RETIREMENT BOARD MEETING **November 30, 2022**

1. Opening of Meeting.

2. Approval of Minutes No. 287 dated May 19, 2022 and No. 288 dated August 18, 2022

3. Public Comment.

4. Treasurer's Report:

   Bank Reconciliations – July 2022 – October 2022

5. Requisitions:

   Requisitions – August 2022 – November 2022

6. Old Business.

7. New Business:

   A. Estimated Pension Costs for 2023 Budget.

   B. Korn Ferry Fee Increase

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

8. Adjournment.

Draft

Minute No. 287 May 19, 2022

The quarterly meeting of the Washington County Retirement Board was held at approximately 3:30 p.m. on Thursday, May 18, 2022, 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, via phone. Also present: Deputy Controller Heather Sheatler; Chief Clerk Cindy Griffin; Secretary Paula Jansante; Executive Assistant Marie Trossman; Chief of Staff Michael Namie; and Lee Martin, Ph.D. representing Marquette Associates.

Approval of Minutes

Mrs. Vaughan entertained a motion to hold Minute No. 286 dated February 17, 2022, in abeyance pending corrections. 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.

Motion passed unanimously.

Public Comment

None.

Treasurer's Report

Mr. Flickinger presented the Bank Reconciliations for December 2021. It was moved by Mr. Flickinger and seconded by Mr. Sherman to accept the reconciliations of the above-mentioned statement.

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 December 1, 2021	**$ 102,024.87**
Deposits to Checking Account	4,656.2
Transfers In	1,338,021.18
Add: ACH Credit	490,578.00
Other Credits	-0-
Less: Cancelled Checks	(209,104.80)
Less: Other Debits	-0-
Less: ACH Debits	(858,480.33)
Funds Transfers Out	-0-
Bank Balance as of December 31, 2021	**$ 867,695.12**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(831,421.97)
Less: Retirement Check Run	(36,273.15)
Reconciled Balance as of December 31, 2021	**$ -0-**

Requisitions

Ms. Sheatler stated that requisitions for the months of February 2022, March 2022, and April 2022 totaled $3,273,579.54.

It was moved by Mrs. Sherman and seconded by Mr. Maggi 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

February 2022

Check	Payee	Amount
2308	Estate of Ralph Richard Shawley	170.62
2309	William E Speakman Jr	994.10
2310	NFS/FMTC IRA FBO Jose Alvarado	20,307.76
2311	Capital Bank & Trust IRA for Candice Bentz	17,265.47
2312	Winfield Carson	703.64
2313	James R Harrington III	5,383.57
2314	American General Life as trustee of IRA of Sara J Necciai	33,664.12
2315	Jamie Restanio	36,190.15
2316	Steven Scott	6,235.95
2317	Gaitens Tucceri & Nicholas PC FBO Charlee Rosini	4,484.39
2318	Fidelity as trustee of IRA of Charlee Rosini	1,821.97
2319	Michael Carso	11,807.68
2378*	VOID - Gaitens Tucceri & Nicholas PC FBO Charlee Rosini (check date: 11/30/2021)	-6,306.36
2320	Washington County Regular Payroll Escrow Account	24,494.96
2321	Washington Co. Cash Disbursement Acct	26,906.04
Transfer	PNC Bank	71,792.42
Transfer	Washington Co. Retirement Acct	849,714.39
	Total February 2022 Distributions	**1,105,630.87**

March 2022

Check	Payee	Amount
2322	Robert Greg Fresa	63.33
2323	Michael Boyza	242.22
2324	Meloney Dennis	386.48
2325	Richard Griffith	1,263.04
2326	Myra Jakubek	18,8483.19
2327	John W Kibbe	2, 601.70
2328	Paul C Rock	99,728.06
2329	Shalee Schnore	2,132.40
2330	Washington County Regular Payroll Escrow Account	24,779.20
2331	Washington Co. Cash Disbursement Acct	58,614.26
Transfer	PNC Bank	76,689.31
Transfer	Washington Co. Retirment Acct	847,219.05
	Total March 2022 Distributions	**1,132,567.24**

