RETIREMENT BOARD MEETING **February 15, 2023**

1. Opening of Meeting.

2. Approval of Minutes No. 292 dated November 16, 2023

3. Public Comment.

4. Treasurer's Report:

   Bank Reconciliations – November 2023 – January 2024

5. Requisitions:

   Requisitions – November 2023 – January 2023

6. Old Business.

7. New Business:

   A. Portfolio Presentation: Marquette Associates.

8. Adjournment.

Minute No. 292 November 16, 2023

The quarterly meeting of the Washington County Retirement Board was held at approximately 2:54 p.m. on Thursday, November 16, 2023, in the public meeting room with the following members being present: Commissioners Diana Irey Vaughan, Larry Maggi and Nick Sherman; Commissioner Elect Electra Janis; Treasurer Tom Flickinger and Controller April Sloane. Also present: Chief Clerk Cindy Griffin; Executive Assistants Randi Marodi and Patrick Geho; Chief of Staff Jim McCune; Solicitor Jana Grimm; Lee Martin, Ph.D. and Brad Hampton representing Marquette Associates and Administrative Assistant Debbie Corson.

Approval of Minutes

Mrs. Vaughan entered a motion to approve meeting Minutes 290, dated February 15, 2023, and 291, dated August 16, 2023. 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. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes
Motion passed unanimously.

Public Comment

None.

Treasurer's Report

Mrs. Vaughan advised Mr. Flickinger was absent from the meeting, and that the Treasurer's Report will be held until the next meeting. Mr. Flickinger arrived late to the meeting.

Mr. Flickinger made a motion to accept the presented reconciliations of July 2023 to September 2023. Motion was seconded by Mr. Sherman.
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 July 1, 2023	**$ 178,623.98**
Deposits to Checking Account	-0-
Transfers In	$878,484.69
ACH Credit	$279,502.77
Other Credits	-0-
Less: Cancelled Checks	(87,772.98)
Less: Other Debits	-0-
Less: ACH Debits	(970,073.63)
Funds Transfers Out	-0-

Bank Balance as of July 31,2023	**278,764.83**
Transfers to Mutual Funds	$39,315.22
Less: Outstanding Checks	(133,321.57)
Less: Retirement Check Run	(36,509.23)
Transfer	(142,189.45)
Transfer	(6,059.80)
Reconciled Balance as of July 31, 2023	**$ -0-**

Bank Balance as of August 1, 2023	**$ 278,764.83**
Deposits to Checking Account	-0-
Transfers In	957,351.55
ACH Credit	288,152.63
Other Credits	-0-
Less: Cancelled Checks	(204,573.89)
Less: Other Debits	-0-
Less: ACH Debits	(1,012,242.07)
Funds Transfers Out	-0-
Bank Balance as of August 31, 2022	**$ 307,453.05**
Transfers to Mutual Funds	39,315.22
Less: Outstanding Checks	(307,083.58)
Less: Retirement Check Run	(39,684.69)
Reconciled Balance as of August 31, 2023	**$ -0-**

Bank Balance as of September 1, 2023	**$ 307,453.05**
Deposits to Checking Account	-0-
Transfers In	801,069.15
ACH Credit	413,870.75
Other Credits	-0-
Less: Cancelled Checks	(326,621.31)
Less: Other Debits	-0-
Less: ACH Debits	(960,726.39)
Funds Transfers Out	-0-
Bank Balance as of September 30, 2023	**$ 235,045.25**
Transfers to Mutual Funds	17,355.37
Less: Outstanding Checks	(233,195.44)
Less: Retirement Check Run	(19,205.18)
Reconciled Balance as of September 30, 2023	**$ -0-**

Requisitions

Ms. Sloane made a motion to approve the requisitions for the months of August, September, and October 2023. Motion was moved by Mr. Sherman and seconded by Mr. Maggi

No discussion followed.

Roll call vote taken:

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

Motion passed unanimously.

