asset Strategy come up with a strategic plan for 2024 with recommendations for the new Retirement Board of Allegheny County in January 2024.

Perry Giovannelli

RBAC Emerging Managers Program as of June 30, 2023 – Allocation and Performance - Advisors in the small cap space have done well over the past 18 months as we can see by their 1 Year number, Emerald Advisers, Inc, 26.79% and CIM Investment Management SCC 1 Year at 14.26% versus the benchmark of 12.31 and YTD of 12.44% versus the benchmark of 8.09. Cookson Peirce done well since inception date of 12/01/2018 at 12.40 versus 12.19.

Private Equity Summary of Partnership – Washington Alliance Capital Fund I, since commitment date 03/01/2016, committed \$10 million, return of 15.29%, market value of \$13.3 million, distributed \$8.7 million. Washington Alliance Capital Fund II, commitment date 03/01/2020, committed \$2 million, distributed \$400,000, return of 10.17%. Looking forward to the October meeting, PFM will make a recommendation to commit another \$5-8 million to Fund II in addition to a recommendation in small cap equity.

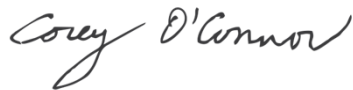
NEW BUSINESS

none

ADJOURNMENT

The Board unanimously approved a motion by Frank DiCristofaro, duly seconded by Corey O'Connor to adjourn at 12:38pm.

Sincerely,



Corey O'Connor
County Controller