April 2022

Check	Payee	Amount
2332	Edward Grey	3,225.81
2333	Capital Bank & Trust Co as a trustee of IRA of Joseph J Joscsak IV	9,819.12
2334	UPMC Savings Plans FBO Claset Klos	3,539.16
2335	Ameriprise Trust Co as trustee if IRA Deborah C Webb	78,671.50
2336	Washington County Regular Payroll Escrow Account	23,937.09
2337	Washington Co. Cash Disbursement Acct	6,469.67
Transfer	PNC Bank	59,816.21
Transfer	Washington Co. Retirment Acct	849,902.87
	Total April 2022 Distributions	**1,035,381.43**

Old Business

None.

New Business

Mrs. Vaughan entertained a motion to approve a request from Robert Lonick to purchase prior service time, dated December 17, 1998 to July 20, 1999 and September 7, 2004 to November 8, 2004, in the amount of $2,848.32. 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.

Motion passed unanimously.

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

Mr. Martin started by pointing out that growth came to a grinding halt in the first quarter. GDP came in below expectations, declining 1.4%, due to lower net exports and a slowdown in private inventory investment. This was attributed to inflation and supply chain issues, leading to higher prices. He also mentioned that expectations for growth stocks would be lower due to concerns over global issues such as Russia and Ukraine relations impacting Europe, as well as China's zero Covid policy leading to supply chain issues impacting inflation around the world. This is concerning because the Federal Government will need to raise rates in order to tackle rising inflation.as inflation rising too quickly can tip the country into recession. Most forward indicators are down significantly, except for the Misery Index.

Mr. Martin goes on to note that consumer confidence is low and that the public have pulled back from spending due to inflation. Retailer's earnings have come in well below expectations because they have tried to maintain prices while costs are rising and, thus, their overall net profits are down. This is also the reason for big selloffs in the equity markets as earnings really drive the direction of equity prices. He continued by pointing out how the charts of consumer confidence mimics a market cycle. However, over the last 5 years, our funds have been diversified into many other asset classes and as much a quarter of said funds are not moving with the market.

Moving on globally, Mr. Martin reiterated that Europe's confidence has collapsed due to the Russian/Ukraine war. He stated that mainland Europe's dependency on Russian oil and gas has impacted future growth estimates. Furthermore, China's zero covid policy has greatly impacted the global supply chain issues due to closing huge economy's such as Shanghai. This is leading to continuous supply chain issues which has resulted in elevated prices across the world.

Mr. Martin noted that developed market, US and international equities, were down approximately 5% while emerging markets were down roughly 7%. Again, he points to China as a causation, due to China being 1/3 of emerging markets and about 8.5% of the broad international market.

Switching to bonds, Mr. Martin stated that core bonds are down nearly 6%, leading to the worst quarter for the aggregate index since 1981. He elaborated that, through April, core bonds were down 9.5%. However, our fixed income is benchmarked to the shorter duration intermediate government/credit index which was only down just over 6%. He explained that, as rates go up, the longer duration bonds become more impacted. This is the reason for the 300-basis point difference.

Transitioning to inflation sensitive assets. TIPS were down only 3%, nearly 3% better than core bonds. He states that commodities, such as precious metals and energy, are up. He also, pointed out that every sector is down outside of energy, up 39%, and utilities, up 4%, which are linked in some part to infrastructure. Mr. Flickinger asked if the Build Back Better infrastructure investment has impacted infrastructure returns. Mr. Martin responded no because infrastructure is a long term 30-to-50-year program.

Moving on to the portfolio, Mr. Martin stated that Washington County finished the quarter at $205 million. He pointed out that the portfolio was down about $7 million due to both stocks and bonds posting negative returns. This equates to a loss of 3.3%, which is better than policy, and ranking Washington County's defined benefit plan in the top 10% of the US public fund universe. This higher relative performance is due to the portfolio being well diversified across numerous asset classes. The smaller funds that are just in stocks and bonds are down more because of the lack of diversified assets. This is the difference from 2008 when the pension fund investments lacked any diversifying assets.

