Retirement Board Meeting
February 2, 2021

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 10:01 a.m.

Motion was made by Scott Hunt to approve the minutes from the Retirement Board meeting held on January 14, 2021. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the retirement summary. There are currently 1,122 retirees as of February 2, 2021. January's retirement payroll was $1,251,762.07.

Dennis Hunt from AmeriServ attended the meeting. Dennis advised the Board as of the close of business on Friday, January 26, 2021 the value of the Fund was $241,683,319.38. Dennis reported to the Board the proceeds from securities litigations for 2020 totaled $12,213.09. Dennis advised that C.S. McKee is over the 3% threshold; however there are $1.6 million in pending trades. Motion was made by Ed Cernic to accept the AmeriServ report. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

Pat Wing, Marquette Associates, via Zoom advised the Board that Principal also via zoom will give a 15 minute update on the U.S. Property Core Real Estate account to the Board on performance, positioning the portfolio and the outlook particularly in office space.

Erin Kerr, Senior Director/Real Estate, Principal provided the Board with a brief update. Erin was proud to let the Board know given the volatility during the last year, the firm transitioned rather seamlessly to a work from home environment. Approximately 10-15% of Principal's investment professionals have returned to the office on a fairly regular basis and hopes to see that increase throughout the rest of the year. In the meantime, the firm has continued to grow and be stewards for their clients. Meighan Phillips, Managing Director advised the Board that there have been no changes to the firm. The firm's composition has stayed intact and is engaged with one another in setting and executing strategy. The gross asset value of the account is $10 billion. In 2019 when Principal presented to the Board, one of the things referenced in portfolio strategy was bringing down leverage ratio. The account has continued to do that and has pulled back some risk in the portfolio and added defensive tilt to the portfolio such as reducing office exposure and increasing multi-family exposure. The leverage ratio at year end was 20.0% which is roughly 350 bps below the benchmark ODCE. That was really important in early 2020 when there was downward pressure on real estate performance; having less meant less of a negative impact during the period when returns were negative. Now, the real estate cycle has stabilized and shown appreciation in some parts of the market. There has been robust demand for investment in the US Property Account. There are investor's waiting to come into the account with over $1 million and that money was just called a few weeks ago. There is also a withdrawal limitation meaning there is a que of investors waiting to get out and they receive a pro rata payment. Most recently, in January there was a $300 million payment to investors. Due to the pandemic, the office sector has been affected. Principal continues to reduce the office sector and currently has only 35% exposure. In January, there was a closing on an office building in Denver that has reduced the exposure even more. The strategic range for office in the portfolio is targeting an underweighting to this sector. The areas of the markets that have grown are Austin, Cambridge, Denver, Phoenix and Seattle which represent 41% office relative to 17% of ODCE office. Conversely, Boston, Chicago, New York, San Francisco and Washington have not seen a lot of relative value. These areas are going to have a longer recovery primarily because they tend to be dense urban markets that are accessed via mass transit. Principal is significantly underweight in these markets. Retail exposure has performed quite well. There is no mall exposure and 80% of the retail exposure of this strategy is in neighborhood and community shopping centers. The total return performance of the account for the 4th quarter was 1.92% vs. the benchmark of 1.35% and the one year was 1.57% vs. 1.55%. Ed Cernic feels that Principal's focus is in the right direction and is hopeful for better returns in the future.

Pat Wing updated the Board on the market environment. Economic activity moderated considerably in the 4th quarter, though economist forecast real GDP increased by a healthy annual rate of 4.3%. Economists expect growth to slow further in the 1st quarter due to stay at home orders throughout the U.S. The remainder of the year will accelerate amid further fiscal stimulus and continued strength in consumer spending, business investment and housing. Consumer savings, in the months of post COVID, surged. This was a result of the scale of the CARES Act, stimulus checks and unemployment far outweighed any loss of income. Moving forward, the economy will continue to reopen and consumers will spend that savings and kick start the economy. Also, businesses cut back drastically on employment and capital spending and now they are running exceptionally lean. The difference between businesses inventory that is too low vs. too high means that businesses in anticipation of the economy reopening will need to spend by bringing back employment and accumulate more inventory. So not only with consumer spending but business spending the prospects look pretty good for 2021 and the U.S. economy. Pat reviewed market performance with the Board. U.S., International and Emerging Market equities were above average, especially Emerging Markets. This is similar in the bond market, with the riskier market of bonds; High Yield did very well. Core Real Estate was up and returned approximately 1.7% net of fees for the quarter. All of the pieces put together will show a very strong return for the quarter relative to the policy index and for the year as a whole. The U.S. equity market comprises about 50% of the overall retirement Fund. All sectors finished the quarter in black, with the more cyclical areas generally outperforming their more defensive counterparts. Energy and financials led the way, while utilities and consumer stables lagged. Value stocks topped growth stocks in the quarter, though the latter outperformed the former by more than 35 percentage points in 2020. Returns were positive across the capitalization spectrum in the 4th quarter, with small-cap equities the clear leaders, while mid and large cap equities lagged. For example, Kayne Anderson, a small cap manager was well behind their benchmark however their return was well ahead of the broad market, so having an overweight to small caps via Kayne Anderson and Emerald was helpful for all the U.S. equity managers.

