RETIREMENT BOARD MEETING **May 16, 2024**

1. Opening of Meeting.

2. Approval of Minutes No. 293 dated February 15, 2024

3. Public Comment.

4. Treasurer's Report:

   Bank Reconciliations – February 2024 - April 2024

5. Requisitions:

   Requisitions – February 2024 – April 2024

6. Old Business.

7. New Business:

   A. Portfolio Presentation: Marquette Associates.

8. Adjournment.

Minute No. 293 February 15, 2024

The quarterly meeting of the Washington County Retirement Board was held at approximately 11:29 a.m. on Thursday, February 15, 2024, in the public meeting room with the following members being present: Commissioners Nick Sherman; Larry Maggi and 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 Daryl Price; Solicitor Gary Sweat; Brad Hampton representing Marquette Associates and Administrative Assistant Debbie Corson.

Approval of Minutes

Mr. Sherman entered a motion to approve meeting Minutes 292, dated November 16, 2023. The motion was moved by Ms. Janis 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; Ms. Janis – yes

Motion passed unanimously.

Public Comment

None.

Treasurer's Report

Mr. Flickinger made a motion to accept the presented reconciliations of October 2023 to December 2023. Motion was seconded by Ms. Janis.

Roll call vote taken:

Ms. Sloane – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Ms. Janis – yes.

Motion passed unanimously.

Retirement Allowance Report

Bank Balance as of October 1, 2023	**$ 235,045.25**
Deposits to Checking Account	-0-
Transfers In	$798,944.89
ACH Credit	$278,894.30
Other Credits	-0-
Less: Cancelled Checks	(74,138.95)
Less: Other Debits	-0-

Less: ACH Debits	(955,816.08)
Funds Transfers Out	-0-

Bank Balance as of October 31, 2023	**$282.929.41**
Transfers to Mutual Funds	$38,232.23
Less: Outstanding Checks	(138,578.73)
Less: Retirement Check Run	(41,298.29)
Transfer	(142,189.45)
Transfer	(141,284.62)
Reconciled Balance as of October 31, 2023	**-0-**

Bank Balance as of November 1, 2023	**$ 282,929.41**
Deposits to Checking Account	-0-
Transfers In	931,951.62
ACH Credit	137,107.60
Other Credits	-0-
Less: Cancelled Checks	(185,153.43)
Less: Other Debits	-0-
Less: ACH Debits	(973,556.06)
Funds Transfers Out	-0-
Bank Balance as of November 30, 2023	**$ 193,279.14**
Transfers to Mutual Funds	16,408.34
Less: Outstanding Checks	(187,933.47)
Less: Retirement Check Run	(21,754.01)
Reconciled Balance as of November 30, 2023	**-0-**

Bank Balance as of December 1, 2023	
Deposits to Checking Account	**$**
Transfers In	**193,279.14**
ACH Credit	-0-
Other Credits	701,715.80
Less: Cancelled Checks	422,559.05
Less: Other Debits	-0-
	(278,134.50)
	-0-
Less: ACH Debits	(950,964.55)
Funds Transfers Out	-0-

Bank Balance as of December 31, 2023	**$ 88,454.94**
Transfers to Mutual Funds	44,762.15
Less: Outstanding Checks	(82,918.00)
Less: Retirement Check Run	(50,299.09)
Reconciled Balance as of December 31, 2023	**-0-**

Requisitions

Ms. Sloane made a motion to approve the requisitions for the months of October 2023 through January 2024. 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; Ms. Janis – yes.

Motion passed unanimously.

Distributions

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 or 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 August 2023 Distributions	**1,073,597.35**

November 2023

Check	Payee	Amount
2553	Noah Davis	2,118.63
2554	Jesus Jimenez	138.74
2555	Amy Metz	2,477.95
2556	Shayna Cowden	546.25
2557	Jami Bevan	1,228.52
2558	PNC Bank as trustee of Samuel Zappala	21,978.01
2559	Veronica Kayona	4,553.03
2560	Trustee of Fidelity 401k FBO Josh Pusateri	16,387.12
2561	Trustee of American Fidelity FBO Denise Ratcliff-Kennedy	10,264.36
2562	Amanda Golkosky	3,723.67
2563	Ryan McWreath	48,237.78
2564	Cristy Bearden	6,491.40
2565	Corey Watkins	16,565.73
2566	Washington County Regular Payroll Escrow Account	22,568.22
2567	Washington Co. Cash Disbursement Acct	57,529.17
Transfer:	PNC Bank	**84,205.14**
Transfer:	Washington Co. Retirement Acct	**911,330.12**
	Total November 2023 Distributions	**1,210,343.84**

