Retirement Board Meeting
August 25, 2020

Present:	Commissioner	Thomas Chernisky William Smith Scott Hunt
	Controller	Ed Cernic Kristine Segear Dana Descavish
	Treasurer	Lisa Kozorosky

Pledge of Allegiance

Commissioner Chernisky called the meeting to order at 10:02 a.m.

Motion was made by Scott Hunt to approve the minutes from the Retirement Board meeting held on July 23, 2020. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the retirement summary. There are currently 1,134 retirees as of August 21, 2020. July's retirement payroll was $1,244,291.27. The fund balance as of today is $217,588,915 which is the highest it has been ever. Motion was made by Scott Hunt to approve the retirement summary. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Dennis Hunt from AmeriServ attended the meeting. Dennis advised the Board as of the close of business on Friday, August 21, 2020 the market value of the fund was $216,349,691.50. Dennis reviewed the cash balances. CS McKee's balance of $968,106.15 consists of two bonds sold and approximately $700,000 earmarked for a pending a purchase that will decrease the amount of cash in the account. Ed Cernic questioned KAR's cash balance. Pat Wing advised that KAR and Emerald typically run 2-4% at any given time to take advantage of opportunities, there is also pending activity within the accounts. Ed advised that is too much cash; the Board does not want to pay management fees on cash. Pat Wing will follow up with the managers. Motion was made by Ed Cernic to accept the AmeriServ report. Motion seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Marquette Associates provided an economic summary to the Board. There was a historic contraction in the GDP during the 2nd quarter. GDP declined by 32.9% and that was driven by a decline in consumer spending. There was also dramatic swing in unemployment. The economists are expecting a big rebound in the 2nd half of the year. There has been improvement. Retail sales did increase in May and June. The unemployment rate has come down to 11% at the end June and has decreased to about 10% in recent reports compared to being at 15% in April. Looking ahead at the remaining of the year, there will risks with the continued reopening of the economy across the US. The stimulus from the government has been historic in size, scale and speed. If there is no additional stimulus it will affect the improvement in the data of retail sales and unemployment rates. Global equities rallied in the 2nd quarter, recouping losses sustained in the 1st quarter. US Bonds were up 3% for the quarter, high yield bonds up 10%. Growth stocks; such as Facebook, Amazon, Apple, Microsoft and Google; have been outperforming value stocks at a historic clip for quite a while. Growth stocks were up 25% through June vs. the S&P which was down 3%, and the other 495 stocks down 10%. The key take away is that it was a great 2nd quarter. Pat then continued with a fund update. The fund returned 13.3% (net of fees) for the 2nd quarter vs. the policy index of 12.7%; this does not include the Ironsides returns because they are on a lag. Ironsides are expected to be positive results so the fund return will ultimately be between 13.5%-14% for the 2nd quarter. Pat reviewed the summary of cash flows for the 2nd quarter. The beginning market value was $183,617,836 with a net investment change of $24,417,796 ending the 2nd quarter with a balance of $205,635,633. For year to date the beginning balance was $211,712,924 and withdrawals of $5,473,002 the fund is almost back to where it began at the end of the 2nd quarter based on investment gains and losses. As of the end of June, there is not much deviation in the asset allocations vs. target allocations. The total fund composite is in the top 10% relative to all peer groups. The 2nd quarter was very strong capturing the upside. There was a lot of downside protection due to the decisions the Board has made in the last twelve months which resulted in a huge dividends. The total equity composite for the 2nd quarter was 2% ahead of the benchmark, with the US equity composite being slightly ahead of the policy index and the non-US equity 8% ahead. The US fixed income is in line with the index 3.5% vs. 3.6%. The Non-Traditional investment returns are through March 31, 2020. The Ironsides Fund III has made all capital calls and is now in the distribution phase. The Opportunities Fund and Direct V fund is 50-60% funded at this time and an additional call of 5-10% call may be coming later in the 4th quarter. In June, the recommendation was made to make a $3 million commitment into the Opportunities Annex Fund. No calls have been made but most likely will be made in September. Ed Cernic asked where the funds would come from to fund the calls. Pat advised that will depend on where the market is at the time and decisions will be made from there. He will keep in contact with Ironsides and stay on top of when the calls will be made. Pat then reviewed the performance update as of July 31, 2020. There was an investment gain of $7,643,333 through July and the market value is $212,479,366. The returns have been more of the same with equities continuing to do well, growth continue to outperform value and fixed income aggressive areas doing well. The fund is up 3.7% for July vs. the policy index 3.4%. August so far has been a really good month and with August returns the fund will be at approximately 5%. Since the market has run up so much over the last few months, the asset allocations are overweight in equities, approximately 2.5%, and underweight in fixed income, approximately 3.5%. This is in within investment policy guidelines but given the dynamics over the past five months, the strong returns and the uncertainly of the outlook for the rest of the year, now would be a prudent time to make some adjustments. The recommendation is to move $5 million from the Vanguard Growth Index Fund, allocate $3 million to FNB and $2 million to Chartwell fixed income. Earlier this year, CS McKee sold their firm and under Marquette's recommendation was placed on the watch list. When someone is on the watch list the Board is advised not to give them any additional money. Pat recommends that we CS McKee come in for an update. After their presentation, the Board can then make the decision to take them off the watch list. Once they are off the watch list, CS McKee will also be utilized for rebalancing.