The 4th quarter return for the Fund was 9.5% vs. the policy index of 8.9% (net of fees). The positive attributions for the fund were the overweight to small cap, outperformance by active Non-U.S. equity managers, particularly Vanguard International Growth and the outperformance by Principal. The negative attributions for the quarter were underperformance by Twin and underperformance by active fixed income managers, particularly FNB. Pat reviewed the summary of cash flow for the Fund with the Board. For the quarter, the Fund's market value grew by $18 million and for the year $25.5 million. The one year return was 17.9% vs. the benchmark of 13.7%. The Fund's assumed rate of return set by the Actuary is 7%. The private market investments return data is not available as of this meeting. Once that data is available the fund return could be ultimately 18.5-19%.

Pat Wing presented to the Board some considerations moving forward with the Fund to continue success. The proposals are to commit $5 million to Ironsides Direct Investment Fund VI and to invest in Private Infrastructure. Ironsides raises these funds every couple of years. The Board committed $5 million to Ironsides Fund V about 18-24 months ago. Private Infrastructure is an asset class that many of Marquette's clients are currently considering. Infrastructure is the backbone of an economy. If approved, the Investment Policy statement would be revisited to revise the target allocations. Infrastructure is the physical assets and networks necessary to operate a society. Examples of this would be power grids, utilities, satellite networks, etc. Given that they do provide essential services they can operate as a monopoly because a lot of these assets have a very high fixed cost to build a new asset. Given that there is a lot of regulatory oversight, the demand for essential service tends to be very stable and have predictable cash flows. The need for infrastructure investments globally continues to drive demand despite market downturn. The Economic Infrastructure is broken down in three sections; transportation, energy/utility and communications. Transportation has the highest risk because of its sensitivity but generally has the highest returns. Energy/utility and communications are less risky and more conservative. Transportation is throughput assets; utilities are regulated assets and derive income per usage, prices are determined by regulatory body and the asset owner typically has some pricing power protection. Contracted assets are communications that are typically operated by a contract between operator and entity, the contract determines pricing system and identifiable revenues. The private infrastructure return is similar to core real estate returns and is in the middle of equities and fixed income but the volatility risk is much closer to fixed income. The rolling annual returns of private infrastructure are a steady 4-5% income year in and year out. There are three main risks to consider and they are broken down to fund level, system level and unsystematic. The fund level would involve a currency risk for example how the euro does to the dollar. Liquidity and valuation are similar to core real estate; quarterly liquidity and statements are received on a quarterly basis. The system level involves the demand – where the assets are held and how does demand change for the various services. The political and regulatory is a consideration because the rules can change in the middle of the game. The managers Marquette works with all operate in developed markets to mitigate this risk. The unsystematic level involves disaster and environmental such as natural disasters. Managers take out insurance on their assets in the event of a disaster. The insurance may not cover all the loss.

Pat Wing's recommendation to the Board is to make a $5 million commitment to the Ironsides Direct Investment Fund VI. The first close at a 50% discount has passed for the fund however Pat discussed with them that Cambria has been with them and they will honor the discount on the manager fee. Pat also recommends inviting two managers to the next quarterly meeting to present more information on Global Infrastructure.

- Motion was made by Ed Cernic at the recommendation of Marquette to approve the investment of $5 million to the Ironsides Direct Investment Fund VI. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.
- Motion was made by Ed Cernic to invite two managers to present Global Infrastructure with no commitment at the next Quarterly Meeting on May 4, 2021. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

New Business:

1. The August Quarterly meeting has been rescheduled from August 31st to August 16, 2021 at 10:00 a.m. Motion was made by Ed Cernic. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

2. Ed Cernic informed the Board – The Athene litigation case was not successful and the defense demanded that their expenses be paid. Grant & Eisenhofer will pay $66,479.00 of expenses contributed to Cambria County. G&E is requesting a release form be signed so that they can make payment. Cambria will not be responsible for any expenses. Motion was made by Ed Cernic to sign the release form. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

3. Ed informed the Board about the upcoming PAPERS Forum – May 25-26, 2021 in Harrisburg. It is unknown if the form will be virtual or in person at this time. Motion was made by Ed Cernic to allow any Board member and Dana Descavish to attend. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

4. 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 February retirees: Francis Moyer and John Stigers. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on Thursday, March 18, 2021 immediately following the 10:00 a.m. Commissioner's meeting in the Jury room.

Motion was made to adjourn the meeting by William Smith. Meeting adjourned at 11:27 a.m.

Ed Cernic, Jr.