RETIREMENT BOARD MEETING February 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 – December 2022

5. Requisitions:

   Requisitions – December 2022 – January 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: Lee Martin, Ph.D. – Marquette Associates.

8. Adjournment.

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 30, 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 30, 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 purchased 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 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 summary 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 statistical 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 reflects 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 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: ______________________________

Minute No. 289 November 30, 2022

The quarterly meeting of the Washington County Retirement Board was held at approximately 2:36 p.m. on Wednesday, November 30, 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; Lee Martin, Ph.D. representing Marquette Associates; and Frank Byrd.

Approval of Minutes

Mrs. Vaughan entertained a motion to approve Meeting Minute No. 287 dated May 19, 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 August 18, 2022, in abeyance stating they did not receive said minutes until the previous afternoon. Ms. Sloane countered that the minutes were supplied to Chief Clerk Cindy Griffin weeks prior. Mrs. Griffin countered that the retirement information was received the previous afternoon, to which Ms. Sloane replied that just the minutes were supplied weeks ago. Mrs. Vaughan then stated that the Commissioners had not received them and thus, the motion was then moved by Mr. Sherman and seconded by Mr. Maggi that the above-mentioned minutes be held for review.

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 reconciled statement for of July, August, September, and October 2022 as presented. Mr. Sherman seconded the motion 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 July 1, 2022	**$ 159,271.20**
Deposits to Checking Account	-0-
Transfers In	837,504.93
ACH Credit	279,011.34

Other Credits	48,853.89
Less: Cancelled Checks	(264,348.13)
Less: Other Debits	-0-
Less: ACH Debits	(904,762.61)
Funds Transfers Out	-0-
Bank Balance as of July 31, 2022	**$ 155,530.71**
Transfers to Mutual Fund	-0-
Less: Outstanding Checks	(127,747.93)
Less: Retirement Check Run	(27,537.63)
Funding Error Adjustment from January	(245.15)
Reconciled Balance as of July 31, 2022	**$ -0-**

Bank Balance as of August 1, 2022	**$ 155,530.71**
Deposits to Checking Account	-0-
Transfers In	809,713.73
Add: ACH Credit	359,677.55
Other Credits	5000.00
Less: Cancelled Checks	(124,536.93)
Less: Other Debits	-0-
Less: ACH Debits	(919,714.81)
Funds Transfers Out	-0-
Bank Balance as of August 31, 2022	**$ 285,670.25**
Transfers to Mutual Fund	(75,500.13)
Less: Outstanding Checks	(176,496.29)
Less: Retirement Check Run	(33,673.83)
Reconciled Balance as of August 31, 2022	**$ -0-**

Bank Balance as of September 1, 2022	**$ 285,670.25**
Deposits to Checking Account	-0-
Transfers In	-0-
Add: ACH Credit	402,632.55
Other Credits	833,216.89
Less: Cancelled Checks	(163,640.95)
Less: Other Debits	-0-
Less: ACH Debits	(907,950.78)
Funds Transfers Out	(124,363.10)
Bank Balance as of September 30, 2022	**$ 325,564.86**
Transfers to Mutual Fund	(75,500.13)
Less: Outstanding Checks	(85,014.63)
Less: Retirement Check Run	(32,213.92)
Transfer in 9^{th} Period for 10^{th}	(132,836.18)

Reconciled Balance as of September 30, 2022	**$ -0-**

Bank Balance as of October 1, 2022	**$ 325,564.86**
Deposits to Checking Account	24.38
Transfers In	-0-
Add: ACH Credit	325,913.02
Other Credits	600,505.29
Less: Cancelled Checks	(172,660.87)
Less: Other Debits	-0-
Less: ACH Debits	(923,051.37)
Funds Transfers Out	-0-
Bank Balance as of October 31, 2022	**$ 156,295.31**
Transfers to Mutual Fund	(75,521.51)
Less: Outstanding Checks	(48,217.84)
Less: Retirement Check Run	(32,455.96)
Reconciled Balance as of October 31, 2022	**$ -0-**

Requisitions

Ms. Sloane made a motion to approve the requisitions for the months of August, September, October, and November of 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

August 2022

Check	Payee	Amount
2370	Beth Phillips - VOID	(12,625.37)
2385	Heather Petruskie	6,656.14
2386	Philip Ziedman	234.98
2387	Emilee R McClain	5,952.23
2388	Monike Harrison	73.99
2389	Theresa Cooper	98,078.81
2390	Linda Cooper	330.05
2391	Washington County Regular Payroll Escrow Account	22,313.54
2384	Washington Co. Cash Disbursement Acct	26,510.89
Transfer	PNC Bank	81,565.84
Transfer	Washington Co. Retirement Acct.	946,193.52
	Total August 2022 Distributions	**1,175,284.62**

