

FAYETTE COUNTY RETIREMENT BOARD
Meeting Minutes
Wednesday, May 11, 2022

A meeting of the Retirement Board was held on Wednesday, May 11, 2022 in the Commissioner's Conference Room.

1. **Commissioner Lohr called the meeting to order at 10:05 a.m. beginning with a silent prayer and the pledge of allegiance.**

Controller Abraham asked if approval of the ARC payment could be placed on the agenda since the money is in the budget. Commissioner Lohr stated that you need to give 24-hour notice of any changes to the agenda. A discussion was started about whether it even needed approved since it was already in the approved budget. Commissioner Dunn stated that someone should ask Solicitor Jack Purcell if the payment needed to be approved by the board. Commissioner Lohr said if the payment that was approved in the budget is all that is needed it could be ratified at the next Retirement Board meeting.

2. **Roll Call**

Roll call was taken, and the following members were present:

PRESENT: Dave Lohr, Chairman
Scott Dunn, Vice Chair
Scott Abraham, Controller
Melissa Tzan, Treasurer

ABSENT: Vince Vicites, Commissioner (joined at 10:21 a.m.)

The following were also in attendance during the meeting:

ALSO PRESENT: Mary Over, Chief of Staff to Commissioner Vicites
Andrea Kacmar, Second Deputy
Sarah Wilson, Marquette Associates

3. **Public Comment on agenda items.**

No public comment.

4. **Consider approval of the Wednesday, February 9, 2022 Retirement Board Reorganization Meeting minutes.**

Motion was made by Controller Abraham and 2nd by Commissioner Dunn to approve the Wednesday, February 9, 2022 Retirement Board Reorganization Meeting minutes.

The vote was:

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

MOTION CARRIES UNANIMOUSLY (4-0)

5. **Consider approval of the Wednesday, February 9, 2022 Retirement Board Regular Meeting minutes.**

Motion was made by Controller Abraham and 2nd by Commissioner Dunn to approve the Wednesday, February 9, 2022 Retirement Board Regular Meeting minutes.

\$ 9,130.09

Motion was made by Controller Abraham and 2nd by Commissioner Dunn to authorize payment for the 3rd quarter of 2021 custodian fees in the amount of \$9,130.09 to PNC Institutional Investments.

The vote was:

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

MOTION CARREIS UNANIMOUSLY (4-0)

10. **Consider authorizing payment for 1st quarter of 2022 management fees for the period of January 1, 2022 to March 31, 2022 in the amount of \$6,973.09 to GW&K Investment Management LLC.** Motion was made by Controller Abraham and 2nd by Commissioner Dunn to authorize payment for 1st quarter of 2022 management fees in the amount of \$6,973.09 to GW&K Investment Management LLC.

The vote was:

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

MOTION CARRIES UNANIMOUSLY (4-0)

11. **Consider authorizing payment for 1st quarter of 2022 advisory fees for the period of January 1, 2022 to March 31, 2022 in the amount of \$7,708.44 to Federated Investment Counseling.** Motion was made by Controller Abraham and 2nd by Commissioner Dunn to authorize payment for 1st quarter of 2022 advisory fees in the amount of \$7,708.44 to Federated Investment Counseling.

The vote was:

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

MOTION CARRIES UNANIMOUSLY (4-0)

12. **Ratify retirement payments on agenda made from February 9, 2022 to May 10, 2022 in the amount of \$1,688,681.94.** Motion was made by Controller Abraham and 2nd by Commissioner Dunn to ratify the payments made from February 9, 2022 to May 10, 2022 in the amount of \$1,688,681.94.

The vote was:

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

MOTION CARRIES UNANIMOUSLY (4-0)

Controller Abraham noted that the monthly retirement payroll is well over \$400,000 now. Commissioner Lohr stated that it will go even higher soon because the county is expecting many people to retire over the next year.

13. Recognize the retirement of the following employees:

Keith Collins (Building & Grounds)	13 years
Joseph Wingrove (FCBHA)	15 years
James Hoffman (Prison)	20 years
Lynn King (MDJ)	15 years
George Morris (Prison)	20 years
Anthony Theodori (FACT)	15 years
Charles Pulig (Building & Grounds)	35 years
Cathy Rice (Domestics)	14 years
Joel Bush (Prison)	25 years
Glenda Moore (FCBHA)	23 years
Gerald Griffith (FCBHA)	23 years

14. Marquette Associates presentation on the 1st quarter of 2022 performance of the pension fund.

Marquette Associates currently has over \$356 billion in assets under advisement. Marquette is now the 19th largest investment consulting firm and 100% employee owned. They also hold a 99% client retention rate.

The 2022 Investment Symposium is going live again on September 23, 2022 in Chicago.

