Retirement Board Meeting
February 28, 2023

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

Pledge of Allegiance

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

Motion was made by William Smith to approve the minutes from the Retirement Board meeting held on January 12, 2023. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Public Comments: None

Ed Cernic reviewed the retirement summary. There are currently 1,152 retirees as of February 27, 2023. February's retirement payroll was $1,351,322.73. Ed also reminded the Board that we currently have 2 retirees who are 100 years of age or older and that this year and next year two more retirees will be turning 100 years of age.

Nick Debias, Bob Vamos, and Cortnie Beaver from AmeriServ attended the meeting. Nick introduced and informed the Board that due to Sean Rigby's resignation from AmeriServ our new contact person would be Cortnie Beaver. Nick advised the Board as of the close of business on Friday, February 23, 2023 the value of the Fund was $225,177,960.62. Ed Cernic expressed to AmeriServ that the constant changes with our representative is not acceptable and there needs to be more stability. If it were a money manager that was making changes like this there would be real issues. The entire Board appreciates AmeriServ being local but we need stability. Nick DeBias apologized and advised there is always the stability of himself, Mike Geiser and Bob Vamos and they always available for questions. 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. U.S. real GDP grew by 2.9% in the fourth quarter. While economic growth was positive in both the third and fourth quarter compared to the first and second quarter, the economy appears to remain in a precarious position heading into 2023 based on leading economic indicators. The growth in the fourth quarter is most likely overstated to some degree and the reason is that a lot of the growth in the second half of year was driven by a couple factors, one being net trade or net exports and two being growth and private inventory investment. Those two factors are not necessarily going to contribute to economic growth and be sustaining. When you look at more of a sustainable impact such as consumer spending, it actually weakened a little bit in the fourth quarter. Leading indicators have declined by a little more that 4% through December 2022 from six months earlier. Each time in history that there has been a decline of this level it has been consistent with an economic recession. So, as we head through the beginning part of 2023 for the latter half, the economy would certainly seem to be uncertain or on precarious footing. Despite the uncertain economic outlook, the Federal Reserve continued to raise short-term rates in the fourth quarter, although they have raised rates at a slower place. The most recent hike was a .25% in February. Inflation has come down on a year over year basis from the very high levels in the middle part of last year. The January 2023 data was higher than expected. The market expects the Fed to most likely raise rates at least three more times. It is really going to depend on how the labor market continues to unfold. Housing is under a lot of pressure; mortgage rates are so much higher and the affordability measures are at generational or historic lows. The bright spot is if inflation continues to cool a little bit and income continues to grow at its pre pandemic trend then disposable income for consumers may turn positive on a year over year basis in a few months which should help support consumer spending. Pat Wing then reviewed with the Board the asset class performance. The U.S. International and Emerging equities for the fourth quarter performed well, with International Equities returning 17.3%. From a retirement fund perspective, the fund went into the quarter with an underweight of approximately 4% given the poor performance of equities in the first nine months of the year. The underweight as of today is less. Pat Wing then reviewed the Portfolio with the Board. He provided an executive summary of cash flows; the beginning market value of the fourth quarter was $213,830,363 million, the net investment change was $9,794,247 million and the ending market value was $221,224,611 million, resulting in the Fund being approximately $7.4 million higher than where it began. The fourth quarter was up 4.6% vs. the policy index benchmark of 5%; pretty much all of that was due to the equity underweight. Also, the Ironsides returns are not in yet so we would expect the return to be slightly higher. The asset allocations of equities at the end of the fourth quarter were much closer to target. The other notable allocation is the Ironsides Funds ending the quarter 3.3% overweight; There was a distribution from Ironsides approximately two weeks ago in the amount of $2,002,086.84. The asset allocation is much closer today. Pat provided a brief review of the managers with the Board. Focusing on the U.S. Equity composite, the return was 7.2% vs 7.2%. There are three active managers in U.S. Equity; Twin Capital and Kayne Anderson were behind their benchmarks and Emerald was ahead. The relative amounts of how much each were managing (both passive and active) offset the slight underperformance of the managers in isolation leaving us in line with the benchmark as a whole. The Non-U.S. Equity composite was ahead of the benchmark 14.7% vs. 14.3%. Schroder, Mondrian and Vanguard were slightly behind their benchmarks. Mondrian was placed on the watch in November of 2022 and for the quarter were behind 17.6% vs. the benchmark of 19.6%. The Board should leave them on watch at this time.

