

1. Opening of Meeting.
2. Approval of Minute No. 285 dated December 1, 2021.
3. Public Comment.
4. Treasurer's Report:
 - Bank Reconciliations – November 2021.
5. Requisitions:
 - Requisitions – December 2021 and January 2022.
6. Old Business.
7. New Business:
 - A. Approval of the 2022 Washington County Retirement Fund budget.
 - B. Approval of the purchase of Employee Benefit Statements from Korn Ferry at a cost of \$1.85 per statement for a total approximate cost of 1337.55. The cost per statement remains unchanged from 2021.
 - C. Approval of a request from Natalie Mazza to purchase prior service time dated August 5, 2002 to July 24, 2004 in the amount of \$2,065.96.
 - D. Portfolio Presentation: Lee Martin, Ph.D. – Marquette Associates.
8. Adjournment.

Minute No. 285

December 1, 2021

The quarterly meeting of the Washington County Retirement Board was held at approximately 2:51 p.m. on Wednesday, December 1, 2021, in the public meeting room with the following members being present: Commissioners Diana Irely Vaughan, Marry Maggi and Nick Sherman; Treasurer Tom Flickinger and Controller Michael Namie. Also present: Finance Director Joshua J. Hatfield; County Solicitor Jana Phillis Grimm via teleconference; Chief Clerk Cindy Griffin; Secretary Paula Jansante; Controller-Elect April Sloane; Lee Martin, Ph.D. representing Marquette Associates; and Joseph Jasek representing WJPA.

Approval of Minutes

Mrs. Vaughan entertained a motion to approve Minute No. 284 dated September 16, 2021. 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:

Mr. Namie – yes; Mr. Flickinger – yes; Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.

Motion passed unanimously.

Public Comment

None.

Treasurer's Report

Mr. Flickinger presented the September and October 2021 statements stating that all months are in order. It was moved by Mr. Flickinger and seconded by Mr. Sherman to accept the reconciliations of the above-mentioned statements.

No discussion followed.

Roll call vote taken:

Mr. Namie – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.

Motion passed unanimously.

Retirement Allowance Report

Bank Balance as of September 1, 2021	\$ 112,627.39
Deposits to Checking Account	1,425.47
Transfers In	799,789.04
Add: ACH Credit	288,536.14
Less: Cancelled Checks	(147,189.00)
Less: ACH Debits	<u>(860,677.48)</u>
Bank Balance as of September 30, 2021	\$ 194,511.56
Less: Outstanding Checks	(153,976.93)
Less: Retirement Check Run	<u>(40,534.63)</u>
Reconciled Balance as of September 30, 2021	\$ -0-

Bank Balance as of October 1, 2021	\$ 194,511.56
Transfers In	875,038.67
Add: ACH Credit	408,651.42
Less: Cancelled Checks	(305,686.41)
Less: ACH Debits	<u>(879,023.39)</u>
Bank Balance as of October 31, 2021	\$ 293,491.85
Less: Outstanding Checks	(251,998.89)
Less: Retirement Check Run	<u>(41,492.96)</u>
Reconciled Balance as of October 31, 2021	<u>\$-0-</u>

Requisitions

Mr. Namie stated that requisitions for the months of September, October and November 2021 totaled \$3,331,831.30.

It was moved by Mr. Namie and seconded by Mr. Sherman that the requisitions be approved.

No discussion followed.

Roll call vote taken:

Mr. Namie – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.

Motion passed unanimously.

Distributions

<u>September 2021</u>		
Check	Payee	Amount
2241	Monica Adams	\$ 435.44
2242	Charles Schwab & Co-Trustee-Cheryl Amodei-Mascara	12,626.96
2243	Deanna Bevan	6,652.65
2244	Christoper Bioni	18,087.10
2245	Goldstar Trust Co as Trustee of IRA of Brooke Blackman	7,637.12
2246	TD Ameritrade as Trustee of IRA of Diane Bova	60,409.10
2247	Shana Bradbury	4,175.57
2249	First Federal Savings & Loan as Trustee of IRA of Glenn A Furbee	25,000.00
2250	Glenn A Furbee	33,783.05
2251	Denise Stepney	1,539.80
2252	Washington County Cash Disbursement Account	3,122.64
2253	Washington County Regular Payroll Escrow Account	21,857.22
Transfer	PNC Bank	71,559.48
Transfer	Washington County Retirement Account	<u>820,340.40</u>
Total September 2021 Distributions		<u>\$ 1,087,226.53</u>