December 2023

Check	Payee	Amount
2568	Trustee of FTSP 1BCYT6 FBO Christine L Matson	7,451.45
2569	Catherine Kaschok	5,351.21
2570	Karie Lindley	1,555.25
2571	TD Ameritrade as trustee of IRA of Lucas O'Donnell	3,049.10
2572	Christina Thorne	2,658.33
2573	Candance Mustachio	3,422.55
2574	Bristille Steadman	365.77
	Jami Bevan- VOID	(1,228.52)
2575	Jami Bevan	1,228.52
2576	Washington County Regular Payroll Escrow Account	22,152.28
2577	Washington Co. Cash Disbursement Acct	105,325.16
Transfer:	PNC Bank	**65,770.54**
Transfer:	Washington Co. Retirement Acct.	**907,173.21**
	Total December 2023 Distributions	**1,124,274.85**

January 2024

No refunds in the month of January due to county wide computer incident

Net Pensions- January:	904,366.23
Pagac- PA SCDU:	200.00
January CoPay:	22,432.68
Robinson Void Error 2023:	-896.43
Washington Co Ret Allowance:	**926,102.48**
Fed Tax W/H Refunds:	0.00
Fed Tax W/H Pensions:	60,072.53
2022/2023 Tax Error:	-100.00
EFTPS:	**59,972.53**
Total Transfer:	**986,075.01**

Old Business

None.

New Business

Portfolio Presentation – Brad Hampton – Marquette Associates

Mr. Hampton began with an update on the U.S. Economy. He notes how strong the economy was in 2023. Comparing 1Q22 and 2Q22, Mr. Hampton uses these quarters as an example of what could have been a recession, explaining the economy at that point was contracting instead of growing. Looking at 3Q23 and 4Q23, Mr. Hampton adds that the last 6 months of 2023 were the strongest they had been in some time. Consumers continued to spend, leaving the credit card delinquency and credit card balances at an elevated level, which means consumers will need to slow their level of spending at some point. The second half of that is the other major purchaser in the economy is the government. Mr. Hampton goes on to page 11 to discuss the last 40 years regarding the deficit level compared to some other areas. Usually when you see the deficit growing it is normally in those recessionary periods, to try and stimulate growth. It is rare that you see a deficit expanding when unemployment is low. Typically, if the unemployment rate is below 4%, the deficit is usually about 1%. Last year, it was 6%. So, we had a consumer that was spending beyond their means in a lot of ways, a government that was spending beyond their normal means and that really attributed to this phenomenal growth we had last year. Coming into this year, we think these two big spending components could take a step back. There has been discussion of lower fiscal spending to comply with the Fiscal Responsibility Act that would rein in some of the spending programs we have. With consumer credit card balances as high as they are we are starting to see some late payments and as that happens, you start to trigger the interest, with the average interest rate on a credit card being 20%. Turning the attention to a company standpoint, companies are still churning out profits. Most S&P companies are done reporting their Q4 results and the expectation was that profits and earnings were going to grow at 2%, whereas results were about 6% growth. Mr. Hampton notes that companies continue to do well.

Further on page 11, inflation is going to be top of mind throughout the year. The inflation print that came out recently was .1% higher than expected. The market expected about 2.9% and it came in at about 3%. That .1% was enough to throw markets into a sell off of about 1.5% in response to that print. The reason inflation is so important to markets is because of the expectations that interest rates will be coming down this year. The Federal Reserve announced in December they are forecasting three rate cuts totaling about 75 basis points in 2024. The market often assumes the cut will be more than advertised and quickly priced in as many as six rate cuts in 2024. The reason we saw equity markets do so well is December 2023 was because there was a lot of euphoria around rate cuts. As of yesterday, with the realization that inflation will kind of sticky, the probability of those rate cuts has gone down dramatically. Inflation is so important because the higher inflation stays, the lower probability the Fed will be able to cut.

Moving ahead to page 13, Mr. Hampton talks about 2023 compared to 2022. He states that most assets classes except for commodities & real estate were negative in 2022. Looking at 2023, everything bounced back strongly. Equities in the US were the strongest and that is because the U.S. has the strongest growth companies here like Microsoft & Apple. Nvidia continues to be the stock that was up over 150% last year, and so far, this year it has jumped up another 45%. To put that into context it has added hundreds of billions of dollars in market cap as the stock price has gone up. Nvidia is now larger than Amazon. This stock was outside of the top 10 coming into 2022 but is now larger than the entire Chinese Equity Market. This just goes to show you that the companies that are doing well are doing very well. If you don't own those companies at the exact or more weight than the market, you might see some managers lag their benchmarks in the portfolio.

