RETIREMENT BOARD MEETING August 16, 2023

1. Opening of Meeting.

2. Approval of Minutes No. 288 dated August 18, 2022 and No. 289 dated November 30, 2022

3. Public Comment.

4. Treasurer's Report:

   Bank Reconciliations – November 2022 – June 2023

5. Requisitions:

   Requisitions – December 2022 – July 2023

6. Old Business.

7. New Business:

   A. Addendum from Marquette Associates.

   B. Approval of a request from Rachel Roney to purchase prior service time dated April 23, 2016 thru November 14, 2016 in the amount of $15, 479.79.

   C. Portfolio Presentation: Marquette Associates.

8. Adjournment.

Minute No. 290 February 16, 2023

The quarterly meeting of the Washington County Retirement Board was held at approximately 2:53 p.m. on Thursday, February 16, 2023, in the public meeting room with the following members being present: Commissioners Diana Irey Vaughan, Larry Maggi and Nick Sherman; Treasurer Tom Flickinger; and Controller April Sloane. Also present: Chief Clerk Cindy Griffin; Secretary Paula Jansante; Executive Assistant Marie Trossman; Chief of Staff Michael Namie; Solicitor Jana Grimm; Lee Martin, Ph.D. representing Marquette Associates; and Mike Jones with the Observer-Reporter.

Approval of Minutes

Mrs. Vaughan entered a motion to approve meeting Minutes, 288 dated August 18, 2022, and 289 dated November 30, 2022. The motion was moved by Mr. Sherman and seconded by Mr. Maggi that the above-mentioned minutes be approved as written.
No discussion followed.
Roll call vote taken:
Ms. Sloane – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes
Mrs. Vaughan noted that the spelling of her name would need to be corrected.
Roll call vote taken:
Ms. Sloane – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes
Motion passed unanimously.

Public Comment

None.

Treasurer's Report

Mr. Flickinger made a motion to accept the presented reconciliations of November 2022 and December 2022. Mr. Sherman seconded the motions to accept the reconciliations of the mentioned above.
Roll call vote taken:
Ms. Sloane – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.
Motion passed unanimously.

Retirement Allowance Report

Bank Balance as of November 1, 2022	**$ 156,295.31**
Deposits to Checking Account	-0-
Transfers In	-0-
ACH Credit	323,892.56
Other Credits	1,087,685.52
Less: Cancelled Checks	(98,678.63)
Less: Other Debits	-0-
Less: ACH Debits	(943,804.30)
Funds Transfers Out	-0-
Bank Balance as of November 30, 2022	**525,390.46**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(338,339.80)
Less: Retirement Check Run	(45,301.02)
Reconciled Balance as of January 31, 2022	**$ -0-**

Bank Balance as of February 1, 2022	**$ 383,640.82**
Deposits to Checking Account	-0-
Transfers In	-0-
Add: ACH Credit	257,460.82
Other Credits	848,170.05
Less: Cancelled Checks	(388,848.82)
Less: Other Debits	-0-
Less: ACH Debits	(897,628.40)
Funds Transfers Out	-0-
Bank Balance as of February 28, 2022	**$ 202,794.47**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(338,339.80)
Less: Retirement Check Run	(29,663.79)
Reconciled Balance as of February 28, 2022	**$ -0-**

Bank Balance as of March 1, 2022	**$ 202,794.47**
Deposits to Checking Account	2,065.96
Transfers In	-0-
Add: ACH Credit	272,155.53
Other Credits	858,345.75
Less: Cancelled Checks	(224,336.75)
Less: Other Debits	-0-
Less: ACH Debits	(900,029.95)
Funds Transfers Out	-0-
Bank Balance as of Mach 31, 2022	**$ 210,995.01**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(182,832.40)
Less: Retirement Check Run	(28,162.61)
Reconciled Balance as of March 31, 2022	**$ -0-**

Bank Balance as of April 1, 2022	**$ 210,995.01**
Deposits to Checking Account	-0-
Transfers In	769,496.02
Add: ACH Credit	265,885.41
Other Credits	- 0-
Less: Cancelled Checks	(190,934.68)
Less: Other Debits	-0-
Less: ACH Debits	(885,672.99)
Funds Transfers Out	-0-
Bank Balance as of April 30, 2022	**$ 169,768.77**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(142,545.77)
Transfer to Mutual Funds	(286,077.46)
Less: Retirement Check Run	(207,362.86)
Less: Outstanding Checks	(31,950.14)
Reconciled Balance as of November 30, 2022	**$ -0-**

Bank Balance as of December 1, 2022	**$ 525,390.46**
Deposits to Checking Account	-0-
Transfers In	-0-
ACH Credit	681,945.66
Other Credits	403,784.52
Less: Cancelled Checks	(288,770.92)
Less: Other Debits	-0-
Less: ACH Debits	(911,171.13)
Funds Transfers Out	(285,216.68)
Bank Balance as of December 31, 2022	**$ 125,961.91**
Transfers to Mutual Fund	(98.09)
Less: Outstanding Checks	(88,607.79)
Less: Retirement Check Run	(37,256.03)
Reconciled Balance as of December 31, 2022	**$ -0-**

Requisitions

Ms. Sloane made a motion to approve the requisitions for the months of December 2022, January 2023. It was seconded by Mr. Sherman that the requisitions be approved.

