Retirement Board Meeting
May 4, 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 10:02 a.m.

Motion was made by William Smith to approve the minutes from the Retirement Board meeting held on April 15, 2021. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Ed Cernic reviewed the retirement summary. There are currently 1,124 retirees as of April 30, 2021. April's retirement payroll was $1,255,840.75.

Dennis Hunt from AmeriServ attended the meeting. Dennis advised the Board as of the close of business on Friday, April 30, 2021 the value of the Fund was $250,503,878.51. All Funds are within the 3% with the exception of CS McKee and KAR. Pat Wing advised that there are pending trades for CS McKee that will bring the cash balance down. Ed Cernic questioned why KAR was at 4.361%. Pat Wing advised that the percentage has been consistent with their range of cash. Ed Cernic feels that we are not paying them to manage cash and that the cash needs to be dialed down; Pat Wing will reach out to them. Motion was made by Ed Cernic to accept the AmeriServ report. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Pat Wing, Marquette Associates provide a brief update on the U.S. economy. The economist's forecasted real GDP growth of 5.6%; the actual result was 6.5% well above expectations. This was a result of fiscal policy support and continued strength in consumer spending. If current projections prove accurate, 2021 will be the strongest calendar year for economic growth since 1984. Inflation concerns have begun to come to the surface, most notably rising commodity prices and a global supply chain have driven rising input costs for both manufacturing and services form. A survey shows that these companies plan to pass along these rising cost to consumers. Pat gave a review of asset returns for the 1st quarter. U.S. Equities were up 6.3%; very strong returns as investors continue to forecast an improved economic environment and an improved corporate earnings. International and Emerging markets underperformed largely driven by concerns of vaccine roll out and pockets of Europe still on lockdown as well as what is happening in India. U.S Bonds, representing broad investment grade markets were down -3.4%. CS McKee and FNB have shorter duration and less interest rate risk, so the fixed income in the retirement Fund is only down -1.5%. U.S. Equity markets continued their strength in the 1st quarter. Over the past quarter, domestic equities have returned more than 62%, their best rolling one year return since the early 1980's. All sectors finished the quarter in black with more cyclical areas generally outperforming their more defensive counterparts. Small cap and mid cap stocks within the US did better – resulting in a tailwind for Twin. The small cap managers Emerald and Kayne Anderson, even though they were behind their benchmark for the quarter in aggregate, were up 8% ahead of the broad market. Pat provided the Board with an overview of the Fund. The market value as of March 31, 2021 was $244.5 million. The 1st quarter investment gain was $7.6 million and the return for the Fund was 3.2% net vs. the policy index of 3.0%. The Private Equity and Private Debt market values are as of December 31, 2021 and will not be available until May. Given what has happened in public markets; equities were up and riskier fixed income was up. Therefore, Ironsides would also be expected to be up and the revised returns will increase to possible 3.7%. The plans summary cash flow for the 1st quarter shows the Fund grew $5.25 million. All of the asset classes are within range of the investment policy. The quarter did end with a slight overweight to equities of approximately 1.5% which was helpful. The peer ranking of the Fund for the 1st quarter was 42 and for the one (1) year the Fund was in the top-quartile. The Fund's peer ranking for year ending December 31, 2020 was in the top 2% of the publics' funds universe. Pat reviewed the individual managers with the Board. The U.S. Equity composite was 6.7% vs. the benchmark of 6.3%. This was predominantly driven by U.S. Equities; Twin was ahead of their benchmark due to their value tilts and mid cap tilts. Vanguard value and growth were in line with the benchmark. Kayne Anderson for the quarter was decently behind the benchmark, with their since inception return being 37.1% vs. the benchmark of 21.4%. Emerald's return was 2.4% vs. the benchmark of 4.9% largely related to stock selection. The Non-U.S. Equity composite return was 3.4% vs. the benchmark of 3.5%. Schroeder's return was ahead of the benchmark 8.4% vs. 7.1% due to their overweight in small and mid-cap. Mondrian and Vanguard International Growth were slightly behind their benchmark. The key dynamic for Vanguard Growth (-1.0% vs. -0.1%) was value not only outperformed in the U.S. but also outperformed in the International markets. In the Real Estate composite, Principal outperformed 2.4% vs. the benchmark of 1.9%, tending to be overweight in areas that have more secular tailwinds, such as industrial and multi-family and underweight to retail. The Fixed Income as stated earlier was -1.5% vs. -1.4% much better than the broader market of -3.5% due to less interest rate risk. CS McKee was beating the benchmark for the 1st quarter due to security selections that they picked for the quarter; the headwind was their underweight in the most aggressive investment grade market – BBB rated Bonds. FNB's return was slightly better due to less interest rate risks. The Ironsides Funds returns have been quite strong. The Fund is currently invested in five Ironsides Funds now. The private equity funds, Fund V and Fund III have been fully called and returns should continue to come in over the next couple years. The Annex fund has $2 million remaining in outstanding commitments. The Opportunities Fund has not been fully called. Only $7.5 million has been called out of the full $10 million commitment amount. Through discussion with Ironsides, Marquette's understanding is that the Opportunities Fund is almost fully called and only nominal calls will be made going forward. The last fund, Fund VI did make another capital call capital call in the amount of $999,775.03 due May 14, 2021 and now there is $3 million outstanding to be called.