Moving forward on page 14, Mr. Hampton states that low volatility and value were two factors that have underperformed in 2023. Both of those areas are something that Washington County does have expressed in the portfolio as the funds are more conservatively managed than other counties need to be. The growth factor was off the charts last year and so far, year-to-date continues to be.

Looking at page 15, this last chart shows what effect the November election could have on markets. Mr. Hampton states that when we look at the election cycles of the past, the office of the President typically has less to do with long-term market performance. If you look at the past few decades in terms of the data, year four in the election cycle is usually a pretty good year. The first half of the year is strong and when you get to the mid-year summer months you start to see some of the volatility around the uncertainty of the election, but once November is over, December typically finishes the year strong. On average, we see about a 7.5% return in year 4. Year 3, which happens to be 2023, is one of the stronger years in the election cycle, which happened to play out. Mr. Hampton adds that more importantly, the mid-term year, which is year 2, which in this cycle would have been 2022, and that was one of the worst markets for both stock and bond returns. It's not to say that this is something that works all the time, but it just goes to say that we are not as worried at the election cycle and what it's going to have to do with markets. Eventually it works itself out, there will be some volatility leading up to but regardless of which candidate/side wins, Marquette does not position portfolios around the election cycle, and that is what this chart on page 15 shows.

Further, moving on to Exhibit 3, Mr. Hampton turns the attention to the insert that was handed out for this section. He states that the inserts are investment policy changes, one for the retirement fund and one for the OPED fund that have already been voted on and approved, just needing signatures from the board. Mr. Hampton briefly covers these documents, stating that again the fourth quarter was a very strong end to the year. Washington County's portfolio ended at $206.4 million which resulted in a $12.4 million gain or 6.4% during Q4. Basically, we got a whole year of returns condensed into the last quarter. As far as the Washington County portfolio goes, Marquette is trying to get a 6.5% annual return on this fund so that the county can meet their obligations. Some things that worked well in the fourth quarters were the U.S. in Small Caps, as we started to see a broad bounce-back in Q4 that somewhat has reversed early in 2024. You started to see the rest of the market catch up to the 'Magnificent 7' stocks, which drove markets in the first half of 2023. A lot of the fund performed as expected, meaning there wasn't anything unexpected or anything that would need the attention of the board. Because this portfolio only has a 6.5% return, we don't need to be as heavy in growth stocks or heavy in these concentrated markets. The county does have exposure to the 'Magnificent 7' stocks, with the largest holding being the S&P 500 index, which is partly why the fund did well last year. Your county has diversifying assets as well, Infrastructure, Real estate & Farmland, are all assets that generally aren't going to go up 20% in a calendar year, but that is not a goal for this fund. To get that kind of return in a year, you would have to take a whole lot of risk. The administration has done a good job of conserving the assets and contributing consistently, which a lot of other county plans have not done. Your county has had a big opportunity to take risk off the table and that has been helpful. Mr. Hampton adds that over the last 3 years, our county is in the top 14% of all public pension funds, beating 86% of your peers. This is possible because of the different market cycles we've experienced over the last few years. For example, 2021 which started as a growth year but ended as a value year. Then year 2022 everything sold off, with stocks and bonds both down double-digits, which was a year the county did very well compared to its peers, and 2023 where you had a lot of concentration in markets. With all of that being said, that "mini market cycle" we all experienced led to your county being in the top percentage of all public pension funds.

Looking ahead, at the closed-end fixed income addition, the investment management agreement has gone through review with the solicitor and is ready for the chairman to sign off on today as well. Once that is executed, we will work on setting up the account for PNC. Depending on timing of that, Marquette will try to get that funded by April 1.

Changing over to page 23, Mr. Hampton reviews the summary on this page of what the portfolio looks like and what it has done over the years. The goal is to generate a 6.5% return to bring in cash flows to pay out benefits not only on an ongoing basis, but certainly into the future. During the 4th quarter, your county came in just under $194 million with just about $12.4 million in investment gains to finish the year at that $206 million. Coming into the year, your county was at $188.2 million, making a total investment growth of $22.6 million last year. Mr. Hamptons points out that when we have these strong markets, our goal is to bank in on some of those returns. If you look at the last 5 years, when Korn Ferry comes out with their valuation report Mr. Hampton thinks they will have very strong numbers to report as over the last 5 years, your county has had 8.5% annualized, with the goal only being 6.5% annualized. The county has banked an extra 2% annualized over these last 5 years. Marquette does not expect the next 5 years or every 5 year period to look like that, but when those periods do occur it is good to see that those dollars can be banked in this fund. Finishing up page 23, this is just a breakdown of how the assets are allocated. Being a bit more conservative, we can spread out the risk over these different asset classes and they will perform differently in different periods which is exactly what we want in diversification. Mr. Hampton points out that in 2022 Real Estate and Infrastructure were two of the county's best performing asset classes, however in 2023 those two lagged the most for various reasons. If you look at the current chart on 23, in the "within range" category, everything should always say yes there. Also on this chart, if you look at the current vs. policy section, this can be re-balanced very frequently, but it is kept tightly to the targets so that the county is always allocated as it is expected to be.

