

1. Opening of Meeting.
2. Approval of Minute No. 286 dated February 17, 2022.
3. Public Comment.
4. Treasurer's Report:
 - Bank Reconciliations – December 2021.
5. Requisitions:
 - Requisitions – February 2022-April 2022.
6. Old Business.
7. New Business:
 - A. Approval of 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.
 - B. Portfolio Presentation: Lee Martin, Ph.D. – Marquette Associates.
8. Adjournment.

The quarterly meeting of the Washington County Retirement Board was held at approximately 3:00 p.m. on Thursday, February 17, 2022, in the public meeting room with the following members being present: Commissioners Diana Irey Vaughan, Larry Maggi and Nick Sherman; Treasurer Tom Flickinger. Also present: Finance Director Joshua Hatfield; County Solicitor Jana Grimm; 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 approve Minute No. 285 dated December 1, 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. 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 November 2021. It was moved by Mr. Flickinger and seconded by Mr. Sherman to accept the reconciliations of the above-mentioned statements.

Mrs. Vaughn paused to note the lack of December and January and Mr. Flickinger responded that neither month is not completed.

Roll call vote taken:

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

Motion passed unanimously.

Retirement Allowance Report

Bank Balance as of November 1, 2021	\$ 293,491.85
Deposits to Checking Account	-0-
Transfers In	671,704.45
Add: ACH Credit	289,210.23
Less: Cancelled Checks	(289,783.57)
Less: ACH Debits	<u>(862,598.09)</u>
Bank Balance as of November 30, 2021	\$ 102,024.87
Less: Outstanding Checks	(68,991.68)
Less: Retirement Check Run	<u>(33,033.19)</u>
Reconciled Balance as of November 30, 2021	<u>\$ -0-</u>

Requisitions

Mr. Flickinger stated that requisitions for the months of December 2021 and January 2022 totaled \$2,374,023.52

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

No discussion followed.

Roll call vote taken:

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

Motion passed unanimously.

Distributions

December 2021

Check	Payee	Amount
2283	Solomon Armstead	1,479.07
2284	National Slovak Society as trustee of Patricia Ashcrom	600.14
2285	John Edgehill-Haynes	10,795.33
2286	National Financial Services LLC as trustee of IRA of Leeann Howell	3,112.3
2287	Leann Howell	11,000.00
2288	Shawn Myers	323.93
2289	Justice Ottey-Jones	1,099.35
2290	Kelli Stein	,886.06
2291	Washington County Regular Payroll Escrow Account	24,13.42
2292	Washington County Cash Disbursement Account	60,176.92
Transfer	PNC Bank	62,727.32
Transfer	Washington Co Retirement Account	<u>825,234.80</u>
	Total December 2022 Distributions	<u>1,057,569.70</u>

January 2022

Check	Payee	Amount
2294	Estate of Elizabeth Carol Shawley	530.58
2295	Robin Joyce Amos	21,702.92
2296	Michael L Garber	21,702.92
2297	Walter W Garber	21,702.92
2298	William R Garber Jr	21,702.92
2299	Dustin Vandivner	56.79
2300	Joyelle Carter	1,761.87
2301	Kimberly A Furmanek	12,047.61
2302	Stifel As Trustee if IRA of Michael Anthony Ierino	15,870.11
2303	GBU Finacial Life as Trustee of IRA sara A Sici	16,690.97
2304	Tina Landis	15,021.85
2305	James Lipniskis	160,608.65
2306	Washington County Regular Payroll Escrow Account	25,019.26
2393	Washington County Cash Disbursement Account	19,487.90
2307	Washington Co. Cash Disbursemet Acct	9.51
Transfer	PNC Bank	123,952.93
Transfer	Washington Co. Retirement Acct	<u>838,584.13</u>
	Total January 2022 Distributions	<u>1,316,453.82</u>

Old Business

None.

New Business

Mrs. Vaughan entertained a motion to approve the 2022 Washington County Retirement Fund budget.

It was moved by Mr. Sherman and seconded by Mr. Maggi that the above-mentioned budget be approved.

No discussion followed.

Roll call vote taken:

Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.
Motion passed unanimously.

Mrs. Vaughn entertained a motion to approve 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.

It was moved by Mr. Sherman and seconded by Mr. Maggi that the above-mentioned purchase be approved.

No discussion followed.

Roll call vote taken:

Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.
Motion passed unanimously.

Mrs. Vaughn entertained a motion to approve 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.

It was moved by Mr. Sherman and seconded by Mr. Maggi that the above-mentioned request be approved.

No discussion followed.

Roll call vote taken:

Mr. Flickinger – yes; Mr. Maggi – yes; Mr. Sherman – yes; Mrs. Vaughan – yes.
Motion passed unanimously.

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

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 quickly noted that he will soon be meeting the new controller, April Sloane, and that two new partners were added to the business: Lauren and Amy.

Mr. Martin began the discussion with presentation of the End of Year report. He stated that Washington County had a strong year. He pointed out that four out of the past five years had produced mid-teen returns so there are a lot of gains to help protect in the current strained environment. Mr. Martin went over the market environment and pointed out that GDP did retreat in the third quarter but accelerated in the fourth quarter. Consumer spending drives about 2/3 of the GDP economy in the US. He noted that inventory accumulation, where businesses start to build out inventory, is a creed of the GDP. Mrs. Vaughn asked Mr. Martin if he's seen that people are really investing in remodel projects. Mr. Martin responded that there's been an awful amount and he will address it in inflation. He went on that business investment is expected to continue through 2022 due to the need to build business inventory back. He state that the hope is people will continue to spend because that is what drives our economy and the January numbers have come out and, even with inflation, people are continuing to spend. Mrs. Vaughn asked if people are saving less or are they saving same, to which Mr. Martin responded that they have more money saved because of the stimulus and the aide from the last couple of years. Which led to his next point of inflation.