Touching on real assets, the private equity and private credit added last year, are all positive for the quarter. Mr. Flickinger asked Mr. Martin to define private credit. Mr. Martin used the example of bank loans that are not impacted by rising rates as they write new loans at higher rates when interest rates rise.

Mr. Martin spoke about gains over the past five years. He pointed out that 4 of the last 5 years has yielded double figures creating a 200-basis point cushion above the assumed rate of return in an environment that has fueled risk on equities: equities and bond prices going up because rates are coming down. Due to the more diversified assets, it produced under the benchmark, however, it was well above the assumed rate of return.. The goal would be to reach 6.5% each year with as little volatility as possible. Additionally, the private equity and private credit addendum voted on previously added 2% and 1% respectfully.

Moving on, Mr. Martin pointed out the diversifying assets added over the past few years. Particularly the defensive equity, siting volatility risk premium yielding a good premium when there is volatility in the market. He pointed out the diversified real assets portfolio which hedges inflation. This includes real estate, timber, farmland, and infrastructure. When inflation goes up, these assets tend go up as well, helping to offset some of the down market in traditional equity and bonds. With the recent additions of private equity and private credit, this adds up to a diversifying asset allocation of 23% at the end of March and this will go to 26% this quarter.

Touching on the county's total equities of 53.5%, Mr. Martin states this is about the median of a big institutional fund. Similarly, fixed income is a little more conservative because the assumed rate of return is a little more conservative. The other assets classes reflect the previously mentioned median as well.

Year rankings over time, show that the quarter is top decile, top quartile, and above median going back. The older time periods were periods which were less in favor. There should be a higher ranking going forward due to the portfolio positioned to perform relatively well during market downturns.

Washington County is doing better even just on your traditional investments. However, NASDAQ area is what's being crushed so far this quarter.

Moving to fixed income, the portfolio duration is at 4.1years while the aggregate index is 6.8years. The 25% lower duration is why there is a 300-basis point higher return in fixed income for the year. This is relative to core bonds, which most funds use. The current yield of about 3% and is in excess of the index due to the high yield fund.

Closing with Washington County funds through April. However, due to the length of time it takes for real estate and private to come out, it is not included for April. The U.S. equity was down 4.6% and benchmark was down 5.3%. There was a better outperformance by tilting into value. TWIN was ahead 270 basis points in April, as they are better at protecting during market selling and that is why they remain in the portfolio. Likewise, because GW&K is more of a growth bent, they lagged the core benchmark for the first quarter to date but are well ahead for the one year. GW&K were 100 basis points up in April. Global equities are at benchmark, however, there is a lag of about 20 basis points for the three-month period yet they about 30 basis points ahead in April. Headwinds were the growth managers like Artisan and the AB Global Core strategy. The major contributing strategies were with Dodge & Cox and the high quality/low volatility manager like MFS. They were only down 2.7% when the broad market was down 5.4%. Non-U.S. Equity Composite was 100 basis points behind for the quarter due to the emerging market allocation. Washington County did change from the passive index to active approach during the quarter but there is not a full quarter return, and it will be included in the next report. Schroder is in line with benchmark and 130 ahead for the year. Defensive equity was in line for the quarter. However, over the past year it has posted 9.5%, above the benchmark of 7.8%, as the volatility premiums are quite high and have been accretive. In the alternative section, real estate is up 29%. Washington County left JP Morgan about a year ago. JP Morgan was struggling due to large office and retail allocations. Alternatively, Washington County hired Clarion and TA Realty to manage the real estate investments. TA only has one retail holding and is up 37.5% for the year. Timber and farmland are yielding a 10% return. Infrastructure is slowly increasing. The county used Cohen & Steers as a public equity version on the short term. They were added in November 2020 and has made 16% relative to 14% for the benchmark, over that period. Those assets have been used to fund the private infrastructure in a timely manner because equities are selling off and the private infrastructure is positive for the quarter. On private equity and private credit, public equities are selling off. However, there is an immediate 1.3% gain from the private equity. The county is invested in open-ended private equity, providing an income from day one. This is fortunate in this environment, due public equities going down. Likewise, private credit was positive 0.6% where fixed income was down 4.5% for the quarter.

