

Retirement Board Meeting  
February 1, 2022

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

Pledge of Allegiance

Commissioner Chernisky called the meeting to order at 10:00a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on January 13, 2022. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Public Comments: None

Ed Cernic reviewed the retirement summary. There are currently 1,138 retirees as of January 28, 2022. January's retirement payroll was \$1,289,722.93.

Sean Rigby from AmeriServ attended the meeting. Sean advised the Board as of the close of business on Friday, January 28, 2022 the value of the Fund was \$247,433,447.90. Sean reported to the Board the proceeds from securities litigations for 2021 totaled \$767.30 and that there was no Foreign Tax Withholding. 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, gave a quick overview of the market environment. Real GDP growth for the 4<sup>th</sup> quarter was 5.8%. Economists attributed the acceleration to strong consumer spending and a jump in inventory investment. The labor market continues to tighten amid supply constraints. The unemployment rate dropped below 4%. However, the quit rates or resignations as a percentage of the workforce within private industries has become a historically high percentage. A record number of workers quit their jobs in November seeking better opportunities, higher wages or leaving the workforce entirely. Pat reviewed the major asset class returns, the US equities did better than International equities; International equities did better than Emerging Market equities. Within the US equities, larger companies tended to do better; mid-size and smaller companies did well due to value type stocks. The market value as of December 31, 2021 was \$261.3 million, today the value is approximately \$250 million due to equities declining in January. The 4<sup>th</sup> quarter portfolio gain was \$11.3 million and the return was 4.4% vs the policy index of 4.8% net of fees. These returns are understated due to the Ironsides investment returns for the 4<sup>th</sup> quarter will not be available until March 31, 2022. The positive attributes for the quarter were outperformance from Twin Capital, Kayne Anderson (within U.S. equities), Schroders (within Non-U.S. equities) and Principal. The negative impact was the small cap overweight in U.S. Equities, underperformance by Mondrian, Vanguard (within Non-U.S. equities) and Chartwell with fixed income. All of the current allocations in each respective asset classes are within their permitted range as set forth by the Investment Policy Statement. Non-US equities were -0.5% vs 1.8%; both Schroeder and Mondrian have done well in the 4<sup>th</sup> quarter however Mondrian's ranking is at 80. Mondrian will continue to be monitored and may in the future need to be put on a watch status. Vanguard was quite a bit behind their benchmark for the quarter and will be presenting at today's meeting. Chartwell was behind the benchmark by .2 percentage points and has been consistently a percentage point behind their benchmark.

Ed informed Pat that the Board opted on renewing the contract with Marquette at their last meeting for an additional 4 years at \$95,000.00 annually. Pat thanked the Board on behalf of himself and Marquette and Pat really appreciates the relationship and the Boards trust.

Pat provided an Asset allocation review handout. At the May 2021 meeting, the Board approved a \$10 million commitment to IFM Global Infrastructure Fund. IFM is to call this commitment later in this year. This requires an update to the Investment Policy Statement to add Global Infrastructure asset class and determine where to source the money from. Currently the Investment Policy asset allocation is U.S. Equities 47%, Non U.S. Equities 10% Private Equity 4% Private Debt 4% Real Estate 5% Short Term High Yield 5% and U.S. Fixed

\$212.00 and depositing it into the CS McKee Fixed income account. Liquidating Chartwell to fund infrastructure will still leave a balance to invest. The other fixed income managers are managing a decent amount of the fund. It would be prudent to consider another fixed income manager for diversification.

- Motion was made by Ed Cernic authorizing Pat Wing to research for additional fixed income managers for the Board to consider. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.
- Motion was made by Ed Cernic to approve the rebalancing as recommended by Marquette Associates. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Brett Stevens and Brian Scott from Vanguard presented to the Board. Brian reviewed the three funds that the Cambria County Employees' Retirement Fund has with Vanguard which are Vanguard Growth Index Fund, Value Index Fund and Vanguard International Growth Fund. The Growth Index Fund invests in growth stocks; large and mid-cap within the US. The absolute returns have been extraordinary for this Fund, on a 10-year basis returning 19%. The Value Index Fund did well on a 10-year basis returning 14%. The Value International Growth Fund is an active fund primarily made up of Non-US Funds. This Fund has had a very strong long term track record but last year was a difficult year. Over the one year the Fund underperformed by 7%. The three, five and ten years have outperformed. The conviction and advisory committee of this Fund has not changed. Pat asked if there was any indication that this Fund would potentially soft close due to capacity issues. Given that the wide net of the investment universe is massive so naturally it has a lot more capacity, therefore we Vanguard does not believe it is at capacity constraint. Ed Cernic asked Vanguard due to the huge underperformance last year what changes are going to be made to correct the underperformance. Vanguard has reviewed the managers and they are stable and there is no need for a change. Years like this happen, one bad year in the last ten years. Vanguard does not want the Board to think that they are taking this lightly. The portfolio has been constructed with a strategy like this which may be volatile. This is the best active performing Vanguard fund which is shown in the numbers for the three, five and ten year returns.

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 retirees: Wendy Washko, Denise Robbins, Andrew Lubert, Linda Holler, Virginia Glass, Robert Grassi, Kathy Keller, Mary Reese, Sherry Salamon and Charlotte Stralko. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.
2. The PAPERS Spring Forum will hold virtual sessions on May 10-11, 2022 and in person sessions on May 24-25, 2022 in Harrisburg.

The next Retirement Board meeting will be held on Thursday, March 3, 2022 at 10:00 a.m. Jury room.

Motion was made to adjourn the meeting by Scott Hunt. Meeting adjourned at 11:13 a.m.

  
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Ed Cernic, Jr.