Distributions

August 2023

Check	Payee	Amount
2513	Codi Thornburg	52,605.94
2514	Kory Thornburg	52,605.94
2515	Kelly L Carmichael	52,605.94
2516	Kelly Freiwald	1,899.74
2517	Edward Jones as trustee of IRA of Katherine Bacher	58,596.23
2518	Trustee of PNC FBO Amanda Menzer	11,115.84
2519	Trustee of American Funds FBO Madeline McClay	7,079.29
2520	Nancy Merckle	975.81
2521	Christopher Ceccarelli	44,033.26
2522	Jon Dotts	5,331.62
2523	Miranda McGrady	13,306.26
2524	Mark DeWitt	10,135.98
2525	Zane Zebrasky	2,028.93
2526	Washington County Regular Payroll Escrow Account	22,755.86
2527	Washington Co. Cash Disbursement Acct	24,474.87
Transfer:	PNC Bank	121,493.29
Transfer:	Washington Co. Retirement Acct.	912,708.63
	Total August 2023 Distributions	**1,393,753.43**

September 2023

Check	Payee	Amount
2528	Tammi Vankirk	1,899.74
2529	Audrey Collier	7,427.58
2530	Brandon High	1,945.33
2531	David Headlee	4,107.41

2532	Daniel Eichelberger	267.36
2533	Shawnee Coffman	237.09
2534	Olivia Adkins	14,083.60
2535	John Boehmer	21,556.90
2536	Carol Cool	1,610.68
2537	UMWA 1974 Pension Trust Employee 401k Plan FBO Karen Sphar	6,899.21
	Michael Heasley- Void	(9,039.06)
2538	Fidelity as Trustee of IRA of Michael Heasley	11,299.06
2539	Washington County Regular Payroll Escrow Account	23,364.72
2540	Washington Co. Cash Disbursement Acct	9,601.26
Transfer:	PNC Bank	71,891.76
Transfer:	Washington Co. Retirement Acct	910,794.48
	Total September 2023 Distributions	**1,077,947.12**

October 2023

Check	Payee	Amount
2541	Kimberly J Rollison	257.97
2542	PNC as Trustee of IRA of Anthony Labella	15,381.11
2543	Noah Quattro	2,377.89
2544	Elijah Currie	2,347.90
2545	Courtney Meyer	3,746.42
2546	Charles Schwab & Co. as Trustee of IRA of Anton Berkovich	21,848.54
2547	Briana Elias	291.91
2548	Amanda Anderson	501.92
2549	Pershing, LLC as Trustee of IRA of Jason Lewis	15,270.08
2550	Nina Strangis (D'Antonio)	1,719.00
2551	Washington County Regular Payroll Escrow Account	20,479.80
2552	Washington Co. Cash Disbursement Acct	5,261.38
Transfer:	PNC Bank	66,231.99
Transfer:	Washington Co. Retirement Acct.	917,881.44
	Total October 2023 Distributions	**1,073,597.35**

Old Business

None.

New Business

Ms. Vaughan entertained a motion to approve the new rate increase from Korn Ferry. The motion was moved by Mr. Sherman and seconded by Mr. Sherman and Ms. Sloane 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.

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

Mr. Martin began with an update on the 2023 Pennsylvania County Pension Plan Report. Mr. Martin noted that this was the 16th edition of the report, with over 85% of the counties having participated in the study. The reporting period ended December 31,2022. He noted that last year was a huge outlier from a return point of view, especially with equities down 28% and bonds down near 13% for the year. The worst performing county was down 18.5%, the average was down 13.2% and the best performing county was down 7.1%. Washington County was the second-best performing county last year. Actuarial assumptions have come down across the commonwealth, with the average assumption rate still above 7%. Washington County has been far more conservative from an actuarial perspective with an assumption of 6.5%. Mr. Martin noted that salary increase assumptions are in line broadly. Mr. Martin noted that a good rule of thumb is a 3% difference from the assumed rate of return of 6.5% and the level of salary increases. Mr. Martin noted that mortality assumption were in line. He noted on the following page that only 4 counties elected to award COLAs (Cost of Living Adjustments) during 2022.