Lastly, for April alone, U.S. equity was down 7.7%but above the broad market which was down 9.0%. Global equity was ahead by 30 basis points and non-U.S. equities were behind by 30 basis points. There are currently no returns posted as of yet for the alternatives. However, the things that are selling off are not affecting the county's portfolio as negatively as expected. This relative performance is expected in May as well.

The meeting was adjourned at 4:04 p.m.

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

______________________________, 2022

ATTEST: ______________________________________

Draft

Minute No. 288 August 18, 2022

The quarterly meeting of the Washington County Retirement Board was held at approximately 2:54 p.m. on Thursday, August 18, 2022, 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; Finance Director Joshua Hatfield; Dave Reichert representing Korn Ferry; Lee Martin, Ph.D. and Sara Wilson representing Marquette Associates. Deputy Sheriffs Jack Camerson and Tyler Pape; and Payroll Supervisor Brittany Mosco.

Approval of Minutes

Mrs. Vaughan entertained a motion to approve Meeting Minute No. 286 dated February 17, 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. Motion passed unanimously.

Mrs. Vaughan entertained a motion to hold the meeting minutes of May 19, 2022, in abeyance pending corrections. The motion was moved by Mr. Sherman and seconded by Mr. Maggi that the above-mentioned minutes be held for corrections.

Roll call vote taken:

Ms. Sloane – no; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes. Motion passed.

Public Comment

None.

Treasurer's Report

Mr. Flickinger made a motion to accept the presented reconciliations of January 2022, February 2022, March 2022, April 2022, May 2022, and June 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 January 1, 2022	**$ 867,695.12**
Deposits to Checking Account	-0-
Transfers In	285,216,68
Add: ACH Credit	262,618,16
Other Credits	-0-
Less: Cancelled Checks	(96,775.49)
Less: Other Debits	-0-
Less: ACH Debits	(935,113.65)
Funds Transfers Out	-0-

Bank Balance as of January 31, 2022	**$ 383,640.82**
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)

Less: Retirement Check Run	(27,223.00)
Reconciled Balance as of February 28, 2022	**$ -0-**

Bank Balance as of May 1, 2022	**$ 169,768.77**
Deposits to Checking Account	-0-
Transfers In	804.594.42
Add: ACH Credit	270.995.93
Other Credits	-0- (301,316.22)
Less: Cancelled Checks	-0-
Less: Other Debits	
Less: ACH Debits	(888,791.71)
Funds Transfers Out	-0-
Bank Balance as of May 31, 2022	**$ 55,251.19**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(81,139.07)
Less: Retirement Check Run	(29,661.45)
Checks Duplicated (ck #2339-2340)	55,549.33
Reconciled Balance as of May 31, 2022	**$ -0-**

Bank Balance as of June 1, 2022	**$ 55,549.33**
Deposits to Checking Account	-0-
Transfers In	805,310.31
Add: ACH Credit	406,600.38
Other Credits	754.64
Less: Cancelled Checks	(192,839.76)
Less: Other Debits	-0-
Less: ACH Debits	(915805.47)
Funds Transfers Out	-0-
Bank Balance as of June 31, 2022	**$ 159,271.29**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(205,358.64)
Checks Duplicated (2339, 2340 and 2348)	74,500.31
Less: Retirement Check Run	(28,412.96)
Reconciled Balance as of June 31, 2022	**$ -0-**

Requisitions

Ms. Sloane made a motion to approve the requisitions for the months of May 2022, June 2022, and July 2022. 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

May 2022

Check	Payee	Amount
2341	National Financial Services as Trustee of IRA of Casey Bamberger	23,385.85
2342	Principal Trust Company FBO Danielle M Deklewa	15,986.27
2343	Rosemari J Fassette	1,926.36
2344	Zackary Fike	10,345.70
2345	TD Ameritrade as Trustee of IRA of Lauren Wadsworth	1,998.13
2346	Washington County Regular Payroll Escrow Account	22,839.30
2347	Washington Co. Cash Disbursement Acct	86.270.94
Transfer	PNC Bank	61,418.14
Transfer	Washington Co. Retirement Acct	851,419.66
	Total May 2022 Distributions	1,075,590.35

