

Retirement Board Meeting
August 12, 2024

Present:	Commissioner	Scott Hunt Keith Rager Thomas Chernisky
	Controller	Ed Cernic Kristine Segear Dana Descavish
	Treasurer	Lisa Kozorosky

Pledge of Allegiance

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

Motion was made by Keith Rager to approve the minutes from the Retirement Board meeting held on July 11, 2024. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

Public Comments: None

Ed Cernic reviewed the retirement summary. There are currently 1,168 retirees as of August 9, 2024. July's retirement payroll was \$1,416,695.79.

Michael Stem from AmeriServ attended the meeting. Michael Stem presented the Board with the market value of the investments as of August 9, 2024. The market value was \$252,337,251.15. Motion was made by Ed Cernic to accept the AmeriServ report. Motion was seconded by Thomas Chernisky. Motion carried. Vote unanimous 5-0.

Pat Wing, Marquette Associates gave a quick overview of the market environment. U.S. economic growth picked up notably in the second quarter with real GDP increasing at an annual rate of 2.8%. Later this year economists expect fairly steady growth. Despite a slight increase in economic activity, the labor market has begun to soften. Looking ahead, it seems that further loosening of labor market conditions is more likely than not. Small business hiring plans have weakened over the past year, which is consistent with a higher unemployment rate in the coming quarters. Global equities continued to rally in the second quarter, though performance was muted compared to the first quarter amid mixed economic data. U.S. equities had a solid quarter, while emerging markets led the way. Fixed income market returns were broadly positive. Economic sector performance was mixed in the second quarter. Seven of the eleven sectors were actually negative during the quarter. The largest sectors did well, such as Microsoft, Amazon, Google, Meta and Nvidia. Pat provided a portfolio overview. The market value at the end of June 2024 was \$254.4 million. The second quarter net investment change was \$4.3 million. The portfolio returned 1.7% (net of fees) vs. the policy index of 1.8%. The positive attributions for the quarter were from asset allocation and outperformance by Emerald and Vanguard International Growth. The negative attributions for the quarter were from domestic equity structure and underperformance by Twin and Kayne Anderson. Kayne Anderson has been less consistent than Twin. They are expected to do well in a down market and have not. Pat recommends to the Board to put Kayne Anderson on watch.

- Motion was made by Lisa Kozorosky at the recommendation of Marquette to put Kayne Anderson on watch. Motion was seconded by Ed Cernic. Motion carried. Vote unanimous 5-0.

Schroeder has been on watch since last year at this time. Even though they have improved in performance in the past quarter, Ed Cernic wants to leave them on watch for another quarter and revisit at the next meeting. The Board agrees to leave them on watch.

Pat reviewed the fund's asset allocations. The asset allocations are all relatively within target. The only recommendation at this time is to move \$109,336.00 (distribution from Ironsides Funds) to the Fund's checking account for upcoming benefit payments.

- Motion was made by Ed Cernic at the recommendation of Marquette to move the \$109,336.00 from the Fund's cash account to the Fund's checking account for upcoming benefit payments. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.
- Motion was made by Ed Cernic to accept Marquette's report. Motion was seconded by Thomas Chernisky. Motion carried. Vote unanimous 5-0.

David Reichert and Michael Spadaro from Korn Ferry attended the meeting. Korn Ferry was engaged to be the Fund's Actuary effective July 1, 2024. Michael provided the Board an overview of the 2024 Actuarial Valuation and County Contribution. Note: Korn Ferry did not perform the valuation. The valuation was performed by our previous actuary CBIZ and Korn Ferry is just reporting. The purpose to the 2024 funding valuation is to review the demographic experience and investments during 2023. This provides information on the funded status by comparing the assets to the liabilities and determines the Actuarially Determined Contribution (ADC) for 2024. The system provides two separate benefits funded by contributions received from the County and the member. The County's portion is a class basis of 1/60th, average salary at retirement (3 highest years) and service time at retirement. Disability benefits are automatically 25% of the final average salary. The member's portion is salary, mandated contribution rate of 9%, additional contributions can be 0% to 10%, interest credit rate of 4.75% and actuarial equivalence. The present value of the benefit is converted to a

monthly annuity. There are two main components of an actuarially determined contribution. There is normal cost – contribution for the current year of service accrued and there is amortization payment – contribution to pay down unfunded liability. The county utilizes an asset smoothing method to help soften the effect of investment market volatility. The investment gain/loss is recognized over a 5-year period, with each valuation reflecting one-fifth (20%) of the gain/loss. The county began doing this January 1, 2022. There was a 2022 loss and a 2023 gain. Those are getting smoothed over time. When losses are larger than gains, the Actuarial Value of Assets grows more slowly as more losses are recognized. Michael provided the demographic results of the valuation. The number of participants was only up by four and the number of annuitants was up by six. The number that stands out is the average annualized compensation. That number went from \$43,715.00 to \$46,360.00. This was a result of the \$2.00 an hour raise given to all employees. Michael reviewed the funding results and the current funded ratio is 93.3%.

Michael advised the Board that they are still working to match the prior actuary's valuation. They are confident in the active members' liability match and are still waiting for some retiree information. He did advise the Board that matching is a relative term. No two actuaries produce identical valuation results. Korn Ferry has also produced a handful of retirement benefit calculations to date.

Korn Ferry's recommendation to the Board is to change the current funding methodology. Currently, the Fund uses a contribution rate policy that increases every six months. What Korn Ferry recommends is a forward-looking valuation. This would allow Korn Ferry to provide an ADC percentage in advance so that for the following calendar year you would know what that contribution amount is. This would give you advance notice on the rate and make it easier administratively. The estimated percentage would be provided before October for budgeting purposes and the change would be made January 1, 2025.

- Motion was made by Ed Cernic to accept Korn Ferry's report. Motion was seconded by Keith Rager. Motion was carried. Vote unanimous 5-0.

Old Business: None

New Business:

1. 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: Mary Ann Farrell, Lawrence Penatzer, Timothy Spangler and Sheryl Safina-Pfarr. Motion was seconded by Lisa Kozorosky. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on Thursday, September 12, 2024 immediately following the 10:00 a.m. Commissioner's Meeting in the Jury room.

Motion was made to adjourn the meeting by Keith Rager. Meeting adjourned at 11:00 a.m.


Ed Cernic, Jr.