Mr. Martin moves on to page 14, to discuss performance. You see, last year you were riding that top bracket. In fact, you came in below 10%. The average was down between 13 and 14.5%. This is a significant performance, in fact in the beginning of 2020 when you started diversifying that portfolio, it really set you up well for 2021 & 2022.

On to page 18, Mr. Martin goes on to discuss funded ratios, which he advises our county is pretty much in line with the other counties between 80 and 90%. Mr. Martins adds that our county has far more conservative assumptions, which increases the liabilities in the formula, versus the other PA counties.

Moving forward with page 22, Mr. Martin goes over the demographics of the participants pointing out that most county plans are becoming more mature as these plans started in the 70's and 80's and everyone was putting money in at that time. Now with people retiring over the years there are payments going out of the fund. You can see you are down below 45% of people in this fund right now are actively contributing. You also see that growing amount from the retiree part which is not unusual it is kind of a trend you see that is occurring around the states and why it is important to keep bringing new people in to defined benefit plans, so that contributions can continue to grow. The thing that the Controller's office will need to monitor is those monthly cash flows. What you will find when you look at your report, you are getting more negative cash flows going out because you have more retirees, less money going in, more money going out. So, we need to look at that cash level every month to make sure the liquidity is there to make those monthly payments.

Next, Mr. Martin moves on to the performance portion of the presentation. On tab 2, page 10, this is through the third quarter of the year. US economic growth did surprise on the upside and came in quite a bit above expectation at 4.9%. The prime contributing factor to this was spending by the consumer and spending by government. The government spending was on the back of the stimulus surface for the Chips and Science Act which has really encouraged a lot of manufacturing construction on the back of building out manufacturing capabilities which is bringing some money back to strengthen those future supply chains. In the chart on the bottom right you can see that manufacturing facility construction is about 150% higher than it was a few years ago. These places are not full yet, they are just in construction mode.

Shifting the focus to page 11, as the economy closes out the year, we are starting to see some head winds with the economic growth. If you look at the consumer, you've got some head winds. You've got the restart of the student loans; people are now having to make payments on these loans. You've got potentially higher gas prices due to supply reductions. Looking at household savings, you can see that household savings for the majority of people is less now than prior to the pandemic. You are starting to see some cracks with the consumer and remember the consumer makes up two thirds of GDP growth in the US. So, it is likely you will not have those levels of spending from the consumer going into next year. If we pivot to the business side, we are starting to see softer earnings expectations from a lot of businesses. If you look at 5-15 industrial sectors, 13 of them are in contraction there's only 2 that are in expansion mode right now. We are also starting to see softer labor numbers. In the last couple of weeks, you've seen those jobs numbers come down, unemployment starting to pick up now, which is showing you that this rate increase has now worked its way into the labor market after about 18 months. The positive out of that, inflation data came in a lot softer 3.2% and almost instantly the probability of another rate increase this year went to 0 and the market took off, yields came down, bond prices took off as well and it has been a huge impact on performance for funds for the year. The good thing about being here in the US with somewhat of a closed economy, we support our own growth unlike Europe who is dependent on imports. In regard to Global Economy, a lot of the economies overseas are having most of the consumer debt is for mortgages just like here in the US, but here ours is fixed rate, average rate being 3.5% while abroad most of it is variable rate.