Pat reviewed with the Board a rebalancing proposal to fund the capital call notice that was received from Ironsides VI for $999,775.03 due May 14, 2021.

- Motion was made by Ed Cernic as recommended by Marquette Associates to fund the capital call to Ironsides VI with $800,000.00 from Kayne Anderson Rudnick and the balance from cash. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Pat briefed the Board on the managers that will be presenting on Infrastructure. At a high level, Brookfield is more conservative and has more assets in the U.S. and developed markets. IFM is more aggressive with assets in Mexico and other countries. In the long term, you will see better returns from IFM but the path to get there will be a little more volatile. The differences in the risk profile between the two are the infrastructure each are invested in. Different types of infrastructure are Contracted Power, which are utility assets such as electric, water gas; GDP Sensitive, which are seaports, airports, toll roads; Distribution/Regulated, which are long term contracts in place. As the chart indicates Brookfield has more in the Distribution/Regulated field where IFM is more in the GDP sensitive type category. The returns for each manager were 8% for Brookfield net of fees and 4% for IFM because in the first quarter when the pandemic hit they had to take write downs on the airports, toll roads, etc., for obvious reasons. Over the long term, Brookfield doesn't have returns because this is a new open infrastructure strategy for them. IFM returns over the long term are 9 – 9.5% net of all fees. In regards to the funds terms and liquidity, both offer quarterly returns or add money on a quarterly basis with a 90 day notice. Brookfield does have a three (3) year lock on the commitment, IFM does not. The fees for Brookfield are 75 bps plus a performance fee of 5% and IFM's fees are 77 bps with a 10% performance fee based on returns above 8% calculated on a rolling three year period based on a net return.

Ed Cernic asked Pat what amount of investment the Fund should be putting into Infrastructure investment if the Board does decide to invest. Pat would recommend 4% of the fund which would be $10 million. Pat advised today's step for the Board is to listen to the presentations, decide which Private Infrastructure to use and how much to commit. Funds will then likely be called in the next 9-12 months. At a subsequent meeting, the Board will need to review and update the Investment Policy.

Dave Robison, Dave Mullane, Client Relationship Manager and Mike Botha, Co-Head Super Core Infrastructure from Brookfield presented to the Board via Zoom. Dave Robison, Consultant Relations, provided a brief introduction. Mike Botha has been with Brookfield over 20 years; 12 have been with the infrastructure team and most recently the Co-Head of the Super Core Infrastructure strategy which has been running for a little over three years. Brookfield is one of the largest global real assets with meaningful businesses. The four key real asset sectors of Brookfield are Infrastructure, with $148 billion in assets under management, Real Estate, Private Equity and Credit. Brookfield invests in sectors where it believes that its in-depth operating experience gives it a competitive advantage. The team consists of close to 280 professionals who focus everyday on Infrastructure, which is one of the largest infrastructure teams. In addition, the five sub-sectors of Infrastructure where Brookfield has built leading businesses are in transportation, renewable power, utilities, midstream and data. In the transportation sector, there is 32,300 km of rail operations; part of that are four short line railroads in the state of Pennsylvania. Brookfield does have a very simple business model of focusing on current yield, diversification and inflation protection. Notable today is the Super Core Infrastructure Fund which is an open-ended fund focused on core infrastructure. The strategy of this Fund is to pursue all of the attributes focusing on essential infrastructure sitting in the most developed economic areas predominantly in the U.S. and Western Europe, focusing on subset of infrastructure which is lower risk because it has very long term visibility to cash flows and on the revenue line that visibility comes from either a regulated revenue frame work or very long term contracts with take or pay provisions. As a result of these frameworks, the cash flows from the asset have very low sensitivity to current volumes or current market pricing. Brookfield is focused on mature operating infrastructure assets so that the integrity of the infrastructure is confirmed as well as having a history of operating which gives you greater visibility into the cost structure. All of these assets are sitting in stable investment grade capital structures. Brookfield focuses on current yield and we expect between 60-80% of the expected return to be in current cash. For these assets, targeted returns are about 9% which would be a return of 8% net of fees. The fee structure is 75 bps on investments less than $100 million and 0.25 variable fee calculated as 5% of distributions from operations totaling 100 bps.