June 2022

Check	Payee	Amount
2349	Matrix Trust Company FBO Ryan Wilityer	2.437.32
2350	Trustee of GBU Financial Life FBO Heather Smith	58,757.05
2351	Capital Bank & Trust as trustee of IRA of Jeffrey A Franks	10,700.00
2352	Fidelity Management Trust Co FBO John Edward Burnett	8.740.81
2353	Fidelity Management Trust Co FBO John Edward Burnett	10.750.79
2354	Chelsey Cook	2,085.78
2355	Billie Jo Mance	59.071.31
2356	David Oglive Jr	2,559.96
2357	Joshua T Peake	3,827.42
2358	Zoey Porter	776.52
2359	Benjamin Cagnon	48,853.89
2360	William A Franks Jr	6.520.46
2361	Roni Sprowls	9,593.88
2362	Jeremy Emph	1.357.20
2363	Kayla D Martin	3.845.03
2364	Linda L Snyder	187.24
2365	Francis E Jeffers	187.24
2366	Washington County Regular Payroll Escrow Account	21.971.82
2367	Washington Co. Cash Disbursement Acct	18.950.98
Transfer:	PNC Bank	86.154.81
Transfer:	Washington Co. Retirement Acct.	854,581.18
	Total June 2022 Distributions	1,211,910.69

July 2022

Check	Payee	Amount
2368	Benjamin Cagnon - VOID	(48,853.89)
2369	Benjamin Cagnon - REISSUE	48,853.89
2370	Wayne Kress	1.114.31
2371	Beth Phillips	12.625.37
2372	Lisa Leach	989.46
2373	Najah McBryde	902.35
2374	Megan Lindley	9.895.67

2375	Mina Thompson	2,430.06
2376	Garland Fuqua II	3.429.17
2377	Maureen Springmeyer	8.373.07
2378	Jordan McCrae	9.030.50
2379	Anna Tutwiler-Emler for Zachary Emler	18.940.04
2380	Anna Tutwiler-Emler for Brooke Emler	18.940.04
2381	Alton Eckert	32.68
2382	George Eckert	32.68
2383	Washington County Regular Payroll Escrow Account	22,313.54
Transfer:	Washington Co. Cash Disbursement Acct	3.304.34
Transfer:	PNC Bank	71.369.83
	Washington Co. Retirement Acct.	857,733.68
	Total July 2022 Distributions	**1,0041,456.79**

Old Business

None.

New Business

Mrs. Vaughan entertained a motion to approve a request from Raffaele Casale to purchase prior service time, dated December 27, 2004 to March 17, 2006 in the amount of $1975.75. 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.

Motion passed unanimously.

Presentation – Dave Reichert

Mr. Reichert began with a summary of the valuation report, noting that the purpose of the valuation report is to give a budgetary number each year to put funds into the plan so that when the partition participants retire there is enough money. However, the true cost to the retirement plan are what benefits are actually paid out. The estimate is the valuation report and since it is an estimate, the goal is to keep the contribution in the ADC each year as level as possible. Washington County's contribution has been somewhere in the $4 million to $5 million range. There is an effort to keep it consistent by smoothing the assets. Mr. Reichert pointed to a chart that shows the effects of the asset smoothing over a five-year period. There is a recognition of a gain or loss of each year of 20% over a five-year period until all the gain or loss for that year is recognized. He went on to note that the market value as of January 1st was $214 million but for the valuation purpose, $199 million was used. However, numbers now are above $199 million, which is a positive.

Mr. Reichert moved on to the summery of demographics. He stated that the numbers are consistent for 2021 to 2022. That leads one to believe that the numbers will stay consistent from year to year. He then went on to reviewing that the ADC numbers went down to $100,000 due to the assets having a good year. The normal costs remained the same as well as the expected member contribution, however, amortization charges went down, and this is what was affected by the assets. Funded ratio did go up, from just below 90% to just below 94%. Most counties are between 80-100%. The funded ratio is always calculated based on the assumptions. Washington County's assumptions are much lower and is conservative. The satirized report that is presented in December will put in perspective how Washington County is doing comparative to other counties.

