

Retirement Board Meeting  
May 28, 2024

Present:	Commissioner	Scott Hunt Keith Rager Thomas Chernisky
	Controller	Ed Cernic Kristine Segear Dana Descavish
	Treasurer	Lisa Kozorosky

Pledge of Allegiance

Commissioner Hunt called the meeting to order at 10:01 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on April 11, 2024. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

Public Comments: None

Ed Cernic reviewed the retirement summary. There are currently 1,167 retirees as of May 24, 2024. May's retirement payroll was \$1,412,606.02.

Michael Stem from AmeriServ attended the meeting. Michael Stem presented the Board with the market value of the investments as of May 24, 2024. The market value was \$251,195,483.02. Ed Cernic questioned why KAR and Emerald's percentage in cash was so high. Pat Wing responded that he did reach out to each of them and they both recently exited some positions and have yet to put the cash back to work. If this becomes a trend, especially with KAR due to their fees, we could ask for a change in the contract to limit the cash balance. Motion was made by Thomas Chernisky to accept the AmeriServ report. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

Pat Wing, Marquette Associates gave a quick overview of the market environment. U.S. economic growth continued to decelerate, with real GDP increasing at an annual rate of 1.6% in the first quarter. Economic resilience is largely due to lower interest rate sensitivity among households and corporations than history would suggest, coupled with extremely loose fiscal policy. Household debt service ratios remain low despite higher rates. Fixed rate mortgages are saving households \$550 billion annually relative to current mortgage rates. The federal government deficit remains considerably large as this point in the economic cycle. Amid the continued economic strength and strong labor market, the disinflationary trend appears to have stalled to some degree in the first quarter amid higher energy prices, increasing supply chain pressures and higher than average wage growth etc. Moving forward, it's unclear if the recent trend change is a bump in the road or something more persistent. It is notable, however, that much of the disinflation over the past year or so has been driven by deflation among goods prices. Pat reviewed the global asset performance. Global equities continued to rally in the first quarter, posting strong gains amid robust economic data and easing financial conditions. U.S. equities outperformed their international counterparts. The Fund was overweight in equities so that was helpful for the Fund. The Fund was under-weight in fixed income, and the return was -0.8% vs. the benchmark of 1.7%. Real Estate continues to be under pressure and infrastructure was down slightly as well. Strong gains from U.S. equities drove a strong return for the Fund for the quarter. Pat then reviewed the portfolio. The market value as of March 31, 2024 was \$252.4 million. The first quarter net investment change was \$12.1 million. For the first quarter the portfolio returned 5.0% vs. the policy index of 5.1% net of fees. Private Equity and Private Debt returns will not be available until the end of May 31, 2024. For the year, the Fund returned 15.3% vs. the policy index of 16.2%. The positive attributions for the quarter were from asset allocations, outperformance by most active equity managers and outperformance by fixed income managers. The negative attributions for the quarter were from domestic equity structure, underperformance by Emerald and underperformance by IFM. Pat Wing reviewed the performance summary net of fees. The total equity composite returned 9.0% vs. the benchmark of 9.0%. The U.S. Equity composite was behind slightly 9.7% vs 10%. Twin Capital outperformed 11.4% vs. the benchmark of 10.3%. Kayne Anderson outperformed 3.8% vs. the benchmark of 2.9%. Emerald underperformed 5.5% vs. 7.6%. Small caps did not do as well as the broad market. Emerald is heavily focused in healthcare mainly biotechnology names which struggled in the first quarter. More recently this quarter they are 2.5% ahead at this time. The Non-U.S. Equity composite returned 5.3% vs 4.7% mostly driven by Schroeder with returns of 5.7% vs. 3.3%. Just to remind the Board, Schroeder was placed on watch August of last year. They are beginning to turn the corner, leave them on watch to wait and see more consistency. Fixed income was slightly positive. C.S. McKee, FNB and Baird were all ahead of their benchmarks. Review of the Private Market investments. The total commitment was \$33 million, to date the distributions were \$35.2 million.

Pat reviewed a rebalancing proposal with the Board. Pat is recommending rebalancing the overweight in U.S. Equity and the underweight in the Fixed Income. The recommendation is to move \$1.475 million from Vanguard Value, \$2 million from Vanguard Growth, \$1 million from Emerald, \$325,000 from cash and invest \$4 million in C.S. McKee and \$800,000.00 in Baird.

- Motion was made by Ed Cernic at the recommendation from Marquette to move \$1.475 million from Vanguard Value, \$2 million from Vanguard Growth, \$1 million from Emerald, \$325,000 from cash and invest \$4 million in C.S. McKee and \$800,000.00 in Baird. Motion was seconded by Thomas Chernisky. Motion carried. Vote unanimous 5-0.

Chris Cwiklinski, Vicki Harriger and Zachary Craig from FNB attended the meeting. Chris presented to the Board. The fee for managing the Fund is .15%. The current market value of investments with FNB is \$21,430,232. The year-to-date return is -1.09% vs. the benchmark of -1.5%. For one year, the Fund returned .76% vs. the benchmark of .69%. FNB has been with the Fund since 2008. The goal is to control risk over time as we position the portfolio during different economic cycles. There are a total of 58 securities in the portfolio and the portfolio is a very high-quality portfolio; currently AA1 vs. AA2 with the index. The environment and economy look good, but we are trying to look ahead six months to twelve months and see what is it going to look like after the election. The majority of the portfolio is in treasury and agencies and there are some certificates of deposits in the portfolio. The maturity of the portfolio is spread out.

- Motion was made by Ed Cernic to accept Marquette's and FNB's report. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

#### Old Business:

1. Ed Cernic informed the Board that he attended PAPER's conference. The conference was very informative and some of the subjects covered were Asset Allocation, Private Credit, Venture Capital, Actuarial Reports, AI and Pension Forfeitures.

#### New Business:

1. Motion was made by Ed Cernic for the approval of the recalculation of annuity payments for six (6) retirees, per the actuarial review, and waiver of any overpayments related to the same. Motion was seconded by Keith Rager. Discussion – The overpayment of \$57,098.28 was recovered through a fiduciary insurance claim and the Fund did not suffer any loss. Motion carried. Vote unanimous 5-0.
2. Ed Cernic presented to the Board the 2023 Retirement Annual Book. This is the 25<sup>th</sup> edition and the book is prepared and printed inhouse. The book is an easy-to-read snapshot of the retirement fund. The book will be added to the website and emailed to all employees.
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: Paula Roberts, Michelle McCall and Regina Tusing. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on Thursday, June 13, 2024 immediately following the 10:00 a.m. Commissioner's Meeting in the Jury room.

Motion was made to adjourn the meeting by Ed Cernic. Meeting adjourned at 11:00 a.m.

  
Ed Cernic, Jr.