Just to wrap up on overseas we have page 13 Global Asset Class Performance. Mr. Martin states that it is no surprise that interest rates are up in the third quarter and oil prices going up, risk assets took it on the chin as US stocks are down 3.3% slightly better than international down 4.1%. However, if you factor in the strength of the US dollar there actually international stocks are only down 1.3%. Fixed income, no surprise obviously it's yield spiked that's negative for bonds, even long duration bonds, they were down 3% for the quarter. What you will see in private credit is a floating rate which doesn't get impacted by these yield spikes. You can see that was positive 3.5% in high yield with the shorter duration being more positive too. Finishing up, Mr. Martin brings our attention to the Inflation-sensitive assets. These are listed so they are not the pride of the equities that your county is in, they just give you an idea of the listed proxy. You see TIPS did outperform core bonds, just due to rising rates for the quarter. Also, you can see Global Listed Inf. and U.S. REITS get impacted when rates are high and yields go up, you can see they were down 8% a piece for the quarter but over the past few days as yields have come down those types of strategies have really taken off. So, there is a lot going on in the market.

Shifting the focus to page 22, Observations, Mr. Martin points out that we finished the quarter at around $194 million with the portfolio being down 1.6% net 1.5% gross a bit better than the policy and in the top 10% of all pension funds in the US for the quarter. Quite a few things went well for the U.S, the Global and International Value was a positive attribute, Growth out-performed Value considerably while overseas it is the opposite, the Value has out-performed Growth. The VRP (Defensive Equity), Private Credit and Private Equity have all been positive as well. What didn't work as well were the Growth Equity, Timber/Farmland and Treasuries just because of the longer duration. Now, through the end of October the fund was around 3.7%. Mr. Martin did a calculation because of what has happened in November, and it shows the fund at over 7% which is above your assumed rate of return at this point. Who knows where we will go for the remainder of the year, historically December tends to be good because there are always a lot of buyers and people doing IRA payments. So, even if we flat-line at the end of the year, what you were given as your estimate from Korn Ferry last year, your contribution may come in a little bit lower just because of the big jump in recent days. Looking at longer term as you can see is very good 5.9% net & 6.3% gross with a policy index of 5.7% and Benchmark 3.6%. Also, following the asset allocation approved by the board at the last meeting, the fund was de-risked in September by increasing fixed income by 5% and reducing equities by 5%.

Moving on to page 24, Market Value Summary, focusing on the middle of the page these are your real estate managers. 18 months ago, we started getting redemptions out of that for you. A lot of managers since then have closed redemptions. It is good news here that your county has been getting money out as real estate has been going more negative and from an allocation point of view, you are almost back to target at this point whereas a lot of funds are still over target and capturing all the downside in real estate. This is one reason for being proactive and being ahead of everybody else in getting redemptions out and contributions in. As shown on page 25, you can see how diversified your fund is now. Not only by asset class but by managers too, the only strategy way you only have one manager is Timber/Farmland and we also have a U.S only Farmland, the current Hancock one is global, we want to take half of that away and put it into U.S. only Farmland, it has been a great inflation hedge and is doing better in our mind. Therefore, just like the real estate and infrastructure, it will split it into two strategies, so not only diversification by asset class, but also by manager within those asset classes is very prudent.

Jumping to page 28, Mr. Martin moves the focus to Peer Ranking with the performance of 1200 defined benefit plans going back in time, these days your county ranks in the 14th percentile over the trailing 3-year period and 23rd percentile over the trailing 5-year period. Even year to date, this shows you almost all pension funds are not overweight the magnificent 7 because those 7 names are 30% of the market, if you want to go out and perform you must have more than 30% of your investment in 7 names. It's not prudent for an institutional pension fund. So, you see you lagged the policy target year to date, you are still in the quartile from a ranking point of view because very few funds are taking on that bet.

Lastly, on page 39, Mr. Martin reported on the performance of a couple of the managers. The fixed income is intermediate government/credit. Duration is only 3.8yrs which is why you are doing very well lately because in this rate-increasing cycle a lot of your peers are in the longer duration Aggregate Core bond strategy, so they have been hurt a lot more. So, this is why you have outperformed because of your shorter duration (3.8 years vs 6.2). Your county has not given up anything in your yield, yield is 5.7, which is nearly 6% in yield out of fixed income now. The beginning of last year was around 2%, it is just a completely different world for fixed income now and it is why the outlook of pension funds is much better looking forward than it was in the previous 5 years. This is one of the reasons you took the step to de-risk last quarter because of what yield you can now get within intermediate fixed income.