September 2022

Check	Payee	Amount
2392	Corey Bridge	3,789.98
2393	Camellia McGhee	2,380.94
2394	Kelsey Stanford	107.26
2395	Hannah Wapiennik	2,611.03
2396	Makayla Henderson	363.90
2397	Patricia DeClair	13,021.49
2398	Washington County Regular Payroll Escrow Account	21,042.82
2399	Washington Co. Cash Disbursement Acct	3,042.88
Transfer:	PNC Bank	65,918.32
Transfer:	Washington Co. Retirement Acct.	866,371.54
	Total September 2022 Distributions	**978,650.16**

October 2022

Check	Payee	Amount
2400	Jessica Sphar	1,986.90
2401	Trustee of Fidelity Investments FBO Sara Mitchell	4,946.13
2402	Harrison Graydon	2,780.87
2403	Telina Lindsay	1,843.65
2404	Tasha DeVaughn	2,047.56
2405	Aimee Gordon Jones	931.07
2406	Madison Kopach	1,741.39
2407	Arthur Williams	3,903.68
2408	Stephen Chappars	607.58
2409	Marc Scott	2,197.90
2410	Howard Matten	59,388.40
2412	Washington County Regular Payroll Escrow Account	20,870.04
2411	Washington Co. Cash Disbursement Acct	9,164.18
	PNC Bank	79,201.98
Transfer:	Washington Co. Retirement Acct.	867,643.16
Transfer:	**Total October 2022 Distributions**	**1,059,254.49**

November 2022

Check	Payee	Amount
2414	Achili Minch	447.58
2415	Dominic Petrocco	477.46
2416	Capital Bank & Trust as a Trustee of IRA of Dean Aaron Petrone Jr	1,838.50
2417	Joseph Condoluci	85,743.84
2418	Joseph Rusnak	88,419.17
2419	Washington County Regular Payroll Escrow Account	20,601.94
2413	Washington Co. Cash Disbursement Acct	40,010.59
Transfer:	PNC Bank	97,537.36
Transfer:	Washington Co. Retirement Acct.	865,403.88
	Total November 2022 Distributions	**1,059,254.49**

Old Business

None.

New Business

Referring to the meeting's agenda, Mrs. Vaughan noted her appreciation of April's attention to detail, however, she pointed out there is no need to vote on the estimated pension costs for the 2023 budget. Mrs. Vaughan went on to explain that a resolution was passed, more than a year ago, that the actuary determined amount would always be contributed into the pension fund. Ms. Sloane stated that Korn Ferry advised it to be put on the agenda. Mrs. Vaughan countered that it has never been voted on in previous meetings and that the solicitor advised that it did not have to be voted on. Mrs. Vaughan went on to point out that the information was received by the chief clerk the previous day and that Ms. Sloane had received the information on October 27th. Mrs. Vaughan went on to explain that the information is important to the commissioners for budgeting purposes. Mrs. Vaughan then asked that, in the future, Ms. Sloane send the information to the commissioners when it is received.

Mrs. Vaughn moved on to the Korn Ferry fee increase. Ms. Sloane made a motion to accept the increase in fees for the actuary charge from $2859.00 to $2944.00 effective January 1, 2023. This increase would be a 3% change. Mr. Sherman seconded the motion that the above-mentioned request be approved. Mrs. Vaughan paused for questions, stating that while the increase is standard, the information was just received and there was no information ahead of time.

No questions were posed, and 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 opened by stating that the last meeting of the year always begins with a review the annual database report for Pennsylvania counties. The data in this report is as of 12/31/21 and is taken from each county's 2022 annual actuarial report. From an assumed rate of return point of view, about 10 years ago everybody was 7.5 %, although that value has trended downwards because of the expected lower return environment that played out. Washington County is ahead of everybody regarding this trend and has the most conservative return assumption of all counties at 6.5%.

Touching on the salary increase assumption, there may be some pressure from Korn Ferry to start to increase that at some point. Currently, Washington County is using 3.5%. However, 10 to 15 years ago, most used 4.5% because 7.5% was being used as the return assumption. The key is to keep about a 3% difference between the two, because that is the long-term inflationary impact. The salary increase assumption looks at the increase in the employee salary over their whole lifetime at the county. It should not be thought of as an annual merit based but as full life of county employment. However, because the return assumption is low for Washington County, an increase is less of an issue than many others because you have a conservative assumption for the expected return.

