

Retirement Board Meeting  
February 3, 2025

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 10:01 a.m.

Motion was made by Lisa Kozorosky to approve the minutes from the Retirement Board meeting held on January 16, 2025. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

Public Comments: None

Ed Cernic reviewed the retirement summary. There are currently 1,158 retirees as of January 31, 2025. January's retirement payroll was \$1,423,022.25. Ed also informed the Board with the change in the mortality table effective January 1, 2026, his office has been receiving many quotation requests.

Michael Stem from AmeriServ attended the meeting. Michael Stem presented the Board with the market value of the investments as of January 31, 2025. The market value was \$264,123,213.78. Motion was made by Ed Cernic to accept the AmeriServ report. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

Pat Wing, Marquette Associates gave a quick overview of the market environment. The U.S. economy activity appears to have decelerated modestly in the fourth quarter, with economist forecasting real GDP growth of 2.5%; that data point came out last Thursday a little below at 2.3%. One of the drags on the headline number was just a slowdown in private inventory investment amongst businesses, which is a volatile component. Economists estimates for 2025 are reasonably steady, in the 2% range which most estimate is the underlying trend rate for the economy. Optimism among small businesses has surged over the past couple months. The percentage of small businesses planning any capital expense in the next 3-6 months has jumped notably in the past couple months. One of the biggest concerns is what is going to happen with inflation. Amid continued economic strength, there have been some signs that inflation may tick up in the coming months. The Fed is projecting rates will be cut two more times this year, the market has a little less than that. At the beginning of the 4<sup>th</sup> quarter, the Fed was thinking they would cut rates maybe 4 times next year. As potential interest rate cuts have come off the table that has led to an upwards rise in intermediate and longer-term interest rates. Since interest rates and bond prices move in opposite direction, fixed income was under some pressure in the fourth quarter. The US Equities were positive in the fourth quarter up 2.6%, international equities and emerging down around 8%; a lot of that was due to US dollar strength. U.S. Bonds, given rates increasing, bonds were under some pressure down around 3% that's the broad investment universe. The policy that the retirement fund uses has less interest rate sensitivity so that benchmark went down 1.6% during the quarter, the fund was insulated a little bit by not taking as much interest rate risk as the broad market. Real Estate was up around 1% and Infrastructure was up 2.5%. So, there was some nice diversification benefits from real estate and infrastructure at a time when most asset classes outside of U.S. Equities did not do very well. Ed Cernic asked if there was much overlap in the U.S. equity space with our managers. Pat reviewed the U.S. Equity composite with the Board.

Pat then gave his observations for the fourth quarter. The market value as of December 31, 2024 was \$260.7 million. The net investment change for the fourth quarter was \$0.9 million the portfolio returned 0.3% net vs. the policy index of 0.2%. The one-year return was 12.5% vs. 13.6%; comfortably ahead of the 7% assumed rate of return that Korn Ferry is using which should be helpful for the next value report. The Fund ranked in the top 7% compared to the public funds within this universe during this quarter.

Pat Wing reviewed the performance summary net of fees. The total equity composite was in line with the benchmark 0.8% vs. 0.8%. The U.S. Equity composite was 2.3% vs. 2.6%. Twin Capital returned 2.8% vs. 2.7%. They had some strong stock selections which were helpful. Both Kayne Anderson and Emerald were ahead of their benchmarks. Kayne was ahead 2.5% and Emerald was ahead 1%. Non-U.S. Equity composite return -6.3% vs. -7.6%. Schroeder returned -6.4 vs. -7.4 in a pretty tough market. They capped off a pretty good year. Schroeder's is currently on watch. Given the recent outperformance, Marquette recommends taking them off of the watch list. Other managers currently on the watch list are Kayne Anderson and FNB. Pat continued his review. Principal returned 1.1% vs. 1.0%. IFM was up 2.5%, providing some downside protection for the Fund as a whole. Fixed Income returned -1.5% vs. -1.6%. CS McKee, FNB, and Baird were all slightly ahead. The Ironsides Funds returns are on a lag. The Board has committed \$33 million over the last ten years. The unfunded amount is \$5 million. Pat does not expect any calls on that amount. The cumulative distributions were \$36 million and the Valuation is \$23 million.

- Motion was made by Ed Cernic to remove Schroeder's from the watch list at the recommendation of Marquette and to accept Marquette's report. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

Pat Wing reviewed a rebalancing proposal with the Board. Pat is recommending liquidating \$1 million from Vanguard Value and \$2.5 million from Vanguard Growth. Move \$2.5 million to C.S. McKee and \$1 million to Baird; both in the fixed income portion of the portfolio.

- Motion was made by Ed Cernic at the recommendation of Marquette to rebalance the Fund as follows: liquidating \$1 million from Vanguard Value and \$2.5 million from Vanguard Growth. Move \$2.5 million to C.S. McKee and \$1 million to Baird. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

Chris Cwiklinski, from FNB presented to the Board. FNB is the most conservative manager. FNB tends to not buy below investment grade and tends not to knock the cover off the ball. They stay very close on a duration basis and overall quality is higher. Chris provided a performance review. The one-year return was 2.82% vs. the benchmark of 3.00%, the three-year return was -.15% vs. -.18% and the five-year return was .92% vs. .86%. The majority of Cambria is 10.58% in BBB bonds. There are longer term maturity bonds in the portfolio. For 2025 portfolio positioning, FNB plans to maintain high credit quality, neutral to slightly underweight duration, overweight in high quality short-term corporate bond meaning BBB+ or better, add inflation protections – 10% of the portfolio, incorporate callable bonds and reduce long-term U.S. Treasurer securities. Ed Cernic pointed out to FNB that the reason they were put on watch was due to their poor performance and ranking. FNB's one year ranking was in the 84th percentile. Chris responded that the last quarter where they were in the 21st percentile is a good example of how FNB's style works. It was a negative quarter for the bond market in general and the quality did better particularly in December. Ed Cernic wants to see FNB show better performance and more consistent performance. FNB will remain on watch until the Board reviews performance in the next quarter.

- Motion was made by Ed Cernic to accept FNB's report. Motion was seconded by Keith Rager. Motion 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 retiree: Diane Platt. Motion was seconded by Keith Rager. Motion carried. Vote unanimous 5-0.

The next Retirement Board meeting will be held on Thursday, March 20, 2025 at 10:00 a.m. in the the Jury room.

Motion was made to adjourn the meeting by Keith Rager. Meeting adjourned at 11:17 a.m.

  
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Ed Cernic, Jr.