- Motion was made by Ed Cernic at the recommendation of Marquette Associates to move $5 million the Vanguard Growth Index Fund and allocate $3 million to FNB fixed income and $2 million to Chartwell Fixed Income. In addition, request CS McKee attend and present at the next quarterly meeting. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

David Reid, Senior Vice President from CBIZ provided the Board with an Actuarial review of the Cambria County Employees' Retirement plan. The Actuarial valuation is a financial model developed each year. The valuation is used to determine emerging liabilities and funded status of the Plan, calculate actuarially determined contributions, and develop financial statement disclosure amounts. What goes into the plan are assumption and methods of plan demographics, plan benefits and assets. The plan costs what it will cost less investment earnings; the actuaries and actuarial methods and assumptions have no impact on the ultimate cost of the plan; CBIX estimates as best as possible so the County can fund it along the way. Dave reviewed a four year summary of the plans demographics and active members. The number of active participants shows modest declines year after year, approximately 1.8% decline per year in active head count. We base contribution recommendations on the percentage of payroll. This needs to be monitored closely because there is an assumption that payroll grows 3.5% per year, if it doesn't then in twenty years the fund would not be adequately funded. At this point there are no issues. The retired participants change very little from year to year based on new retirees and retirees passing each year. As far as active average compensation it is unchanged from the year before. The primary actuarial assumptions used are the rate of return on the investments which is set at 7% per year, salary scale, retirement rates and life expectancy. Dave reviewed all active employees with more than five years and reviewed their pay year over year and it has increased on average just under 3.1%; compared to the 3.5% assumption being used now. That indicates that the assumption is appropriate to review to set a long term assumption going forward. In 2019, a new mortality table was released based on information just for public sector pension plans. The assumption the Cambria Employees Fund used is the newly released Pub-2010 General amount weighted mortality table with MP-2019 generational improvement scale. The average age for retirement is 63 and right now the plans assumption ranges anywhere from age 55 to 80. This is something that also needs to be reviewed; the reasons and conditions of why people retired 15 years ago are certainly different than today. The current funding policy of the plan is 11.5% of payroll effective July 1, 2019 increased due to 2018's market activity. The fund is currently 87.62% funded as of January 1, 2020. County contributions are estimated to be approximately $2.9 million for 2020. The total liability of the plan comprised of active participants (accrued and future salary), terminated vested participants, retired participants/beneficiaries and member accumulated deductions is $253 million. The market value of plan assets is $253 million. The unfunded liability on a market value basis is $41 million. The net pension expense is $7.9 million. Dave then reviewed a funded status projection making assumption changes to the rate of return. Reasons that the rate of return may need revised would be capital market assumptions don't support 7%, risk is taken off the table or asset allocations change.

Dave then discussed with the board information on having an Experience Study and why it is beneficial for a fund to have the study done. The goal of an experience study is to capture the best estimate of the true cost of the plan as you can. Pat Wing questioned to what extent the last five to ten years is representative of the next five years especially with the COVID pandemic. Dave stated what you need to gauge the impact of COVID is time. Funds may have seen a blip in activity in the last six month period that could drastically change six months from now; you could see mortality change over the next five to ten years or when life does get back to normal you could see individuals coming back from retirement; so there is really no way to know at this time. Lisa Kozorosky questioned when was the last time our Fund did an experience study? It was prior to CBIZ's tenure here.

Ed Cernic stated he would like to see some scenarios from CBIZ for our budgeting purposes for the fall. The scenarios he would like to see are the investment rate of return at 7% and 6.75%, the salary scale 3.5% in relation to 7% and one at 3%. It will be important for the Commissioner's and the Controller's office to see how it would impact the budget for 2021. This may be the year that changes need to be made. For budgeting purposes, we will need to have this information in September. This is separate from an experience study. As far as the experience study:

- Motion was made by Ed Cernic to do an RFP for an Experience Study to be reviewed at a future meeting. Motion was seconded by Lisa Kozorosky. Lisa Kozorosky asked Pat Wing how he feels about an Experience Study. Pat feels that it is something that can be taken a look at every decade at a minimum. Pat did not realize that it has been so long so since the last one was done so he feels it would be a good idea to do a RFP and he will work with the Controller's office to prepare the RFP. Motion carried. Vote unanimous 5-0.

Old Business:

1. Cambria is a co-lead in the CVS-Aetna securities litigation case that Grant and Eisenhofer are handling. The case is ongoing and both Ed and Dana will be deposed in early October.

2. Ed had previously asked Pat Wing to provide him with how Cambria County's returns are compared to other PA Counties that Marquette Associates does consulting for. Pat provided via email the rankings. The one year and 202 ranking we were ranked first and for the 2nd quarter we are ranked third so that means our managers are doing exactly we what we ask them to do and Ed complimented Pat on what he does overseeing the Fund.

New Business:

1. Motion was made by Ed Cernic to ratify the action taken by the Commissioner's office at the recommendation of the Controller's Office on the following August retirees: Sharon Cordwell, Christine Yahnert, Larry Wehner and Timothy Tatarko. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0

The next Retirement Board meeting will be held on September 24, 2020 immediately following the 10:00 a.m. Commissioner's meeting in the Jury room.

Motion was made to adjourn the meeting by Lisa Kozorosky. Meeting adjourned at 11:20 a.m.

Ed Cernic, Jr.