Last year, only five counties gave COLAs. This is not a great year to be issuing COLAs during an inflationary environment as the calculation includes the local level for CPI. However, while there is no look-back provision, even without that, the cost of COLAs would be expensive to funds, long term.

Regarding the asset valuation method, Act 44 was what many counties adopted post the great financial crisis. At the time, Act 44 allowed the county to artificially inflate its assets and therefore, reduce the ADC. Washington County never adopted Act 44 and as a result are in a far better funded position today as they fully paid the ADC in the years following the great financial crisis. The county has always employed the actuarial standard for asset valuation by adopting a five-year smoothing method taking 1/5 of the gain and loss each year over a five-year period.

The most recent five-year return, Washington County is a little below median, as you would expect being more conservatively invested. This is through the end of last year and included a very aggressive environment where the average is over 10.5%. The assumed rate of return is 6.5%, so it will be lower. Conversely, after this year, those that have more in the equities due to higher assumed rate of return of 7.5%, are down approximately 17% this year through September 31st.

The adjusted funding ratio is the measure of how strong a fund is. The adjusted funded ratio standardizes everything by giving everyone 4% salary increase and 7% investment return. By doing this, you can compare how well funded your plans are. You can now see that Washington County was fully funded at over 105% through the end of last year.

Mr. Martin pointed out that active participants now are under 50%. There are more retirees than active participants. This is not unusual to see with mature defined benefit plans. However, because the fund is doing so well, the ADC is coming down and that means the employee contribution is lower. This means due to fewer active participants relative to retirees there will need to be more flows out of the fund each year to pay the ever-growing benefit payments. These metrics are something to be mindful of going forward.

Moving on to the third quarter performance report, Mr. Martin pointed out that the first two quarters of the year GDP negatively contracted. However, in the third quarter GDP came in above expectation, growing 2.6%, which was revised even further up this week to 2.9%. This growth came down primarily to the SPR oil release and its impact from a net export pov. The leading indicators going forward have declined over 2.5% over the previous six months. When a leading indicator index begins to decline at such an extent, a recession normally follows.

Mr. Martin transitions to the rate-hiking cycle, pointing out that it is the steepest it's been in decades. The Fed has tightened its monetary policy to tackle inflation. As stated in previous meetings, it takes a few quarters to make an impact. This is the reason why we are starting to see spending slow a lot. There should be at least 50 basis points Fed hike in December. And, depending on holiday sales and the like, we should have a slower GDP and a slower economy in the fourth quarter. This could also lead to GDP potentially turning negative in the first and second quarters again next year. It was negative in the first two quarters of the current year.

Shifting to global economy, Mr. Martin stated that inflation is occurring across the world, and it seems to be far more of an issue else ware than in the US. The US has a strong dollar right now and that is helping from any goods that are imported. The rest of the world is doing as the US has done and attacked inflation through monetary policy. Germany and UK government bond yields are now at the highest they have been in decades. Europe has links to Russian energy, and this could be detrimental to European markets this year, especially if we have a cold winter.

Mr. Martin states that if you have an expected slowdown in the future, equities will sell off now because equity investments are essentially buying future earnings. In fact, when expecting a future recession, it can sometimes a good chance to rotate back into equities later into the recessionary cycle. This is because one would be expecting improvement after said recession.

US stocks were down 4.5%, outperforming international which were down 9.5%. Emerging markets were down 11.5%. However, some of the relative outperformance by the US is driven by the strong dollar as well. If you look at local terms, international markets were only down about 3.6%. This highlights the impact currency can have on overseas investments. Within equities, growth equities outperformed value for the first time in three quarters. This essentially happened in the month of July as it appeared inflation had peaked. Tech stock rose and growth stocks rose as well because they are more highly levered stocks. However, that was relatively short lived. By April, value stocks came back again.

Core fixed income aggregate bonds, year to date, are down 14.6%. Due to Washington County investing in shorter duration fixed income, that has only been down 9.6% year to date, outperforming core bonds by 5% on a big allocation within the portfolio. Bank loans, like private credit, are slightly positive for the quarter. They don't get impacted by rate movement because they, like floating rate bonds, readjust the yields every quarter. High yield also had a strong quarter due to its shorter duration.

Finally, in inflation sensitive assets, you are starting to see markdowns within the real estate market. This is because we appear to be over the worse from rising inflation. You will soon start to see the private real estate valuations soften as managers more realistically price those assets.