Mr. Reichert went on to present a 10-year history of the funded ratio. He noted the positive aspect of the increase. While Washington County may not always be at 95%, but it is always trending in the right direction, reflecting the positive contributions in the last 10 years, noting a job well done in managing the retirement fund.

He moved on to review the history of the investment return assumptions over the last 20 years. The median 20 years ago was 8% and Washington County was at 7.5%. This is a reflection of how the county has been ahead of the curve as far as Pennsylvania counties are concerned. He notes the downward trend of the investment rate return assumption goes from 8%, 20 years ago, to median being 7%. He points out that Washington County has always been below that median and currently sits at 6.5%. This puts the county in a good position as far as the assumption chart.

Finally, Mr. Reichert noted to keep track of the investment return assumption and consistently monitor it. He also goes on to touch on the COLA letter is sent out every October, noting that there only a requirement to look at it every three years, and it may need to be voted on. He also brings forth a reminder that and estimate letter for next year is also sent at that time as well.

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

Mr. Martin begins by stating that GDP contracted by 1% in Q2 and so growth has declined for the second quarter in a row. This contraction was not as significant as the first quarter. This is on the back of both private and retail investment being reduced. Private investment due to inflation impacting future earnings and what the federal government is doing thru tightening to cull the economy. Residential investments slow down on the back of rates going up so that it costs more to borrow money. The National Bureau of Economic Research defines a recession as a significant decline of economic activity. This is derived by several economic indicators. The strong job market is holding them from declaring a recession. And while unemployment indicators tend to be lagging, job claims are a better indicator because of a timelier reflection. Unemployment claims are starting to go up. He notes that every time claims start to rise, a recession occurs eminently. A future lookback at this current time may indicate a recession, but expectations are that by the end of the year or in 2023, we should expect a recession. There is not a lot to be done to stop it. The government has culled the market a bit but to impact inflation, there needs to be impact on the supply side, but tightening does nothing to impact the supply side. The expectation is that inflation will stay higher. Though inflation has come down about 50 basis points from the previous month, and producer prices have come down about 50 basis points, that is expected due to the Fed tightening starting to work its way through the economy. Inflation will remain elevated for longer than expected though, as some areas of inflation will be sticky, like wages and rent/shelter inflation. This is not simply going to go away. Some inflation is transitory: commodity prices and energy prices go up and down. However, there are some that are more permanent and sticky, like in the service industries. The resulting expectation is for inflation to be higher for longer.

Moving on to the Global Economy, Mr. Martin points out the similar dynamics across the world. He notes that Europe is in a worse state due to the ties to Russia for energy. Using Sweden as a predictor, Europe will go into a recession. Though it may be rougher than in the US, again, due to the ties to Russian energy markets. Mr. Maggi pauses to inquire about grain and its effect, to which Mr. Martin explains that is why food prices are up so much. Stating it ties back into the supply side.

Moving on to China, Mr. Martin touches on their real estate issue and their zero Covid policy taking them back years. China is trying to kickstart the economy and put just over a trillion dollars into their economy to try and build infrastructure. They were positive in Q2 and equity markets were down double figures. However, in July more issues arose, and China has dropped a lot again.

Equities were down 16.7% in the US. This is no surprise because inflation is high, profit margins are down, and future earnings expectations are lower. The international market did slightly better, down 14.5%. In local terms, it was only down about 8%. The US Doller appreciated on the back of the rate increase, by about 6.5% making a big impact on international returns. Touching on bonds, in the first half of the year bonds are down 10.3% making it the worse start to a year since the bond index commenced in 1970. The rising rates are impacting the bonds. TIPS came in below bonds in the first quarter, down 6.1%, due to of the slowing inflationary environment. TIPS has been a great investment for the past 18 months, but it is starting to be worse than core bonds. Commodities and infrastructure are down 7.5%, which is negative, however still 9% better than the broad equity market.

