

PENSION INVESTMENT ADVISORY BOARD
MEETING MINUTES

A meeting of the Mt. Lebanon, PA Pension Investment Advisory Board (PIAB) was held Tuesday, August 26, 2014 at 9:00 am in room D of the municipal building at 710 Washington Road, Pittsburgh, PA 15228.

The meeting was called to order at 9:00 am. In attendance were Board members Mark Mistretta, Kevin Renne, Christopher McMahan, Mark Flaherty, Investment Consultant Marc Ammaturo, Commissioner Steve Silverman and Staff member Andrew McCreery.

The meeting minutes from the PIAB meeting held Tuesday, May 20, 2014 meeting were approved.

Bill Asay and Dave Stimpson, representatives from Mockenhaupt Benefits Group, were in attendance to provide information on a potential Asset and Liability Model (ALM) for the pension plans. After discussion between all parties, the Board decided to move ahead with an ALM study. Mr. Ammaturo of PFM offered to do the ALM study free of charge and Mr. Asay agreed to provide the liability information to Mr. Ammaturo to complete the study. In addition, Mr. Mistretta wanted information about updates to the mortality tables. Mr. Stimpson explained the rationale for the tables currently in use. Mr. Stimpson informed the Board that there are no projected changes to the mortality tables in 2015.

Mr. Ammaturo, PFM Managing Director, began a review of the 2nd quarter 2014 performance of the pension plans. He noted the following.

1. Overall, it was a solid first six months of 2014.
2. Quarterly updates on indices worth noting were as follows.
 - a. S&P 500 was up 7.14%
 - b. Russell 2000 was up 3%
 - c. Concern is developing in small cap investments
 - d. Developed markets outside of North America produced a 4.1% return as measured by the MSCI EAFE Index (net)
 - e. MSCI EM (net) was up 6.60%. This goes against what you would expect.
 - f. Real Estate is doing well, up 17% for the year. Investors believe that long-term rates will increase.
3. Mr. Ammaturo stated that he expects 1% annualized returns for core domestic bonds for the next 5 years. The 10-year treasury note remains at 2.5%. High yield fixed income is up 5.5% for the year.
4. Energy sector is up 27%. Since Atlanta Capital is not invested here, they are off the index presented.

5. Plan specific comments:
 - a. All three plans were under the target policy returns for the quarter, but long-term performance remains in line with the target policy.
 - b. Police pension plan – Actual returns 3.33%
 - c. Employees’ pension plan – Actual returns 3.35%
 - d. Firemen pension plan – Actual returns 3.33%
 - e. Returns per indices for all plans was 3.94%
 - f. Domestic equity:
 - i. Stralem & Company remains on the probationary list
 - ii. Atlanta Capital – Lower returns than the indices. This is due to the focus of their portfolio with consumer discretionary holdings and the market had more gains in the energy sector.
 - g. International Equity:
 - i. International investments out performed all indices for the quarter
 - h. Real Estate:
 - i. Real estate performing well for the year, but not comfortable making any moves yet.
 - i. Fixed income:
 - i. Fixed income investments all did well.
 - ii. Babson – bank loans did well. They react well to interest rates because they have the ability to reset.
 - j. Real estate and domestic equity caused the plans to be below the policy benchmark.
6. Changes to investments:
 - a. In all three plans, it was agreed to move money from Vanguard Total International Stock Index to Vanguard Institutional Index in order to achieve a target domestic equity percentage of 43.5%. A vote was taken and passed unanimously.

General Discussion

Mr. Silverman began a discussion on the possibility of videotaping meetings. The Board was unanimously against the idea for a variety of reasons including: personal fiduciary responsibilities, hampering Board discussions, insurance concerns and obtaining volunteers in the future. The Board asked Mr. Silverman to have the Commission reconsider the taping to the meetings.

The Board started tabled the discussion of the possibility of changing the current arrangement with PFM from a consulting arrangement to a discretionary management arrangement until the next meeting.

The meeting adjourned at approximately 11:00 am.