Mr. Martin adds that all the managers are on page 40-42. US Equity is predominant which did outperform by 1% for the quarter. TWIN Capital is your local manager here that buys the dividend growers has lagged by 9% this year with rates going up the dividend rate stocks have been hurt more. If we get into more of a difficult economy next year with stocks going down and rates will start to come down, that strategy will do much better. If it doesn't do better than we should re-look at that strategy for the future.

Globally, you see about 0.8% ahead for the quarter really driven by your Value manager, which was over 2% ahead, which was the top ranked fund during the quarter. Also, your Low-Volatility manager MFS slightly out before the market in the negative market. Then, Artisan your growth manager, did lag a little because it doesn't have as large an allocation to the 'Magnificent 7' stocks in the U.S. We look at those managers together for the composite and it's in line with expectation. In the Non-U. S Composite, Schroder's was just down over 1 %, where Small Cap was a bit of a head wind however there is only 1% allocations to those, so they don't move the dial much. The way you have really made a difference compared to most of your peers over the past few years is all the alternatives that you have done since then. The VRP you can see over the past year has posted nearly 18%. Real Estate you can see some of the negative marks have slowed now, you can see Clarion and TA are down just over 1% for the quarter when the average was down over 2%. The good news here is back in 2020 when you and OCIO were able to get a JP Morgan fund and particularly the TA one which only has one office, so you can see their performance has been great nearly 4% ahead over the last year being that they don't have that big office sector head wind holding them back. In fact, any kind of new investment seen in real estate is not traditional for Northeast it is more down South and focused on industrial real estate investments.

Moving forward, Infrastructure continues to do good as rates stay high. Both JP Morgan & IFM have returned over 10%. This has been a great diversifier and inflation hedge for the fund. Private Credit and Private Equity over the past year have been strong however, you are starting to see cracks in the economy now, banks have pulled out of lending for the most part so all the lending in private equity is coming from private credit.

Lastly, Mr. Martin directs the attention to the Performance update contained in the stapled packet within the portfolio. He states that a local strategy closed-end fixed income that Marquette was asked to conduct due diligence on. Marquette brought an overview to the close-end fixed income category, along with a review of GridIron Partners, a Pittsburgh based investment manager.

Mr. Hampton stated that we always want to educate the board on what the strategy sets out to accomplish and does the strategy have the capability to achieve the outcome. There is an opportunity for a manager to come in and trade those shares of the closed-end funds, because of the fixed number of shares can trade at discount or premiums due to several market factors, namely changes in interest rates and market sentiment. There are managers who do both closed-end management on equity and fixed income strategies along with some international strategies, however we specifically look at gridiron to do fixed income only, which is their specialty. Mr. Hampton points out that some advantages are due to market structure. Holders of close-end funds look to sell, but due to a smaller market segment, the shares will often trade at a discount to their Net Asset Value (NAV). If you have a manager in there that can take advantage of that and be a buyer when there is some opportunistic selling in the market, that is the second level of return that a closed-end manager could seek to allocate, in addition to the yield from holding the funds themselves. Referencing page 7, Mr. Hampton advised that this is what a closed-end manager is investing in. There are about 175 actively managed closed-end funds that are larger than 100 million Mr. Hampton referenced the historical holdings, predominantly made up traditional fixed income, high-yield municipal bonds and mortgages but very diverse strategies.

Finishing up on page 8, there are examples of some discounts over time referencing that as markets move frequently, so do discounts. You can see just the municipal bond market has a long-term average discount of around 4%; they can trade pretty wide over time, so you see currently the discount on a municipal bond closed-end fund right now is about 12%. That would equate to an attractive opportunity for a closed-end fixed income manager.