Focusing on Washington County Employees' Retirement Systems, Mr. Martin starts by noting that as os of June 30th the fund finished at just over $188 million. There has already been a gain of about $12million so far in quarter 3 making up a portion of the $16.6 million lost in quarter 2. It was down 8.1% net including all the fees for the quarter which is 100 basis points above the policy index. This ranks the county in the 11th percentile among the peer ranking, outperforming about 89% of all the public funds in the US for the quarter. Because of the diversity and conservative nature of the portfolio, there is no surprise that the county is outperforming in this type of risk off market. This is aided by the higher quality positions within the portfolio as well as the low volatility type managers.

The emerging markets was accretive for Washington County but that was really on the back of Russia in Q2. All the private real assets are positive: the infrastructure, the real estate, and the timber-farmland. What didn't work as well for the quarter, with a small allocation you have international small cap and high yield, because spreads blew out a little bit during the quarter. Though, in July they were the two areas that lead the market, which is why the county has diversified across a lot of asset types. When one is more conservative, from an assumed rate of return position, one can tilt the portfolio a little more to the higher quality type assets. However, when there is a higher target, one must be more aggressively invested, resulting in more in small caps because one needs to chase return more.

In the past ten years, Washington County has averaged about 7.6% per year, gaining $112 million and ranking in the 37th percentile of the public fund universe. That has been in a very strong return environment post GFC. The county did finally get the last calls for private equity and credit. Leaving nothing really on the horizon before becoming fully diversified. In June, there were some redemptions put in on real estate. Real estate was up over 30% this year. Valuations have gone through the roof, particularly in industrial sectors. The key with private real estate is one wants to be on the front end of trimming, taking the gains out. Just as it is gated on the way in it can be gated on the way out if everyone tries to get the money out at the same time. The county got in early previously, resulting in getting the money back, bringing it halfway back to target. By banking half of the gains, they will come back into the plan and back into equities and fixed.

Under net cash flow, in the second quarter no money needed taken out, only $1.7m was taken out early in the first quarter. Unlike a lot of counties that are having to take money out every month, the first half of the year the ADC supported any payments for Washington. Therefore, all the negative returns are on paper. The negative return is only banked when it is sold. However, there will start to be a need to sell assets to support benefit payments for the rest of this year. This is the case for all counties this point. The market has recovered a bit over the summer, so the assets will not be sold at lows. Because the county has de-risked the plan over time, is not down as much as others, helping to limit losses.

Washington County has held up a lot better on the downside. Even for a plan of Washington County's size, which is a small or mid institutional sized fund, if effort and work are put in, there will be a nicely diversified fund that looks more like a large institutional fund. The county is not only diversified across asset classes, equities, and bonds, there is also volatility risk premium, real estate, timber farmland, and infrastructure. Also, there is this hybrid of private equity and private credit. So, there's not only diversity by asset class, but there are also two or three managers in each of these areas too, giving diversity within the asset class. This has all helped to smooth and lower volatility. Ideally, the best thing is to invest for achieving your assumed rate of return with the lowest volatility possible each year.

The past year produced good relative performance as well as good protection against the policy index. The county came in down 6.9% for the year and the policy index was down 8.1%. However, the ranking of the policy index was in the 18th percentile. That means great work from an asset allocation point of view, and the implementation of the managers have added another 120 basis points of return above that. Now, compare that to a plans or smaller counties that can't diversify, and they just indexed 65/35. The bottom line is the county would be down 13% for the year, if you only invested in stocks and bonds. Now, you will see the opposite when you get a recovery in stocks and bonds. Those funds will jump up a little more, and the county won't be up as high. But when that occurs, others making 20%, and Washington it might be making 17%. The assumed rate of return is 6.5%. The funded ratio will still be going up at that point. The focus for unfunded pension funds is to focus on the downside.

