

FAYETTE COUNTY RETIREMENT BOARD
Meeting Minutes
Wednesday, February 9, 2022

1. Call to Order

The meeting was called to order by Commissioner Lohr at 10:12 a.m. Commissioners Lohr and Dunn present, Controller Abraham present, Treasurer Tzan present, Andrea Kacmar present following Reorganization Meeting.

2. Public comment on agenda items

No public comment.

3. Consider approval of Retirement Board Meeting minutes for Wednesday, November 10, 2021. Motion was made by Commissioner Dunn and 2nd by Controller Abraham to approve the Wednesday, November 10, 2021 Retirement Board Meeting minutes.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes
Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY

4. Consider approval of Retirement Board Special Meeting minutes for Wednesday, December 8, 2021. Motion was made by Commissioner Dunn and 2nd by Controller Abraham to approve the Wednesday, December 8, 2021 Retirement Board Special Meeting minutes.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes
Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY

5. Consider authorizing payment for 3rd quarter of 2021 consulting fees for the period of July 1, 2021 to September 30, 2021 in the amount of \$42,205.66 to Peirce Park Group c/o Marquette Associates. Motion was made by Commissioner Dunn and 2nd by Controller Abraham to authorize payment for the 3rd quarter of 2021 consulting fees in the amount of \$42,205.66 to Peirce Park Group c/o Marquette Associates.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes

Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY

6. **Consider authorizing payment for the 3rd quarter of 2021 actuarial services for the period of October 1, 2021 to December 31, 2021 in the amount of \$7,265.00 to Korn Ferry Hay Group, Inc.** Motion was made by Commissioner Dunn and 2nd by Controller Abraham to authorize payment for the 3rd quarter of 2021 actuarial services in the amount of \$7,265.00 to Korn Ferry Hay Group Inc.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes
Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY

7. **Consider authorizing payment for the 4th quarter of 2021 advisory fees for the period October 1, 2021 to December 31, 2021 in the amount of \$7,946.50 to Federated Investment Counseling.** Motion was made by Commissioner Dunn and 2nd by Controller Abraham to authorize payment for the 4th quarter of 2021 advisory fees in the amount of \$7,946.50 to Federated Investment Counseling.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes
Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY

8. **Consider authorizing payment for the 4th quarter of 2021 management fees for the period of October 1, 2021 to December 31, 2021 in the amount of \$7,608.99 to GW&K Investment Management.** Motion was made by Commissioner Dunn and 2nd by Controller Abraham to authorize payment for the 4th quarter of 2021 management fees in the amount of \$7,608.99 to GW&K Investment Management.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes
Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY

9. **Ratify the payments listed on the agenda made from November 10, 2021 to February 8, 2022 in the amount of \$1,277,100.72.** Motion was made by Commissioner Dunn and 2nd by Controller Abraham to ratify the payments made from November 10, 2021 to February 8, 2022 in the amount of \$1,277,100.72.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes
Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY

10. **Recognize the Retirement of the following employees:**

Tracie Vargo (Recorder of Deeds)	34 years
Tammie Popiesh (Prison)	29 years
Gloria Glisan (Behavioral Health)	12 years
Kim Renze (FACT)	12 years
Daniel Schreckengost (FACT)	8 years
Guido Scalese (FACT)	1 year
Kathleen Ryan (Courts)	20 years
Heather Hayden (CYS)	20 years

11. **Marquette Associates Presentation on the 4th quarter of 2021 performance of the Pension Fund.**

Sarah Wilson mentioned that she will be updating the final performance of the pension fund for 2021 but wanted to comment on the growth of Marquette Associates first. Marquette recently added a new client analyst and performance analyst who will be concentrating on private equity.