What drove the slight outperformance for the asset class as a whole was having less money in emerging markets than the benchmark itself. There was weakness in Real Estate for the fourth quarter. Principal was down 6.2% vs. the benchmark of 5.2%. Principal advised that they were pretty aggressive in their writing down some of the investments compared to their peers so going forward as the peers catch up, they will do better. Pat Wing recommends that Principal come in at the next quarterly meeting in May. IFM Global Infrastructure was up 3.9% vs. the benchmark of 0.7%. The U.S. Fixed Income composite was down 1.4% vs. the benchmark of 1.5%. C.S. McKee was in line with the benchmark, the detractor was FNB 0.9% vs. 1.5%. FNB is very high quality and very conservative so when the risky bonds are doing well, they are going to be behind but on the flipside for the first nine months they were ahead. Baird's returns were 1.6% vs. the benchmark of 1.5%. The Ironsides Funds returns is as of September 30, 2022; the fourth quarter returns will be available later in March. The total commitment made to Ironsides was $33 million and the unfunded commitment is $5,547,728 million. This number is overstating what is likely to be called. The cumulative contributions total is $34,089,982 million and the cumulative distributions (money the Fund has already received) is $30,666,183 million. The valuation remaining is $25,367,407 million. Ironsides has essentially turned $34 million into $56 million over the past four to five years. They have done very well for the Fund. It could make sense to commit to a new fund with Ironsides in the future at a smaller commitment amount depending on timing and the market. In conclusion, Pat Wing reviewed the total assets of the Fund as of the close of business last Friday, February 24, 2023 was $223,689,515 million compared to year end the Fund has grown approximately $5 million from a net investment change perspective. At this time, there are no recommendations for rebalancing.

Vince Larence, Sam Gerber and Geoffrey Gerber from Twin Capital attended the meeting. Vince gave a brief review of Twin Capital and thanked the Board for the business and friendship. Vince introduced Geoff Gerber and Sam Gerber. Geoff and Sam reviewed the portfolio with the Board. Twin managed an Enhanced Index Equity strategy through August of 2018 and currently manages the Prime Strategy for the Fund; its focus is to keep very close to the market and to outperform consistently. The strategy also protects on the downside. The Fund's assets started with Twin in 2014 with an initial investment of $5 million, total of net flow over the years was $7.7 million and the current value as of February 14, 2023 is $19,458,110 million. From inception, the account has grown by $11.8 million and generated a (gross of fees) annualized return of 10.4%. Your portfolio outperformed the market in six of the previous eight quarters. After trailing the market in the fourth quarter of 2022, the portfolio is outperforming the market in 2023. Year-to-date through February 14th, the portfolio is up 8.9% (net of fees) vs. the 8.3% benchmark

Old Business: None

New Business:

1. Ed Cernic informed the Board that there was a rebalancing of cash done with the proceeds received from the Ironsides Opportunities Fund on February 15, 2023; $1.5m was transferred into the Retirement checking account and $500.0000 to C.S. McKee fixed income.

2. The PAPERS Spring Forum will hold virtual sessions on May 17-18, 2023 and in person sessions on May 23-24, 2023 in Harrisburg.

3. 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: Tracy Byers, Kerry Kirsch and Lisa Botteicher. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on Thursday, March 23, 2023 at 10:00 a.m. Jury room.

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

Ed Cernic, Jr.