

Retirement Board Meeting
May 2, 2023

Present:	Commissioner	Thomas Chernisky William Smith Scott Hunt
	Controller	Ed Cernic Dana Descavish
	Treasurer	Lisa Kozorosky
Absent:		Kristine Segear

Pledge of Allegiance

Commissioner Chernisky called the meeting to order at 10:00 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on April 6, 2023. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Public Comments: None

Ed Cernic reviewed the retirement summary. There are currently 1,151 retirees as of April 28, 2023. April's retirement payroll was \$1,352,672.74.

Michael Stem and Nick Debias from AmeriServ attended the meeting. Michael Stem presented the Board with the market value of the investments as of April 4, 2023. Motion was made by Ed Cernic to accept April 4, 2023 AmeriServ report. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

Pat Wing, Marquette Associates, gave a quick overview of the market environment. U.S. economic activity likely continued to decelerate in Q1, with economist expecting real GDP growth of 1.7%. Data received at the end of last week updates that number to 1.1%. This was caused by a slowdown in private inventory investment. Consumer spending was pretty strong for the quarter. Despite the economic growth number, a survey from the Wall Street Journal published in the middle of April shows the vast majority of economists put the probability of a recession at some point in the next twelve months as more likely than not, meaning higher than 50%. Even though growth remains positive as we head through the rest of this year and early 2024 there are still some clouds overhanging the economy, namely banking sector stress. As of the close of business on Friday, April 28, 2023, there have been three big bank failures. Those banks are Silicon Valley Bank, Signature Bank and most recently First Republic of which JP Morgan is buying some of that but not all of it. Basically, this was caused by the impact of the rate hiking cycle by the Fed early on, but there are other factors such as mismanagement and poor supervision. The economic outlook remains on shaky ground as the impact of tighter monetary policy is rippling through the banking sector. Despite this, the Fed plans to raise rates again by .25%, due to the fact that the labor market hasn't weakened materially and inflation remains relatively high compared to historical standards. The equity market (US Equities, Int'l Equities and Emerging Market Equities) all had positive gains. This tailwind is due to a calmer more tranquil Bond market. U.S. Bonds were up 3%. Real Estate was down a little more than 3% and Principal is here to speak about that. Infrastructure was up 2.5%. The market value as of March 31, 2023 was \$228.1 million. The first quarter's return was 4.5% (net of fees) vs. the policy index of 4.6%. The return will increase when the Private Equity and Private Debt market values are available at the end of May. The asset allocation of the fund is all within the Policy guidelines. Pat reviewed the managers with the Board. The total equity composite returns were 7.4% vs. the benchmark of 7.1%. Twin Capital was ahead of the benchmark 8.1% vs. 7.5%. Emerald was behind 4.1% vs. 6.1% mostly due to poor stock selection and an underweight to information technology. Ed asked when Emerald last presented to the Board. Pat advised approximately 18 months ago. Ed requested that they present to the Board in November; Pat will get them scheduled. The Non-U.S. Equity composite returns were 9.3% vs. the benchmark of 6.9%. Each of the managers were ahead of the benchmark. Schroder's ranking was a little lower. Schroeder is under-weight to financials which led them to outperform but they do have more small-cap exposure than their peers and small caps have been underperforming over the past year. Pat does not suggest to put them on the watch list yet, but they are monitoring them. Mondrian, who is currently on the watch list, had a return of 9.2% vs. 5.9%. Before recommending they come off of the watch list, we would want to see more consistency. Infrastructure returns were 2.5% vs. 2.4%. The U.S. Fixed Income composite returns were behind the benchmark 2.2% vs. 2.3 due to FNB and C.S. McKee. Ironside Funds data is as of the 2022 fourth quarter. Ironsides doesn't expect to call any more commitments; moving forward the Fund should expect a lot more returns coming back to the Fund. The cumulative contributions as of December 31, 2022 were \$34.1 million and returns were \$31 million. The remaining value of the assets are \$25.8 million. These funds have done really well for the Retirement Fund. Pat reviewed the current allocation and there are no recommendations to rebalance at this time.