Market Environment

US Economy

The market started to go down in March 2020 because of covid and the federal government stepped in by handing out stimulus packages to businesses and individuals. Now, two years later, the real GDP has declined by 1.4% while consumer spending increased. Factors such as the Russian invasion of Ukraine, zero-covid policy in China and rising inflation are affecting shipping, shortfalls in production and worker shortages. If the CPI goes up, inflation is expected to continue. If the CPI goes down, inflation is expected to come down. This should stabilize the market after the stock market decline the past week. If inflation continues to rise, the fed will become very aggressive with the interest rates. Consumers are rushing to get mortgages before the fed increases rates again. New home building prices continue to rise, and higher costs and labor shortages are the main factors. Consumer home loans are falling short of increased costs to build the new homes and if there isn't enough to finish projects, people could default on loans and cause another crisis. Personal and corporate earnings are still looking good. If supply chain shortages continue, that could change. The real estate business for office buildings continues to decline.

Global Economy

The global market is facing the same issues as the US market. European consumer confidence levels are almost to the same point they were at the start of the pandemic. With China's "zero-covid policy", the Chinese PMI Composite is still not showing any economic growth. US and International Equities were down in March 2022 compared to March 2021. Fixed income returns were poor during the first quarter with US bonds dropping again. When managing our accounts, Marquette will examine the entire portfolio and pick assets across the board to raise cash and then slowly buy back into the market.

US Equity Markets

Most economic sectors posted negative returns for the quarter with utilities and energy being the exceptions. Energy stocks continue to rise with the surge in oil prices. Value stocks topped growth stocks for the first time since the first quarter of 2021.

US Fixed Income

Interest rates rose again and are expected to continue rising until inflation is brought under control.

Portfolio Overview

The market value as of March 31, 2022 was \$96.1 million. The first quarter had a return of -3.7% vs. a policy index of -3.6% resulting in a net loss of \$3.6 million. This is due largely to getting into the infrastructure market. In the past year, the fund had a net return of 6.4% and had a gain of \$5.9 million. Since its inception, the fund has had an annualized net return of 8.7% with a gain of \$59.2 million. The fund has more than doubled in the 10 years since inception. Real Estate Manager Clarion Partners returned 6.8% for the first quarter and for the trailing 12 months had a return of 24.4%. Because of this, portfolio changes were made within the International and Global Manager Selection.

With the changes over the past five years involving Marquette taking over the funds, there needs to be a review and update of the Investment Policy Statement to get everything on file.

The Total Equity Composite was down 5.3% vs. 5.4% for the quarter. US Equity Composite was down 4.6% vs. 5.3% and changes have been made around this fund. Artisan Global Opportunities is a new investment this quarter. The Non-US Equity Composite is down 5.1% vs. 5.6%. Schroder International is showing a positive, up .6% this quarter in a negative market and up 5.9% in the past year. New funds in this quarter include Harding Loevner International and Wellington Emerging Markets Opportunities. A lot of research went into these funds before adding them. Research will continue to be largest component of Marquette. Defensive Equity was down 2.3%. Real Estate is up 6.8%. Even though Fixed Income is down 4.3% in the first quarter, it is up 1% in the past 12 months compared to -4.1%. Infrastructure Composite was up 2.1% vs. 2.9% and for the last 12 months it is up 8.3%. The overall Investment Management annual fee for the Pension Fund is .43%.

Scott Abraham asked Sarah Wilson if she had an idea of how long this downward trend in the market would last. Many people have been requesting lump sum payments and if that continues, they may need to sell to fulfill the payments. Sarah thinks that they'll have a better idea about where inflation is heading when the CPI comes out. The war in Ukraine also must come to an end. The elections in the 4th quarter usually calm down the markets. The 4th quarter could possibly be a positive quarter. If any retirees do take a lump sum, now is not a good time to invest in the market so they may be better off taking the monthly payout. Sarah recommended making the ARC payments as soon as possible.

April Performance

The Total Fund Composite was at (-5.3%) for the month of April with a Market Value of \$95,613,197. Total Equity Composite was at (-7.7%) vs. (-8.1%). The US Equity Composite is (-8.0%) for April and (-12.3%) YTD. The Global Equity Composite was down (-8.3%) in April compared to (-6.0%) in the first quarter. The

Non-US Equity Composite was down (-6.7%) in April compared to (-5.1%) in the first quarter.

The Defensive Equity Composite saw a loss in April that more than doubled the loss in the first quarter; (-5.0%) in April vs. (-2.3%) in the first quarter.

Infrastructure Composite and Real Estate, which both had gains in the first quarter, saw losses in April. Infrastructure went from (+2.1%) in the first quarter to (-1.1%) in April and Real Estate went from (+6.8%) in the first quarter to no gain in April. Fixed Income had a (-4.3%) loss in the first quarter and a (-2.1%) loss in April.

A discussion was held to determine the date and time of the next Retirement Board Meeting. It was decided that the next meeting would be held in the Commissioner's Conference Room on Wednesday, August 3, 2022 at 11:30 AM.

15. Public Comment

No public comment.

16. Adjournment

A motion was made by Controller Abraham to adjourn the meeting and 2nd by Commissioner Dunn at 11:03 a.m.

The vote was:

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

MOTION CARRIES UNANIMOUSLY (5-0)