October 2021

Check	Payee	Amount
	Janet M Johnson	
2254	Robert Orsatti Sr	\$ 724.37
2255	Jules Bioni	47.42
2256	Earl C Dean III	1,217.53
2257	Fidelity Investment as Trustee of IRA of Jodi N Dunkle	4,632.15
2258	Ada Ezech Hill	407.83
2259	First Clearing as Trustee of IRA of Marie Maza Higgins	6,363.64
2260	Kimberly A Jackson	163,048.20
2261	Tiffany Mahland	17,117.36
2262	Mariko Marshman	6,483.78
2263	Zachary Nimal	884.33
2264	Jacqueline Schmalz	722.39
2265	Amber N Shipley	3,973.55
2266	Alana Staniszewski	4,113.62
2267	Kelly Stutzman	1,701.66
2268	Carolyn Shaw Arent	4,543.92
2269	Washington County Regular Payroll Escrow Account	48,844.10
2270	Washington County Cash Disbursement Account	21,789.58
2271	PNC Bank	92,662.16
Transfer	Washington County Retirement Account	79,725.33
Transfer	Total October 2021 Distributions	<u>824,687.17</u>
		<u>\$ 1,283,690.09</u>

November 2021

Check	Payee	Amount
	William S Vilcheck	\$ 6.33
2272		
2273	Ronald Behanna II	2,346.50
2274	Schwab 4 ACI FBO Kaitlin Engle 6834	17,498.24
2275	David Finder	4,653.98
2276	Savanna Jimenez	9,775.75
2277	Paige King	1,412.38
2278	Gaitens, Tucceri & Nicolas, PC FBO Charlee Rosini	6,306.36
2279	Kristina Roup	5,665.97
2280	Nicole Skidmore	2,161.77
2281	Washington County Regular Payroll Escrow Account	21,610.00
2282	Washington County Cash Disbursement Account	2,859.00
Transfer	PNC Bank	62,386.28
Transfer	Washington County Retirement Account	<u>824,232.12</u>
	Total November 2021 Distributions	<u>\$ 960,914.68</u>

Old Business

None.

New Business

Mrs. Vaughan entertained a motion to remove Item 7A request to purchase prior service time from the agenda as the employee resigned effective November 29, 2021.

It was moved by Mr. Sherman and seconded by Mr. Namie to remove the item from the agenda item.

No discussion followed.

Roll call vote taken:

Mr. Namie – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.

Motion passed unanimously

Mrs. Vaughan explained that the Board is obligated by law to consider a cost-of-living increase for retirees once every three years. No discussion followed and no action was taken.

Mrs. Vaughan moved on to the Investment Policy Update introducing Lee Martin of Marquette Associates to briefly explain the update to the Investment Policy Statement (IPS). Mr. Martin stated that IPS update brings in all of the addendums for the past ten years into one document and includes the updates to Act 96, delegation of responsibilities, standard of care, objectives, guidelines, etc. into one comprehensive document. Mrs. Vaughan stated that the updated document included no changes to the investment policy, and she entertained a motion to approve the IPS update.

It was moved by Mr. Sherman and seconded by Mr. Maggi that the Investment Policy Statement update be approved.

No discussion followed.

Roll call vote taken:

Mr. Namie – yes; Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.

Motion passed unanimously

After some discussion with regard to changing the OPEB Custodian from BNY Mellon to another custodian and reviewing the options which included the incumbent custodian, U.S. Bank, and PNC Bank and the possibility of engaging a local bank, etc., Mrs. Vaughan entertained a motion to change the custodian.

It was moved by Mr. Sherman to change the custodian from BNY Mellon to PNC Bank. Mr. Maggi seconded the motion.

No discussion followed.

Roll call vote taken:

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

Motion passed unanimously.

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

Mr. Martin began the discussion reminding the Board that on the last meeting of each year, Marquette prepares the Pennsylvania County Pension Plan Report which is now in its fourteenth year. Marquette compiled, free of charge, the data from 52 participating Pennsylvania counties out of 65 as a way for counties to compare, determine and follow best practices. Mr. Martin pointed out that Washington County is really well ahead of the rest of the counties in its conservative assumptions which will help to ensure that the retirement fund will be well funded in the future. The report shows that Washington County is the only county with the actuarial assumed rate of return at 6.5% with most still at 7.0 to 7.5%. He explained that the lower ARR generates a higher liability, but it results in earlier funding which, in turn, allows for the fund to be invested more conservatively providing a more realistic projection of future returns. Mr. Martin directed attention to the salary increase assumption stating that the key is to stay as close to 300 basis points between the ARR and the salary increase assumption as possible pointing out that Washington County is at that point with its salary increase assumption at 3.5%. Furthermore, Washington County's mortality assumption uses the Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables which considers public retirement plan mortality separately from the private sector which is also the most conservative of the three tables presented. Moving to the cost-of-living adjustment (COLA), Mr. Martin stated that only 6 of 52 counties awarded a COLA adjustment in 2021 and that the COLA would cost even much more today due to the increase in inflation and the link to CPI. He reminded the Board that the COLA only needs to be revisited once every three years which was revisited today.