- Motion was made by Scott Hunt to approve Marquette's report. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Kristin Knowler and Darren Kleis from Principal presented to the Board. Kristin, Relationship Manager, provided a brief update on Principal. As of the end of the first quarter, Principal manages \$517.8 billion of which \$97.8 billion is in real estate assets. The Principal U.S. Property Account was \$13.1 billion at the end of the first quarter. The account has a contribution and withdrawal que. The withdrawal que has a limitation of \$1.1 billion. Cambria County's Fund had a withdrawal in May of 2022. Darren Kleis, Portfolio Managing Director, has been working with Principal for 30 years and with this Fund since 2007. The strategy for the Fund has not changed. However, the execution is a little different in today's market as Pat indicated, credit conditions

are tightening so it is very difficult to sell commercial property without lenders being actively wanting business. Ninety percent of the Fund is in stabilized well leased assets. Principal does not buy stock in other companies and they are not lending money. Ed Cernic asked what the percentage was in government buildings. Darren advised that it is not real high, most of the buildings are corporate America. Principal does have a lot of government tenants within the buildings. This portfolio is very high quality. The property type that Principal likes the most right now is Industrial. The property level operations have never been better for industrial and the apartment building business. Last year in 2022 the same property net income was up 23%. On the not so good side, office property is the weakest part of the portfolio. There is 20% of the portfolio invested in office and overall, it is doing pretty well. The non-traditional sectors such as self-storage and data centers are doing very well. Principal has a number of properties (1,000+ apartment units and approximately 2.5 million square feet of industrial) that are currently under construction around the country. Targeting performance for 2023 of net operating income is 2.8% but will most likely be higher. The Fund invested \$10 million with Principal in June of 2019, had a withdrawal of \$1 million May of 2022. The account value as of March 31, 2023 is \$11.9 million.

Old Business: None

New Business:

1. The Board received a request in writing from Pamela Gelles to stop her elected Voluntary Retirement Contributions due to the life event of the passing of her husband. Historically, there has been an Open Enrollment period one time per year for an employee/member of the Retirement Fund to make an election to increase/decrease their Voluntary Retirement Contribution amount. This period begins in November and ends mid-December each year. The change then becomes effective the 1st pay of the new year. There have been many verbal requests in the past from other employees to change their voluntary contributions and the answer has always been that it is not permitted, the change is only permitted during Open Enrollment.

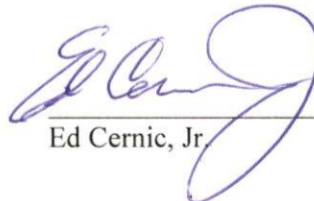
Motion was made by Scott Hunt to go into Executive Session at 11:12 a.m. Motion seconded by William Smith. Motion carried. Vote unanimous 5-0.

Motion was made by Scott Hunt to end Executive Session at 11:27 a.m. Motion seconded by William Smith. Motion carried. Vote unanimous 5-0.

- Motion was made by Ed Cernic to deny the request due to past precedent. The motion was not seconded. Motion failed.
 - Motion was made by Scott Hunt to allow a change to voluntary contributions in the case of a spouse's death. Motion was seconded by Lisa Kozorosky. Discussion was held by the Board.
 - Motion was made by Ed Cernic to table Scott Hunt's motion and get an opinion from the Actuary. Motion was seconded by William Smith. Motion carried. Vote unanimous 5-0.
2. The securities litigation firm, KTMC alerted the Controller's Office to a settlement offer being made for investments made in PG&E Corporation. PG&E is in bankruptcy and the offer made is for a cash payment of \$290.00 in exchange for releasing all claims against PG&E and others. KTMC believes it would be economically irrational to pursue the matter. Motion was made by Ed Cernic to accept the offer made from PG&E on the recommendation from KTMC in the amount of \$290.00. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0
 3. Motion was made by Ed Cernic to ratify the action taken by the Commissioner's office at the recommendation of the Controller's Office on the following retirees: William Pakstis, Deborah Farrell, Eileen Dixon and Toni Kirsch. Motion was seconded by Scott Hunt. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on Thursday, June 15, 2023 at 10:00 a.m. Jury room.

Motion was made to adjourn the meeting by William Smith. Meeting adjourned at 11:43 a.m.



Ed Cernic, Jr.