The fund finished the quarter at just under 180 million, losing around 7 million. This loss equates to about 3.9%. However, this still leaves Washington County in the top 28% of the peer group. in quarter four the has already made close to 13 million, as equities have gained back about 7%. This leaves the county only down about 7% for the year. Since the growth over the past five years have been between 10% and 18%, this year's impact will not be too dramatic on the overall funding ratio in 2023.

Reviewing what has been done, one of the global funds has been removed, helping to reduce fees. Some fixed income was also removed in the third quarter, and equites were dialed back into. This helped to rebalance because equities were down and have risen since. Diversification is the reason so much growth has occurred, investing in not only stocks and bonds, but also real estate, timber and farmland, private equity, and private credit.

From a performance pov, Washington County sits in and around the benchmark due to being a little more conservative, particularly over the past five years. The impact of that is noticeable more recently. The one year is down 10.8% and the policy is down 12.4%. However, the policy is still ranked in the 23rd percentile. There is a good strategy from a policy point of view. The managers have also been accretive for the fund, leading to a peer group raking in the 14th percentile, adding about 2.5% of outperformance last year. If the portfolio had been made up of just stocks and bonds, it would have been down 17.2% over that same period. This highlights the benefit of diversification. From a risk point of view, the assists have been brought more in line with the liabilities, bringing the risk factor (Beta) to .98. Over the past two years, Washington County has outperformed its policy over the last seven quarters.

Within the US equities, Washington County is defensively postured with TWIN and GW&K. In the one-year number, Twin is down 11.3% relative to 15.5% and GW&K is down 19.5% relative to 21%. Last quarter, they did lag a little because they do lean more to the high quality and value side. However, it was the tech and growth that came back the past quarter. Yet, this has reversed again in the fourth quarter this year.

On the global side, there are three different managers doing completely different things, but the combination of the last year is down 19.7% relative to 21.2%. Dodge & Cox has been the better performing one because value has been the better place to have been up until the last quarter. They are down only 14% whereas the growth manager is down around 30% over that period. However, over this last quarter, the growth manager is down only 4% whereas the value manager was down nearly 10%. This has reversed again this quarter, stressing as to why there are allocations to both.

The international portfolio leans more toward value because they tend to get great yields. Schroder is getting over 4% yield on your investments. This is an all-cap value strategy, so the benchmark should be the IMI. It lagged the ACWI ex US Value a little but is in line with the IMI year to date. More recently, there was a little small cap overseas allocation. It was a good quarter for the strategy, down 6.5% relative to 8%. Emerging markets were down 14.3% relative to 11.6%. There will be a lot more disparity and variation relative to the benchmark in emerging markets. For example, Wellington was at 7% already in the fourth quarter. Therefore, Washington County only has a 1.5% allocation to Emerging Markets. The largest allocations are in the core of the portfolio.

Defensive equity is one area that has been a little disappointing as an asset class over the past two years. This is due to the heightened volatility, and low yield environment for the base portfolio. Looking forward for this asset class, is the fact that yields are higher now, so just sitting there gains a 4% for the Treasury Bills. The outlook for the asset class is better looking forward.

Conversely, what has worked well, but is not as likely to work as well moving forward, is the private real-estate. The one-year number is over 24% when stocks and bonds have been crushed over that time. This is driven by overweight to the southern region of the US and multifamily, and industrial. Industrial expansion valuations which have gone up over 50-60%. Multifamily have the advantage of shorter contracts, shorter rent/lease agreements. When they are rewritten, they are at higher rates due to the Fed tightening cycle. Last quarter, there were barely positive numbers for some of these companies. TA posted 1.4%. But these numbers may be slightly negative going forward. The good news is that the income is going up as well in line with rates. Some cap appreciation will be given back from the past few years, yet the income should go up because the yields have been so low. The redemptions that were put into place in June to rebalance some of the real estate overweight as it was the only asset class that held up in 2022. There is a huge growth area down south, with new multifamily and offices, are the areas where the markets are migrating to. The reason there is only a 5% allocation to real-estate is due to having other real assets, such as infrastructure and timber and farmland. Therefore, there is no need to have as much real estate since the real assets are diversified across the board. Timber and farmland is positive for the year again when stocks and bonds are down about 4%. From a real asset point of view, Washington County is up 4.2%. Infrastructure, like the past year, is up 5.6%.

Mr. Martin finished with the private equity and private credit that were added last year. Over the past year, private equity is positive. ACWI benchmark is down 20% and Spliced benchmark is down 15%. Private credit, such as Leveraged loans are down 2.5% this past year leaving private credit positive. When the market does recover, Washington County will hold a higher asset value as the fund has protected more on the downside.

The meeting was adjourned at 3:29 p.m.

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

______________________________, 2023

ATTEST: ____