US Economy

In the US economy, real GDP increased at an annual rate of 6.9% which was better than expected. Consumer spending accounted for about 70% of the real GDP growth. Those numbers are expected to go down in 2022. Low inventories are expected throughout 2022. Most economists expect inflation to peak in the 1st quarter of 2022 but supply chain issues may cause inflation to decelerate slower throughout the rest of the year unless companies can get their inventories back up. The labor market is picking up with the unemployment rate dropping to 3.9% which is the lowest it's been since before the pandemic. Workers are continuing to quit their jobs at higher rates. During the height of covid, many workers were forced to stay home with their children or go to part time and they learned to live on less income. The quit rate at 3.4% is consistent with an unemployment rate of below 1%. Smaller businesses will struggle to remain open since larger companies will be able to pay more to either keep or

hire sought after employees. With a tight labor market and inflation, the Fed is expected to raise short-term rates three times this year and three times next year. The inflation rate will affect what consumers are spending but they are also saving more than they have in the last couple years.

Global Economy

The global economic growth is reaccelerating after the slowdown in the 3rd quarter. One exception is China where growth slowed because of the country's "zero Covid policy". As the US continues to raise the interest rates, China's rates will continue to ease. In the past 10 years, both the US and China have been similar in their market policies but now they are taking different courses. The US is still importing a lot from China so their economy is continuing to grow but as the US economy starts to slow down, China's will follow. US and International Equities grew in the 4th quarter, 9.3% and 2.7% respectively, but Emerging Market Equities fell 1.3%. December was a strong month for US Equities and most domestic stock indices posted solid gains. Large cap equities outperformed their smaller peers in December and the 4th quarter. After notching a return of 11% in the 4th quarter, the S&P 500 ended the year up 28.7% making 2021 the fourth calendar year in the last five years that the index return was greater than 18%. US Bonds continue to struggle and International Bonds were down 9.5% for the year.

US Equity Markets

US Equity rallied in the 4th quarter with all sectors posting increases except Communication Services. Energy finished the year up 56.5% and Health Care ended the year up 20.6%. Smaller technology company stocks fell in the 4th quarter while the five largest stocks were up over 100% since the pandemic started in March 2020. After strong returns in 2019 and 2020, the bond market posted negative returns in 2021.

Portfolio Overview

The Market Value as of December 31, 2021 was \$100.8 million. The 4th quarter had an investment gain of \$4.9 million and a return of 5.1% net vs. a policy index of 4.8%. The portfolio gained \$12.6 million in 2021 with a return of 14.1% (net). The portfolio saw positive attribution for the 4th quarter with an outperformance by active US and Non-US equity managers. There was a value overweight within US small caps and a positive fixed income structure. The negative attribution for the portfolio was an underperformance by most Global Equity Managers and the Emerging Markets overweight within Non-US Equities. We are currently making some changes with the funds' Global Equity Managers. Some changes to the portfolio include splitting the Defensive Equity allocation, redeeming half of Parametric and allocating the proceeds to Neuberger Berman US Equity Index PutWrite Strategy Fund. Since it's inception, the fund averaged a 9.4% return and a gain of over \$61.4 million. The current market value as of December 31, 2021 is \$100,811,906. The managers are outperforming their benchmarks. In the US Equity Composite

GW&K outperformed the benchmark 26.7% to 18.2%. In the Global Equity Composite Vontobel underperformed the benchmark 13.9% to 17.1%. In Real Estate, portfolio holdings are shifting from the commercial/retail/mall properties to storage units and industrial properties. In Fixed Income, Lord Abbett had a 1.2% increase vs. a 0 benchmark. Overall in Fixed Income, last year the fund saw a 3.5% gain vs. a -1.4% benchmark. For the month of January, almost every manager was down. Overall, the Total Fund Composite was down 3.1% compared to a benchmark of -3.6%. Earnings are expected to be positive but they will slow down over the next couple years. The long term effects of unemployment will be seen in 3-5 years and this will affect the markets.

The next meeting of the Retirement Board will be Wednesday, May 11, 2021 at 10:00 am. in the Commissioner's Conference Room.
Commissioner Vicites joined the regular meeting at 10:19 am.

12. Public Comment

No public comment.

13. Adjournment

A motion was made by Commissioner Dunn to adjourn the meeting and 2nd by Controller Abraham at 11:08 a.m.

The vote was:

Commissioner Lohr	yes
Commissioner Dunn	yes
Commissioner Vicites	yes
Controller Abraham	yes
Treasurer Tzan	yes

MOTION CARRIES UNANIMOUSLY