Mr. Martin continued with the County Pension Report stating that all but two counties are using the 5-year smoothing for the asset valuation method. Marquette Associates named the method the "W" method after Washington County, which was one of the first, and is now the standard in the actuarial field for 5-year smoothing which recognizes 20% of gains or losses and applies over a 5-year window. With regard to returns, Mr. Martin noted that the County is yielding 5 and 10-year returns above median while maintaining its relatively conservative approach. Wrapping up the County Pension Report portion of the presentation, Mr. Martin stated that the County's funded ratio was approximately 90-95%. However, because the County's assumptions are conservative, the comparison to counties with less conservative assumptions cannot be made without normalizing the assumptions. To normalize, Marquette Associates assumes that all counties use the same actuarial assumptions, specifically 4.5% salary increase and 7.5% investment return which adjusts the County's funded ratio to 100-105% well above the average of 95.5%. Lastly, Mr. Martin wanted to mention that the percentage of active participants is just above 40% and that there are now more retirees than active participants meaning that there is less money coming in from an employer's contribution point of view, yet the benefits continue to grow.

Mr. Martin began the review of the performance report with a review of the U.S. economy. He stated that the GDP slowed quite a bit by the end of Q3 coming in at around 2%. He explained that the drop was mainly due to the slowdown in consumer spending which makes up

approximately 70% of the U.S. GDP. Mr. Martin stated that this slowdown coincides with the expiration of unemployment benefits as well as the issues with the global supply chain which brought him to the topic of inflation. He explained that with the supply constraints, a tight labor market, home price appreciation and the high commodity prices that inflation has really spiked in 2021. Mr. Martin emphasized the amount of money that companies are needing to spend to attract good employees. Mr. Martin stated that, unlike commodity prices, wage inflation and home appreciation are less transitory. He conveyed that the expectation may be that inflation will come down later in 2022. The expectation is that inflation levels will come back in line with what it has been historically at 2-2.5% rather than revert back to where it has been for the past 10 years as a result of Fed policy.

Moving to the global economy, Mr. Martin stated that the global growth has come in below expectations. He explained that the pandemic is global and developed market economies are experiencing issues such as supply chain disruptions and inflation, similar to the U.S., whereas developing markets are struggling to a greater extent with the pandemic and low vaccination rates.

Mr. Martin directed attention to the global asset index performance stating that equities were slightly negative for Q3 and that emerging markets were down 8.1% mainly due to the new tech regulations issued by the Chinese government and China's Evergrande real estate crisis as China represents 35% of that index. Fixed income was flat again for the quarter slightly negative YTD at -0.9%. Finally, Mr. Martin stated that it is no surprise that TIPS were up 1.8% for the quarter, well above core bonds, as inflation-sensitive assets continued to outperform in Q3. He also noted that commodities were up 6.6% for the quarter and 42.3% YTD and that REITs had a great year returning 31.5% for the year. He explained that the private core real estate markets lag public markets by about a year, and one might expect a strong performance in the private real estate markets over the next couple of quarters as properties are being marked up in value in part due to inflationary pressures.

Moving to the County's pension fund, Mr. Martin presented the pension fund's observations with the pension fund finishing the 3rd quarter at \$204 million. The fund returned 0.1% for Q3, outperforming the policy index of 0.0%. He noted that as of the end of October the fund was at approximately \$210 million for the year. Positive attribution came from domestic equities, defensive equity (VRP), real estate and private credit. Negative attribution came from equity structure (overweight value and small cap). Over the past year, the fund gained \$33.5 million returning 19.5%, outperforming the policy index of 18.5%. Longer term, the fund gained \$138 million over the past 10 years with a return of 10.2%, slightly under the policy index of 10.3%. Looking ahead, Mr. Martin noted a change in the global strategy managers replacing Acadian Global Low Volatility with MFS Global Low Volatility. On the real estate side, TA Realty replaced J.P. Morgan. He also mentioned that IFM Infrastructure, after sitting in the queue for two years, finally got called and put to work increasing the diversification within the infrastructure portfolio. Mr. Martin explained that the fund now has 20% of the total investment in real estate, timberland/farmland, infrastructure, private equity and private credit that will not move with the day-to-day volatility reducing the equity beta risk overall. Mr. Martin noted that the

County's high funded ratio allows for a higher quality of investments with higher yields. He also noted that even though some of the funds top holdings including Microsoft, Meta Platforms, Alphabet and Apple are tech stocks, the County is underweight, therefore, lowering risk exposure to that sector versus the broad market. To summarize, Mr. Martin explained that the County's portfolio is more defensive in equities in this environment and more aggressive in fixed income.