Chris Falzon, Direct of Global Relations Group and Chris Ray. Senior Associate from IFM presented to the Board via Zoom. Chris advised the Board that there are three key distinguishing features of IFM. IFM is one of the largest and longest running strategies in Infrastructure with 17 years through multiple crisis and assets under management are $32 billion in this fund. IFM has assembled over those seventeen years a diversified, all weather portfolio meant to be resilient over multiple economic environments and cycles. Markets have recognized IFM, most recently by a Canadian pension fund just last month buying a minority small stake in the Indiana Toll Road; one of IFM's largest assets for a 30% premium where IFM valued the asset and held it as of March 31, 2021. Lastly, IFM's pension fund heritage and ownership model delivers tangible results to the pension fund investors whom IFM works with from a net returns and fee savings perspective. Approximately 30% of the assets IFM manages in this infrastructure fund are on behalf of the pension fund owners IFM represents out of Australia. These owners are hyper focused on net returns for their pension fund members and constituents. As this fund has grown from $3 billion to $30 billion over the past decades, fees have been reduced for all investors by 40% in the fund as IFM garnered economy as a scale. In addition, in 2011 and 2018, IFM actually issued fee rebate checks to all investors due to outperforming their profitability targets and

IFM wanted to give it back to enhance the net returns of the funds IFM works with. In 2011, it was a 12.5% fee rebate to all investors and in 2018, a 7.5% fee rebate. This is a testament of how IFM thinks, how they differentiate from other managers and how they align their selves with pension funds. Ninety percent (90 %) of investors in this fund are pension funds and IFM currently works with six (6) other Pennsylvania pension plans in this strategy. Chris Ray presented to the Board. The Fund targets a net return of 8-12% over the long term and those targets have been achieved consistently across all periods going back to the inception of the Fund in 2004. IFM has been able to achieve these returns with conservative levels of debt. Based on the seventeen years of strategy when things go wrong it is because of too much debt, the portfolio as of today is at 37% debt which is lower than the 50-60% average that you see across IFM's peers. This shows that IFM is providing a more conservative investment for investors. The key component of a return is the cash yield. Since inception, IFM has distributed 5.9% net cash yield and 7.6% net looking back the last five (5) years. IFM has delivered a resilient current income. IFM's strategy represents alpha not beta. The total return of 8.9% since inception proves the value IFM is creating for investors. IFM's Global Infrastructure team is one of the largest in the world with strong continuity; working together for over 10 years and providing extensive network to originating opportunities with boots on the ground in all geographies they invest in. Within the team there is a dedicated asset management team of seventeen (17) specialists. Chris summarized IFM's investment strategy. IFM looks to invest in best in-class assets ranging from midstream energy, utilities, roads, seaports and airports. What IFM looks for in an asset is monopolistic characteristics that have high barriers to entry with long term resilient and defensive revenues. IFM manages these assets intensively. IFM has control or co-control on 85% of the total portfolio. IFM always takes a board seat that allows them to drive change and realize value for investors over time. A key differentiator of IFM as an open ended fund is that IFM is not just an asset gatherer. IFM recognizes great opportunities in the market to crystalize gains for investors and over the years have been able to optimistically fully or partially divest pieces of the portfolio which IFM has done most recently with Indiana Toll Road. IFM's portfolio is globally diverse with a pool of assets mainly in North America and Europe and it is diversified across sector, vintage and geography. The fee structure for IFM is 77 bps with a 10% performance fee when IFM outperforms the 8% return target.

The Board discussed both Infrastructure managers.

- Motion was made by Ed Cernic at the recommendation of Marquette to approve the investment of $10 million to the IFM Investors Global Infrastructure Fund. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Old Business: None

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 May retirees: Catherine Gorba and Donna Delozier. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on June 17, 2021 at 10:00 a.m. in the Jury room.

Motion was made to adjourn the meeting by Lisa Kozorosky. Meeting adjourned at 11:36 a.m.

Ed Cernic, Jr.