No discussion followed.

Roll call vote taken:

Ms. Sloane – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.

Motion passed unanimously.

Distributions

December 2022

Check	Payee	Amount
2420	Ameriprise Financial Services as trustee of IRA of James R Fidler	41,398.57
2421	Janice Garrison	848.28
2422	Rylee Esper	3,563.99
2423	Carrie O'Connell	2,331.72
2424	Robin Matthews	1,535.05
2425	Melaniesha Abernathy	8,431.61
2426	Rodney Croom	834.61
2427	Cassandra McIlwain	130.00
2428	Washington County Regular Payroll Escrow Account	20,630.76
2429	Washington Co. Cash Disbursement Acct	71,003.42
Transfer	PNC Bank	60,434.46
Transfer	Washington Co. Retirement Acct	868,694.46
	Total May 2022 Distributions	**1,079,836.93**

January 2023

Check	Payee	Amount
2430	PNC as Trustee of IRA of Amanda McGuirk	1,256.44
2431	Morgan Stanley as Trustee of IRA of Shelli Arnold	28,465.89
2432	Vanguard as Trustee of IRA of Samantha Robb	1,879.48
2433	Francis C Seliga Jr	5,983.94

2434	Domonic A Carrola	14,611.64
2435	Julie Policz	1,347.97
2436	Bradley M Boni	47,368.34
2437	Abigail Lunger	2,897.13
2438	Shawn Myers	422.75
2439	Brennan Watts	1,749.02
2440	Kiera Goolsby	12,043.78
2441	Washington County Regular Payroll Escrow Account	22,168.08
2442	Washington Co. Cash Disbursement Acct	9,260.44
Transfer:	PNC Bank	92,240.72
Transfer:	Washington Co. Retirement Acct.	879,324.76
	Total June 2022 Distributions	**1,122,020.38**

Old Business

None.

New Business

Mrs. Vaughan entertained a motion to approve the addendum with the corrected date. The motion was moved by Mr. Sloane and seconded by Mr. Sherman that the above-mentioned request be approved.

No discussion followed.

Roll call vote taken:

Ms. Sloane – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes. Motion passed unanimously.

Mrs. Vaughan entertained a motion to approve the request from Rachel Roney to purchase prior service time dated April 23, 2016, through November 14, 2016, in the amount of $15,479.79. The motion was moved by Mr. Sherman and seconded by Mr. Maggi that the above-mentioned request be approved.

No discussion followed.

Roll call vote taken:

Ms. Sloane – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes

Portfolio Presentation – Lee Martin, Ph.D. – Marquette Associates

Mr. Martin began with an update on Marquette Associates. He noted how, even though last year markets were down, both in stocks and bonds, the firm still grew and added about 20 new people to build out for future growth. He also pointed out that the client retention rate is still at 99.7%. Mr. Martin introduced Brad Hampton, who will be working out of Pittsburgh as a new consultant. Finishing, Mr. Martin marked that Kweku Obed, a new partner at Marquette, is now responsible, with Mr. Martin, for the public fund business within Marquette Associates. He has also just been appointed to the PBGC. Mr. Martin then gave the floor to Mr. Hampton, who began with the GDP.

Mr. Hampton started with citing that the GDP last quarter was positive, much of which seemed to be inventory builds, that is, companies making goods but not yet selling them. The belief is that the selling portion is going to be what this year is about. Meaning, can the consumer really continue to spend as much as they have. According to January's report, they can. Many thought that after the holiday season, there may be a slowdown. Yet, citing another strong jobs report, adding another half a million jobs in the month of January alone, many are still spending on goods. Mr. Hampton predicts that if employment stays strong and spending continues, there will be a healthy economy. However, he states, during the second half of this year, the consumer will not be able to spend as much as they have, and you could start into a recessionary period. Yet, the consensus at this point is that a recession is entered, it will likely be a shallow recession. He references the past recessions and states that this period does not seem be a 2008 or 2009 type recession. He credits this to so much health in the economy. However, it is certainly something that is being paid close attention to. The market's primary focus is on what the Fed is doing. Many people have been waiting for the Fed to stop. What is going to allow the Fed to stop is for strong labor markets and strong pricing indices to slow down as well and that has not happened. Until inflation starts to slow and until unemployment, or at least wage increases, start to slow, it will not allow the Fed to stop anytime soon. The hope for this year was to see two hikes of 25 basis points and they have already done one so far this year. Currently, markets are pricing in an additional two. There will be some volatility in markets around that. But again, it is something to watch at this point.