US equities were without 2% ahead for the quarter and 2.5% for the year. This is due to the two defensive active managers TWIN and GWK. They are more of a higher quality approach. TWIN is more of a dividend payer, it tends to be more of a larger cap dividend payer, and they tend to hold up better in down markets. TWIN was lagging about a year ago in the low-quality rallies and they should be ahead when we have a stressed market. When the county went more conservative and de-risked, they changed TWIN's strategy to the higher quality Dividend Select.

On the global side, Washington County is about 250bps ahead for the quarter, really driven by the value manager, Dodge and Cox. As rates go up, that favors value over more highly levered growth stocks. They were down only 9.7% whereas ACWI was down 15.7%. The other accretive strategy was the MFS low volatility fund, down only 8.9% for the quarter. Additionally, for the year, Low Volatility only being down 11.4% whereas ACWI has been down 20%. What didn't work well for the quarter was the growth strategies. This did great two years ago but is about on benchmark for the quarter. Though, Artisan is doing well this quarter to date as it has pivoted back to growth outperforming value and Artisan has more tech in their portfolio. With the different pieces of each, the goal is to try to pick up return every quarter from different areas of the market.

On the international side, Washington County is about 2% ahead for the quarter, since Schroders was down only about 12%, ACWI was down 14.3%, and the emerging markets was down only 10%.

Defensive equities are where one would expect to outperform when there is volatility in the markets. Down about 5% over one year and stocks were down about 20% over the one year. That has been true to its name of defensive equity.

Moving on to private real estate. A couple of years ago, the county moved out of JP Morgan, which had a lot of retail and office. This was positive because the ones chosen more overweight in the areas that are doing great, industrial and apartment, and very much underweight in retail and office. The performance from that, over the one year, is up nearly 32%. Which again, goes into why the choice was made to start redeeming. The county is about 2.5% percent above target. The only way to have gains is to bank them. Both Clarion and TA have done well. Hancock is just getting fully funded out. They may have one more call. Then, they can be measured against the 50/50. It will not add as much as real estate in this inflationary environment, but it's positive. It's a good hedge for inflation in the real asset bucket.

Infrastructure has been positive so far this year at 3 .5%. IFM is up 3.8% and JP Morgan is up 3.5% for the quarter as well, just over 1% above, year-to-date. Cohen and Steers is a listed infrastructure equity. It's negative but it's not down anywhere near as much as the broad equity markets. About $300,000 is kept there to rebalance in and out of infrastructure as to leave the private investments alone.

Private equity and private credit year-to-date, private equity is only down 50 basis points whereas stocks are down 17% and 18% year-to-date. The private credit, over the past years, have been down only 1% whereas the other fixed income is down around 7%.

The little things added have been different, from a return pattern point-of-view, ultimately leading to a drop in volatility and better protection on the downside. If there is a fast aggressive growing equity market, it will lag the market in that that environment, but from an absolute return point-of-view, returns should be well above the assumed rate of return In that environment. Washington County is nicely diversified so there should never be a big shock because there are so many different investments doing different things.

The traditional assets in OPEB are very similar but this fund is smaller so there are no privates in it. There is listed infrastructure instead of private infrastructure. The only private in it is private real estate. Outside that, looking at performance, it finished at $22.5 million, down 9.3%, so the absolute is down a little more than the pension fund due to the more aggressive investment and there not being as much private. Relatively, it is about 180 basis points above policy index because the structure within it is more like our OCIO model. This is due to it being built from the ground up, where the pension fund has investments that have been there many years. Other things were fit around it, so that is why absolute little worse. It is more aggressively invested but relatively better because the OCIO portfolio is modeled to be optimal and top quartile performers in risk off markets. Similarly, things worked well and didn't work as well from an attribution point of view. Over the past seven, there has been a gain of over $7 million. Compared to other counties, many others that have this liability do not have a fund. Washington County funded that over seven years ago. By putting money into a fund, a higher discount rate is used, due to investment, bringing liability down. More importantly, with over $7 million of gains, money doesn't have to be taken from the general fund. Longer term performance was predominantly indexing, but more importantly, more recently it has been diversified, at least across the traditional asset classes. For the year, it is over 2% ahead.

The meeting was adjourned at 3:41 p.m.

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

________________________________, 2022

ATTEST: ____________________________________