

Retirement Board Meeting
November 30, 2021

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

Pledge of Allegiance

Commissioner Smith 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 October 28, 2021. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 4-0.

Ed Cernic reviewed the retirement summary. There are currently 1,130 retirees as of November 29, 2021. April's retirement payroll was \$1,276,436.33.

Sean Rigby from AmeriServ attended the meeting. Sean advised the Board as of the close of business on Friday, November 26, 2021 the value of the Fund was \$257,971,060.39. Motion was made by Ed Cernic to accept the AmeriServ report. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 4-0.

Pat Wing, Marquette Associates provide a brief update on the U.S. economy. The economic activity decelerated sharply in Q3, with real GDP growth of just 2.0%. The slowdown was largely driven by sluggish consumer spending, which increased at an annual rate of 1.6% well below the 12% increase in Q2. This was likely due in part to the expiration of expanded unemployment benefits in early September and supply bottlenecks. U.S. equities outperformed their international and developed and emerging market. Fixed income returns were muted during the Q3, with investment grade bonds posting a return of 0.1%. Inflation sensitive assets continued to outperform in the Q3 and REITs finished slightly above outperforming broad equity markets. Pat reviewed the overview of the Fund. Market value as of September 30, 2021 was \$253.2 million. In the 3rd quarter the portfolio loss was \$604,000.00 and return was -0.3% (net) vs. the policy index of 0.0%. The Ironsides values are not included in these numbers and will help the negative return. Those numbers will be provided at a later day as the numbers are available today. Positive attributions to the quarter were both Twin Capital and Emerald outperformed and the negative attributions was small cap overweight within U.S. equities, underperformance by non-U.S. equity managers and underperformance by Principal.

Pat Wing provide to the Board the 2021 PA County Pension Plan report produced for the sole use of Pennsylvania County Pension plans that participated in this study. The report includes information on 52 counties that participated. This report provides an opportunity to compare aspects of your county's pension plan and fund in relation to those of other Pennsylvania counties.

Pat Wing reviewed a rebalancing proposal with the Board. The rebalancing would move \$1 million from Vanguard Value Index Fund and \$775,000 from cash to C.S. McKee.

- Motion was made by Ed Cernic to approve the rebalancing as presented by Marquette Associates. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 4-0.

Craig Stone and Daniela Bailly from Kayne, Anderson and Rudnick (KAR) attended the meeting via zoom. Craig provided the Board with an update on the portfolio. KAR are high quality investors which manage businesses that are very high returns on capital and that generate high returns over time taking much less risk along the way. That has helped the portfolio in 2020. In 2021, there seemed to be shift when the initial COVID vaccine was announced in November of 2020, the market shifted to lower quality businesses; companies that have lower profitability that can accelerate as the economy accelerates coming out of the recession and also favored high indebted companies. This resulted in quality business not performing well. Since the inception of the portfolio, it is still on track and generates excessive returns in helping the portfolio. The positioning of KAR doesn't change over time. KAR continues to buy high quality business that do well when times are good but really have protection when times are poor. Overtime we believe these high quality businesses will generate very high returns on capital so we stay the course. KAR purchased seven new companies in a short time span of six months. Those businesses really helped to outperform in 2020 and kept them in the market in 2021. KAR is still trailing the market in 2021 year to date, but also the market is always looking for earnings growth. Earnings growth always translates into a share price growth. One of our top companies, Scott's Miracle Grow did really well in 2020. Scott's revenue in 2021 didn't grow as fast as it did in 2020. KAR is still staying with Scott's which will consistently deliver over time. Two companies purchased this year are in the swimming pool business. Seventy-five (75%) percent of the swimming pool industry is for maintenance and repairs. It is not dependent on new construction. Swimming pools will always need maintenance and repairs.

Craig spoke to the Board on the typical cash balance. Typically, the cash balance is between 1-2% levels. There has been a time when the cash was elevated to 3%. New investments are being done now and will bring the cash balance down. Craig asked the Board what level of cash is the Board uncomfortable with. Pat Wing said historically that number has been 3 – 4%. What Pat Wing feels is acceptable is 1-2%. Ed Cernic stated 0%

because we are paying 80 bps and we don't want to pay that to manage cash. Craig advised that when the number is high they are in the process of buying new positions and or they sold a position that they are using for proceeds faster than they are buying. Ed Cernic understands that from an investment management position but when he looks at the ranking of KAR, it currently is in a lower ranking. Ed said he is pleased with the investments made but not pleased with the amount that was left on the table. Ed feels the portfolio should be getting a little more value out of the investment. Craig informed the Board that they can expect the cash to be within 1-2% going forward.

Old Business:


1. 2022 wages were discussed at the previous meeting. The Commissioners have not made any decisions on the 2022 wages.

New Business

1. Ed Cernic informed the Board that currently the Plan Document does not address how to handle a vested member past Normal Retirement Date – age 60 that passes away prior to activating their pension. The Plan Document does specify that vested employees should begin their pension at Normal Retirement Date; however participants are leaving not activating their pension. There is a vested member that has passed away and is over the Normal Retirement Date of age 60. Since this is not addressed in the Plan Document the court will decide how to handle her pension. There are also a number of vested members who are over the age Normal Retirement Date that have not activated their pension. The Controller's office contacted Smith & Downey to update the Plan Document and Summary Plan Description to add language on the handling of those current vested members and future vested members. Smith & Downey has begun working on this and will have the update prior to the December 15, 2021 Board meeting.
2. Motion was made by Ed Cernic to set the interest credit to 4.75% for 2022. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 4-0.
3. Discussion was held by the Board on a Cost of Living increase. Motion was made by Ed Cernic for no Cost of Living increase for 2022. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 4-0.
4. Motion was made by Ed Cernic to ratify the action taken by Commissioner's on the November retirees: Lucinda Flora, Susan Knisley, Joseph Previte, Randy Sickles, Janice Smith and Gail Lawhead. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 4-0.

The next Retirement Board meeting will be held on December 15, 2021 immediately following the 10:00 a.m. Commissioner's meeting in the Jury room.

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



Ed Cernic, Jr.