Moving forward to page 28, Mr. Hampton looks at calendar years to get a better idea of what was going on in markets, what type of environment it was and that is how you can gauge how your portfolio is going to perform. If you know what you hold and how it is going to perform, you can rest easily knowing what direction things will go. Year 2023 was a very strong market year. When we have these strong market years your fund has got to be right in the middle. 50% is the median and anything below that means you are beating your peers. 50% would be right on average for most public funds. When you see a year that is very growth dominated, very concentrated, your county will likely be right in the middle. A year like 2022, that is when your portfolio will perform the best in comparison to its peers, who generally will have more risk as they seek higher rates of return. Again, Mr. Hampton points out that because the county has their risks spread out and are much more diverse than a lot of other investors can be, you were down just under 10% in 2022, where a lot of other investors were down much more than that. As we go further back, 2021 was a middle year where 2020 did very well growth-wise in the second half of the year post-covid.

Shifting to page 39, Mr. Hampton advises there are a few themes to touch on. When you come into a new calendar year, we get to take stock of where your portfolio has come these last few years. He notes that the board has done a good job of adding diversifying assets over recent years.

Mr. Hampton states that because of that, we will be able to begin to shift some things on the edges as well. The fixed income portfolio is yielding just under 5%. When you are at a 6.5% target and your bond portfolio can get you 5%, you don't need as much in those dividend paying stocks, Real Estate, and some of the more value companies because those are the ones that we needed to generate income, because fixed income really hadn't done that for several years. A few things that Marquette Associates will start to look at in 2024, one being TWIN, your county has been in their dividend fund for some time now because bonds weren't paying anything. We needed to generate income and a dividend fund was a good way to do that. We still think that they are very capable in managing assets for the county, but they have a product that is an enhanced index fund. It looks a lot like the S&P 500 index, but it just takes a more value approach to that. At some point throughout this year, you might see a switch within TWIN from a strategy point of view. It will still be large cap and still going to be around the same target, just with broadened allocations so that they don't just have to invest in dividend payors.

Similarly in International markets on page 40, one of your value managers is Schroder's, this is something you will likely see roll-off in the next few months in the fund. First reason being they hold some smaller companies within Schroder's, more value companies, and the concern Marquette has is that China is an area right now that from a valuation point of view, looks attractive, but from Marquette's point of view there are a lot of unknowns there. The fear with an international manager that has a broad value mandate is that you may see some more allocations in China as a potential value trap if any geopolitical risks would come to fortition. It is only 2% of the fund that likely will roll into the index in international markets as well. You will still be actively managing both small gap and emerging markets. If there are any opportunities in China or anywhere else in emerging markets, you will broadly have that exposure with the fund there. Mr. Hampton wants to lastly touch on anticipated changes in the Timberland/Farmland allocation. Marquette is currently in the process of looking for a different fund there. There are not a lot of Farmland funds out there, so it is a relatively concentrated search. Mr. Hampton thinks that the Farmland piece is the most beneficial point right now in terms of the need for Farmland. A global mandate is being looked at versus just the U.S. Everything for the most part is where we like it and want it to be, but as we come into these calendar years it is just an opportunity to take stock and see if there is anything on the edges that we can change to help improve things.

Flipping to Exhibit 5, OPEB trust, page 72, this is the similar asset allocation that was already approved by the board and just needs signed. Performance was in line; exposures are also in line for what we have in the pension fund. Your county finished the year with $25.3 million, $1.8 million of that was investment gains in Q4, $2.8 million in investment gains for the full calendar year, leaving us at $12.4% for the full year. Similar themes, asset allocations and investments over the last 3 years. Your county is in the top 15% amongst its peers for the OPEB fund. No recommended changes for this fund. In terms of thinking down the road, one item we might look at is an asset allocation study where we might evaluate if 10% is needed in Real Estate. Mr. Hampton concludes the presentation.

No discussion followed.

The meeting was adjourned at 12:04 p.m.

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

________________________________, 2024

ATTEST: ____________________________