

Montgomery County Employees' Retirement Board

Meeting Minutes from Thursday, May 19, 2022

A meeting of the Montgomery County Employees' Retirement Board was held on Thursday, May 19, 2022 at 12:00 PM in the Commissioners' Board Room, 8th Floor, One Montgomery Plaza in Norristown, Pennsylvania.

Members present: Commissioner Dr. Valerie A. Arkoosh, Chair; Kenneth E. Lawrence, Jr., Vice-Chair, Commissioner Joe Gale; Controller Karen Sanchez, Secretary; and Treasurer Jason Salus, Treasurer.

The meeting was called to order by Chair Arkoosh at 11:57 AM.

Approval of Minutes of February 3, 2022 Meeting

Chair Arkoosh called for a motion to approve the minutes of the February 3, 2022 meeting. Chair Arkoosh so moved, Controller Sanchez seconded the motion. The motion to approve the minutes passed unanimously.

Retirement Fund Performance Review

Chair Arkoosh called on Chief Financial Officer Dean Dortone to update the Board on the performance of the retirement fund for 2022 YTD. Mr. Dortone started his presentation by informing the Board that the market value of the Pension fund at 3-31-2022 was \$615,803,148 vs. an ending balance of \$616,561,677 as of 3-31-2021. He also noted that as of 3-31-2022 we had 2,484 retired and 445 vested employees in the plan which was a net decrease of 65 participants from 3-31-2021. Mr. Dortone also informed the board that Korn Ferry was working on the annual actuarial report and should be ready to present it at the next board meeting. Finally, the overall performance of the fund YTD as of 3-31-2022 showed an ROI of (5.60%). The makeup of our funds was 66.7% equity based and 33.3% in fixed income products. Mr. Dortone noted that SEI and Vanguard would give a more detailed analysis of the fund's and the overall market's performance.

SEI Performance Review

Chair Arkoosh called on Roger Messina of SEI to present his portfolio performance update and market review. He noted that SEI managed assets as of March 31, 2022 were \$63.6 million which was higher from the market value of \$62.3 million as of 3-31-2021. Mr. Messina stated that as of 3-31-22, the rate of return on SEI managed funds was (3.67%) compared to a benchmark of (4.62%). Finally, Mr. Messina stated that since its inception our rate of return as of 3-31-2022 was 8.19% versus the benchmark of 7.63%.

Mr. Messina informed the board that managers have been instructed to sell all Russian & Belorussian holdings. Mr. Messina noted that the markets reacted to higher levels of inflation and a quickly shifting policy out of the Global central banks. The volatility we are experiencing now is related to concerns about Federal Reserve interest rate hikes, higher inflation and the uncertainty associated with the Russian invasion of the Ukraine. Mr. Messina also mentioned there are fears of

a widening conflict and other geo-political issues exist as well. SEI realizes the war in the Ukraine and the related sanctions will be a challenge to economic growth and the market outlook. The market is processing all this additional information to gauge the impact as companies have greater exposure. SEI reaffirmed their belief that a strategic, well diversified asset allocation portfolio like ours will provide investors with the greatest likelihood of long term success.

Mr. Messina made the board aware of an initiative that SEI is involved with that relates to investing in local communities. Community Capital Management is a company that combines traditional fixed income management with community impact investing. It allows investors to allocate capital to investments within the community based on key criteria like affordable housing, disadvantaged communities, etc. Credit screening is done to confirm investments are sound and loans can be repaid. Chair Arkoosh asked if they are required to spend the money locally. Mr. Messina replied that the funds are applied directly to local businesses so it can be tracked. Chair Arkoosh asked for any Board comments or questions, hearing none she called on Mr. Brian Binkley to present Vanguard's portfolio and market review.

Vanguard Performance Review

Chair Arkoosh called on Mr. Brian Binkley to present Vanguard's portfolio performance review and market analysis. Mr. Binkley noted that high market volatility existed both domestically and internationally sparked by raising interest rates and the war in the Ukraine. Additionally, the Fed approved a 0.25% increase (the 1st since 2018) and outlined a plan for aggressive rate hikes during the year. Oil prices surpassed \$140 a barrel and gas prices are at an all-time high. Technology stocks did poorly as inflation and rate hikes dampened investors spirits and consumer spending decreased by 0.4% due to inflation fears. Treasurer Salus asked at what rate Vanguard thought the Fed would need to get to, to control inflation and Mr. Binkley said 3.5 %. To sum it all up Mr. Binkley reminded the board that downturns aren't rare events and Vanguard doesn't feel it's a bear market even with all this market volatility and economic uncertainty and feels with our diversified portfolio that there will be a steady recovery.

Mr. Binkley started the review of our Vanguard portfolio. He noted that Vanguard managed assets as of March 31, 2022 were \$551.7 million compared to \$553.8 million as of 3-31-2021. Mr. Binkley stated that the **domestic equity fund** as of 3-31-2022 saw a return rate of (5.45%) compared to a benchmark rate of (5.44%). Since its inception, the rate of return for the domestic equity fund as of 3-31-2022 is 14.33%, compared to a benchmark of 14.31%. Mr. Binkley noted that the **international equity side** as of 3-31-2022 saw a return rate of (6.07%), compared to a benchmark of (5.30%). Since its inception, the rate of return as of 3-31-2022 for the international equity fund was 6.08%, compared to a benchmark of 6.25%. **The fixed income** portion of the portfolio as of 3-31-2022 showed a return rate of (5.81%), compared to the benchmark of (6.01%). Since its inception, the rate of return for fixed income as of 3-31-2022 was 2.52% compared to a benchmark of 2.42%. The final component of the portfolio, **real estate/other investment (REIT) funds** as of 3-31-2022 the return rate was (5.94%) compared to a benchmark of (5.95%). Since this fund was established it has produced a 9.64% rate of return compared to a benchmark of 9.72% rate as of 3-31-2022. Finally, the total portfolio rate of return year to date as of March 31, 2022 was (5.77%)

compared to a benchmark of (5.57%), and since its inception the return rate is 8.07% vs. a benchmark of 8.11%. Chair Arkoosh asked for any Board comments or questions, hearing none she moved on to Public and Board comments.

Chair Arkoosh asked for public comments, and hearing none Chair Arkoosh asked for Board comments. Hearing none, Chair Arkoosh called for a motion to adjourn. Controller Sanchez so moved, Treasurer Salus seconded the motion, and the motion for adjournment was approved unanimously at 12:30 PM.

Respectfully Submitted,

Karen Sanchez
Controller - Secretary