Touching on Global Economy, Mr. Hampton points out that, while the US is where a lot of our focus is, in the fourth quarter, holding international equities has paid off. We started to see the diversification benefit from investing overseas and that's something that's really continued over into 2023 as well. This is due to two reasons. The first is that Europe had warmer winter months than expected. Natural gas prices were up threefold last year, 300%, and headlines around the world were that Europe would struggle to survive the winter. And that simply just has not happened. Therefore, many have more money to spend overseas. The second reason, and probably the more important piece, is that the US dollar is starting to fall. What that does for US investors is, when the local returns are converted back to U.S. dollars when the dollar is weak, they get more return. When it is strong, we get less dollar. So that would erode returns. And that was the story last year; a tremendously strong dollar and that's somewhat reverting this year and that's been helpful.

Moving on to US Equities, the U.S. market was up over 7%. The international piece, up over 17%, that is diversification benefit that started to emerge. Most of that 17% was on the back of that dollar coming down. Bonds, certainly last year, did not provide the diversification that was hoped for. It was the worst year we have seen in the bond market in history. Looking toward this year, that helps future returns. You are now getting higher interest on your bonds. That is something, as a pension fund, that is helpful. You are being paid to help hold fixed income.

Finally, the diversifies, infrastructure and real estate, have positive quarters. Infrastructure was the best diversifying asset of last year at 9% during the quarter and only drawing down about 5% last year. Mr. Martin wanted to note that we expect international returns to improve relative to the US equities because the US equities and the ECB, according to the yield curve, are converging in. What this means is, our yield advantage is now less, and it will continue to get less, therefore you are starting to see the US dollar soften and the international returns doing better. The other takeaway from the market environment is by the summer, we should be at terminal rate with the Fed. We should be somewhere between 5.25% and 5.5%. When this potentially comes down, we will have a new neutral rate. Inflation and interest rates will be higher for longer than many assume. This will revert to 20-30 years ago when inflation rates were higher coming out of the financial crisis. The Fed stimulus, as well as keeping rates low, was a boost for equities. That is likely not to be there going forward. As we have seen, inflation is stickier for longer, and the Fed will only attack it by continuing with the timing cycle.

Mr. Martin moved on to the pension fund itself, he began by citing that the year ended at just under $188 million as well as adding close to $10 million thus far in 2023. The past two quarters have yielded strong returns due to the gain of just over $10 million in the fourth quarter as well. The higher quality positions in equities that have been put in place over the past few years have worked well. The diversified assets have given an inflation hedge, working out well for the fund. Similarly, as private credit rates are going up, private credit managers are writing new loans at a higher rate. This is all accredited to performance.

Conversely, Treasuries have had a negative attribution for the quarter. Secondly, the small allocation at Timber/Farmland outperformed for the year in both stocks and bonds. This is due to the real asset nature that they hold. However, in the second half of the year, there were a lot of headwinds against those type of investments with timber because as rates went up, the demand for timber slowed down. On the Farmland side, the input costs, such as fertilizer, energy, and labor, went up considerably. That was a bit of a headwind for performance for that type of asset class. Most importantly, for the year, how will this impact the ADC? The fund is down just 10% net of all fees last year. The fund is about 80 points above its policy index and about 4.7% ahead of the stock and bond portfolio. This highlights the advantage of the diversification that Washington County has done over the last few years. Risks can be controlled through asset allocation, and the Retirement Board has taken advantage of this. In dollar terms, against 14.7% with the 4.7% difference, since the fund started the year at $213 million, that's the equivalent to $10 million that it did not go down. That means, there is an extra 410 million in the fund, by not going down as much as the benchmark. In theory, everyone went down last year, but because the fund had a higher asset value that went into the fourth quarter. When the markets rebound, the fund's compounding returns from a higher base to start with, the recovery happens more quickly. The key for unfunded pension finds is to protect on the downsides. It can take years to come back if invested aggressively. Washington County ranked in the top 10% of all public funds last year as well. Over ten years, the fund has averaged over the assumed rate of return every year, right in line with policies but quite a bit above the fund's benchmark. It also ranked well above median over that same period. Real estate redemptions are occurring, and Washington County did turn off dividend reinvestment of the real estate managers, because there was an expectation of negative marks which was seen in the fourth quarter. There is a slightly softer real estate market now and that is expected to occur for the next two quarters. Finally, due to the size and scale of the relationship with JP Morgan, fees went down another four basis points as other funds were added to it.