Mr. Martin noted the problems with global supply chains, particularly in the US. Additionally, trucker strikes and lockdowns in China are making it more and more difficult to move goods, which subsequently has catalyzed inflation

Moving on to sticky inflation, particularly in real estate, Mr. Martin stated that 18 months ago pointed to the end of the real estate market, and as it sits now, it's probably up over 20% this year. Everything is lifted in the real asset world, and the same with home prices. This is starting to affect the cost of renting. There needs to be a big spurt of new builds, because there isn't enough housing. For some people, it would actually be cheaper to pay a mortgage than to rent. Mr. Flickinger asks what the impact of the bond and equity market will be, pointing out that the Federal Government is raising the interest rate and inflation is still rising. Mr. Martin answers this by saying pressure is on equities, and the bond market is down this year. Aggregate Bonds are already down four percent this year. The Federal Government plans to have six or more 25 basis point rate hikes over the next two years, beginning in March. There has also been some talk of the Federal Government kicking March off with a 50 basis point increase in March to combat inflation – but it seems unlikely.

Finally, Mr. Martin moves on to the global economy. He stated that, in the developed world, inflation is a problem everywhere, but not as high as here in the US. He goes on to state that the one exception is China right now. Mr. Martin recalls that last year, China really dragged down the emerging markets because of the tech regulations and the issues they had within the real estate markets. He pointed to speaking about that over the summer. Mr. Martin goes on to explain that where everyone has started to tighten rate increases, China has actually gone the opposite way and has actually stated to stimulate their economy, and have lowered rates. Which is why China has leads the equity markets so far in 2022

Transitioning to indexes, Mr. Martin points out that US stocks lead the way in 2021, up 25 percent – mainly driven by value stocks. However, so far this year, the value stocks and tech stocks have been pummeled. The good news is that we don't have much in those stocks. Emerging markets were negative last year, because emerging markets follow China. Moving forward, bonds were flat for the quarter. In real terms, with inflation so high, fixed income returns were actually were negative. Absolute returns in 2022 are negative. We have, however, benefitted from high-yield bonds, as they are up over 5% for the year. Mr. Martin continues by saying that the real story pertains to the inflation-sensitive assets. TIPS is up 2.4% and public real estate is up 41% for the year. Private markets tend to follow public markets by about 12 to 18 months, which is why private real estate returns are starting to mimic what we saw in public markets last year.

Mr. Martin then reflects on the County's performance. We ended the year at just over \$213 million, gaining about \$10 million in the fourth quarter. As of now we are down to about \$208 million. Our high quality equities are really performing well. Defensive equity added about 5% of over performance last year over its bench because people were buying stock options as insurance. The County put private equity and private credit in at the right time last year, as equities are going down, therefore we expect to see private equity and credits to increase.

Over five years, which is the most important benchmark, is the assumed rate of return, which is 6.5%. During this time period, we have handily out performed that – posting a return of 10.2%. Four out of our last five years, we have had a high double digit percentage return. We have a lot of gains which could come in handy because we expect a few tough years ahead, likely beginning this year.

Moving forward, Mr. Martin elaborates on some changes made in the fourth quarter. We switched out the low volatility manager to MFS, the one that we've seen in OPEB for years. MFS is Marquette's number one low volatility manager. Also, in the defensive equity, we split it between Parametric and Newburger. This should yield more premium. Mr. Martin summarizes that the diversity in our portfolio has really set us up well for the likely tough upcoming years.

After some discussion with regard to percentages allocated to private equity and public equity, Mrs. Vaughan entertained a motion to move 2% of public equity to private equity. It was moved by Mr. Flickenger to move 2% of public equity to private equity. Mr. Maggi seconded the motion.

No discussion followed.

Roll call vote taken:

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

Motion passed unanimously.

After additional discussion, Mrs. Vaughan entertained a motion to move 1% from fixed income to private credit. It was moved by Mr. Flickenger to move 1% from fixed income to private credit. Mr. Maggi seconded the motion.

No discussion followed.

Roll call vote taken:

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

Motion passed unanimously.

Moving on to the managers, Mr. Martin stated that U.S. equities are up 10.2 basis points relative to 9.3 for the bench. Twin Capital Dividend Select, the local large cap defensive manager is over 1% in January, as expected in this environment. GW&K Small-Mid Cap Core has gone up nearly 4.5% every year. On the global side, Mr. Martin noted we did lag by about 170 basis points for the fourth quarter, which was recouped in January. Artisan, Dodge & Cox Global Stock, Alliance Bernstein, and MFS Global Low Volatility aided in this. Turning to the Non-U.S. Equity Composite, we outperformed by about 30 basis points in the quarter and 2% in January, thanks to Schroder International Multi-Cap Equity Trust. Also, we added two new managers: one in the emerging markets, Wellington. Additionally, we added Harding Loevner International to give us some small cap exposure overseas. Moving to the Defensive Equity Composite, we are up about 5.9%, about 40 above the base. The Real Estate Composite brought in 22.0% last year. Since April of last year, TA Realty Core Fund returned 27% which is 10% above the index. Mr. Martin also noted that Timberland/Farmland returned 7%, and Infrastructure had a great year bringing in 6% for the year. He noted that Private Credit Composite delivered 2.5% for the year. Also, Private Equity was up 4.3% for the fourth quarter. Finally, Mr. Martin announced that there would be some fee reductions coming up with MFS Global.

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

THE FOREGOING MINUTES SUBMITTED FOR APPROVAL:

_____, 2022

ATTEST: _____

DRAFT