Mr. Hampton wraps up with page 10, which shows the de-risk of the portfolio, you can see the previous IPS and the current de-risking in the middle column. Your county is about 27% fixed income currently, if the county sought to allocate to a close-end manager, step 1 would be for the board to adopt a target allocation to the close-end fund space within the Investment Policy Statement (IPS). Right now, there is not really a bucket for us to place the closed-end fixed income manager in. So initially we would look to set an investment target of 1% of the total fund. Right now, that would be 1.9 million would be the initial investment the county would be looking at. We would set parameters around there we would have a 0-2% investment threshold with them. Generally, the initial investment, would give them room to grow, and as again you get more familiar, and it demonstrates its merit to the Pension Fund. Mr. Martin adds that it is a smaller allocation that is known as a plus sector, high yield about 1% as well, bank loans, so much smaller market like the core bond markets are billions of billions where this market is 165 million, smaller universe so you do a smaller allocation.

Mr. Hampton continues with an update on the Gridiron. It is firmed locally in Pittsburgh; they manage funds for about 4 other Pennsylvania Counties at this point. They have about 193 million in assets. Mr. Hampton notes that page 14-15 in the portfolio is a good example of when good opportunities come, you will see the two highlighted charts, 2019-2021 they really had a high position to start and sold it down: the same with municipal bonds at the time. Page 15 shows the levels of discounts, so looking over the two red areas, at that point floating rate had been trading at a deep discount so they were purchasing for .85 on the dollar as it moved and traded up towards

$1.00, they were selling out of those floating rate bonds and buying into the cheaper municipal bonds.

Mr. Hampton concludes that on page 16-17 is just a historical performance, this is something we would benchmark against the aggregate index. Page 18 is just the fee structure; again, to have a separate account with Gridiron it would require a minimum investment of $1 million dollars; potentially we would be looking at $1.9 million at that 1% target, and the management fee for that would be 75 basis points. On the pro side, it's a smaller asset space, on the con side, with smaller space comes a smaller team. So, there is a smaller team within Gridiron. On the positive side, the returns are very differentiated. With discounts, you are getting some protection when buying into these bonds, just because you are buying in at lower prices. Because discounts do change over time, sometimes they will have passive fixed income exposure to be fully invested. During those periods of time where they are not fully vested, the fee is a bit high compared to the underlying holdings. Mr. Hampton concludes with opening the floor for questions.

Commissioner Vaughan asks if the board were inclined to enter the closed-end option, what percentage would be recommended by Marquette. Mr. Martin advised 1%.

Controller Sloane asks Mr. Martin to compare Gridiron to TWIN as far as company size. Mr. Martin advised TWIN has more people and more strategies but states they are a relatively small shop as well.

Commissioner Vaughan asks Marquette if they would recommend that the board consider allocating 1% to a closed-end fund and if they do, would they recommend going out to others, not just Gridiron like TWIN and others and then making a recommendation of others like they did with Gridiron. Mr. Martin answers by stating that this kind of thing goes through a committee where it is voted on and signed off on. He advised they would guide the board on not putting 10% in an area which the market size doesn't warrant that kind of investment, thus 1% would be recommended.

Mrs. Vaughan entered a motion to approve the closed-end and the asset class at 1%.

Motion was moved by Controller Sloane and seconded by Commissioner Maggi.

No Discussion followed.

Roll call vote taken:
Ms. Sloane – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes
Motion passed unanimously.

Mrs. Vaughan states they are required to have a conversation of the cost-of-living increase. Mrs. Vaughan asks if anyone in attendance would like to make a motion for cost-of-living increase. No one makes a motion. Korn Ferry can be notified that this was discussed and that there was no action taken by law.

The meeting was adjourned at 3:53 p.m.

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

________________________________, 2024

ATTEST: ____