Moving on to the managers, Mr. Martin stated that U.S. equities is 50 basis points ahead for the quarter driven by GW&K Small-Mid Cap Core up 2.2% overperforming the bench at -2.7%. Also, in U.S. equities, Twin Capital Dividend Select, the local large cap defensive manager returned 0.1% for Q3 underperforming the bench at 0.6% as expected in this environment. On the global side, Mr. Martin noted the addition of Artisan, and Acadian switched out with MFS Global Low Volatility. Dodge & Cox Global Stock, the value manager, brought in 45.1% for the 1-year relative to 31.3%. Turning to the Non-U.S. Equity Composite, Schroder Int'l Multi-Cap Equity Trust yielded 12.8 YTD outperforming the bench at 9.1% with GQG Emerging Markets' return at negative 6.0% for the quarter but outperforming the bench at negative 8.1%. Moving to the Defensive Equity Composite, Parametric continues to do well yielding 19.4% for the 1-year relative to the 14.4% bench. The Real Estate Composite brought in 7.0% for the quarter and 15.2% for the 1-year noting that the TA Realty Core Fund returned 11.2% for Q3. Mr. Martin also noted that Timberland/Farmland returned 3.7% for the 1-year, and Infrastructure had a great year bringing in 8.2% for the 1-year relative to 7.6%. He noted that the newly funded Private Credit Composite delivered 1.2% for the quarter. He reminded the Board that the funding came from Fixed Income which is at zero right in line with bench.

The meeting was adjourned at 3:36 p.m.

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

_____, 2022

ATTEST: _____

SUNGARD PENTAMATION, INC.
 DATE: 02/10/2022
 TIME: 13:37:05

PAGE NUMBER: 1
 EXPSTALL

WASHINGTON COUNTY
 EXPENDITURE STATUS REPORT

SELECTION CRITERIA: 079n.fund='26'
 ACCOUNTING PERIOD: 1/22

SORTED BY: FUND,FUNCTION,DIVISION,DEPT. TOTAL,1ST SUBTOTAL,2ND SUBTOTAL,ACCOUNT
 TOTALED ON: FUND,DEPT. TOTAL,1ST SUBTOTAL,2ND SUBTOTAL
 PAGE BREAKS ON: FUND,DEPT. TOTAL

FUND-26 RETIREMENT FUND
 FUNCTION-4800 MISC. EXPENSES
 DIVISION-4860 P.E.R.S. EXPENDITURES
 DEPT. TOTAL-4861 RETIREMENT ALLOWANCE

ACCOUNT	TITLE	BUDGET	PERIOD EXPENDITURES	ENCUMBRANCES OUTSTANDING	YEAR TO DATE EXP	AVAILABLE BALANCE	YTD/ BUD
400	SALARIES-ELECTED OFFICIA	2,400.00	.00	.00	.00	2,400.00	.00
	TOTAL TOTAL SALARIES AND WAGE	2,400.00	.00	.00	.00	2,400.00	.00
	TOTAL PERSONAL SERVICES	2,400.00	.00	.00	.00	2,400.00	.00
1ST SUBTOTAL-469 OPERATING EXPENDITURES							
2ND SUBTOTAL-449 OTHER SERVICES							
423	POSTAGE	5,000.00	.00	.00	.00	5,000.00	.00
42802	CONTRACTED-ACC.& AUDITIN	2,000.00	.00	.00	.00	2,000.00	.00
42838	CONTRACTED-INVESTMENTS	450,000.00	.00	.00	.00	450,000.00	.00
42839	CONTRACTED-ACTUARIAL	40,000.00	3,087.72	.00	3,087.72	36,912.28	7.72
42840	CONTRACTED-CUSTODIAL	55,000.00	.00	.00	.00	55,000.00	.00
43101	COPYING/PRINTING	1,000.00	.00	.00	.00	1,000.00	.00
43401	RETIREMENT ALLOWANCE	11,000,000.00	919,952.59	.00	919,952.59	10,080,047.41	8.36
43402	DEATH BENEFITS	100,000.00	.00	.00	.00	100,000.00	.00
43403	WITHDRAWALS AND REFUNDS	900,000.00	.00	.00	.00	900,000.00	.00
434031	OPTION FOUR - ROLLOVER	600,000.00	.00	.00	.00	600,000.00	.00
448	MISCELLANEOUS SERVICES	2,500.00	.00	.00	.00	2,500.00	.00
	TOTAL OTHER SERVICES	13,155,500.00	923,040.31	.00	923,040.31	12,232,459.69	7.02
	TOTAL OPERATING EXPENDITURES	13,155,500.00	923,040.31	.00	923,040.31	12,232,459.69	7.02
	TOTAL RETIREMENT ALLOWANCE	13,157,900.00	923,040.31	.00	923,040.31	12,234,859.69	7.02
	TOTAL RETIREMENT FUND	13,157,900.00	923,040.31	.00	923,040.31	12,234,859.69	7.02
	TOTAL REPORT	13,157,900.00	923,040.31	.00	923,040.31	12,234,859.69	7.02