Looking ahead, the outlook for fixed income is considerably better today than it was 12 months ago. Marquette Associates job is to help Washington County to look forward. Five years ago, we expected lower returns going forward. That did happen, and other funds fell well below their assumed rate of returns. The good news is that this fund can be more conservative and add to fixed income, and not give up anything in return, because the outlook is much better going forward. This should not be done in a vacuum without looking at liabilities. Mr. Martin suggests speaking with actuaries about the assumptions for the year and investigate what is good from a liability point of view.

Painting a picture of what the ADC will come in at this year, Mr. Martin pointed to Annual Year Returns. He stated that, while the fund was negative last year at down 10%, the five years before that were mostly up. Taking 20% of the gain and loss of those five years will deduce the actuarial asset value. In those years, there were a lot of gains. So, while last years was negative, the ADC should not be impacted as negatively as it seemed. Furthermore, the number that the actuaries gave, was after the month of September, and the fund gained another $10 million in assets in the fourth quarter. What was provided to help with budgeting, will probably be a higher number than would come in, assuming the assumptions are left the same.

Moving onto Strategies, US equities were down 16%, yet 3% better than the index, which was down 19%. Looking at the Global Composite, again, down 15.7% relative to 18.4%. This is designed to be more protective on the downside. The value manager was ahead last year, down just under 6%, and the low volatility manager was down 7.6%, when the broad equity market was down 18.5%. The growth manager would be the lagging manager at that point. However, the year prior to that, the growth manager led the way. That is why the fund has three different managers.

On the International side, it did lag a little last quarter. It was accretive, somewhat, from leaning to value. Schroders that was down 11% whereas ACWI ex USA was down 16.5%. But having some smaller cap and some emerging markets in there were a bit of a headwind. Both of those managers for the quarter outperform their benchmarks, however, they were behind ACWI ex USA. What we see in this quarter is that Emerging Markets is the area that's leading the Equity Markets and is the most accretive area of the market for the fund currently.

Moving on to Defensive Equity, in the early part of the year, yields were about zero. 3/4 of the fund's defensive equity was in T-Bill that the portfolio was not seeing any return on. That so the first half of the year was tough, especially with high volatility because those options are exercised at that point. More recently, it has been more accretive and so far in 2023 as well. Now the fund has 75% of that portfolio in T-bills and now is now making over 4%. So, the fund has that as a core base right off the bat. The future marketing environment will be better with that strategy.

Transitioning to Real Assets, real estate was positive nearly 9% as stocks were down nearly 19% and bonds were down 13%. Both fund's managers outperformed the ODCE which is the average core manager. As for timber, it was down, however, it is a 50/50 blend and the timber farmland the fund has is an open-ended one, so values and market must strike more closely to market. While it was down 1%, it was still ahead of where stocks and bonds were last year.

As far as Infrastructure, it was up 8.5% last year; JP Morgan was up 9.6% and IFM was up 8.2% above the benchmark of 4.7%. So, the timing of all these real assets has been very good for the portfolio. Therefore, it was only down 10% last year. They were the inflation hedges in the portfolio. private equity and private credit were, again, was somewhat accretive last year. Bonds were down 13%, whereas Washington County's private credit was positive at 1.5%. On the private equity side, the bench was down 3.6%, while the fund was down only .6% last year.

Finally, Fixed Income will always be in and around the bench especially when the portfolio only has 21% allocated there. It was negative, that's where the market went, but the fund did have some outperformance on the credit end and particularly the high yield space at the market.

Finishing with OPEB, Washington County finished with year $22.5 million and gained one and a half million dollars at the end of the year. This trust is up 7%, putting it in the 17 percentiles. Last year, the absolute number here was down more than the pension because there is not much in real assets. It is a smaller fund and cannot diversify it as well. However, it did protect even more against its policy index, 170 basis points, and it was in 7th percentile of all funds, outperforming 93% of the funds that are out there. Over the past seven years, there are seven and a half million dollars of growth. Because of this growth, the retirement fund has not needed to go into the general fund and take that money to pay health premiums. The fund has returned 7 net of fees 7.4 gross of fees. The real estate has also started with the redemption process by not reinvesting dividends. Again, there is only a 15% target of fixed income. Perhaps, again, review with Korn Ferry, de-risking this because there may be higher return out of fixed income today than last year. Moving down to 15% has been beneficial over recent years, due to yields, but now the trust is in a different position than it was in the last 13 years.

The meeting was adjourned at 3:31 p.m.

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

________________________________, 2023

ATTEST: ____