

Montgomery County Employees' Retirement Board

Meeting Minutes from Thursday, February 3, 2022

A meeting of the Montgomery County Employees' Retirement Board was held on Thursday, February 3, 2022 at 1:00 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 1:03 PM.

Approval of Minutes of October 21, 2021 Meeting

Chair Arkoosh called for a motion to approve the minutes of the October 21, 2021 meeting. Chair Arkoosh so moved, Treasurer Salus 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 2021 YTD. Mr. Dortone started his presentation by informing the Board that the market value of the Pension fund at 12-31-2021 was \$657,328,127 vs. an ending balance of \$603,758,983 as of 12-31-2020. He also noted that as of 12-31-2021 we had 2,517 retired and 454 vested employees in the plan which was a net decrease of 42 participants from 12-31-2020. Mr. Dortone also updated the board on the ADC (Actuarially Determined Contribution) figure for 2022 which is \$20,700,000. Mr. Dortone commented that for the 2nd year in a row the County will fund 100% of the ADC. Finally, the overall performance of the fund as of 12-31-2021 showed an ROI of 12.51%. The makeup of our funds was 66.3% equity based and 33.7% in fixed income products. Mr. Dortone noted that Vanguard and SEI would give a more detailed analysis of the fund's and the overall market's performance.

Vanguard Performance Review

Chair Arkoosh called on Mr. Brian Binkley to present Vanguard's portfolio performance review and market analysis. Mr. Binkley noted that both domestic and international equities ended the year positively. In addition to that, Mr. Binkley stated that inflation continues to be a topic of discussion as the CPI experienced a 6.5% increase in November, the highest since 1982. The Fed Chairman indicated that the bond buying program will wind down in 2022 and three (3) rate hikes are planned in 2022. Mr. Brinkley noted that emerging markets severely underperformed in 2021 due to the lag in vaccine distribution, Chinese regulatory risk and the economic troubles in Turkey. Vanguard also expects the US to reach the full employment range (Under 3.5%) by mid-2022. Mr. Binkley commented even with all this market volatility and economic uncertainty that our overall portfolio performance was very good in 2021.

Mr. Binkley started the review of our Vanguard portfolio. He noted that Vanguard managed assets as of December 31, 2021 were \$590.3 million compared to \$543.7 million as of 12-31-2020. Mr. Binkley stated that the **domestic equity fund** as of 12-31-2021 saw a return rate of 25.74% compared to a benchmark rate of 25.72%. Since its inception, the rate of return for the domestic equity fund as of 12-31-2021 is 15.54%, compared to a benchmark of 15.52%. Mr. Binkley noted that the **international equity side** as of 12-31-2021 saw a return rate of 8.67%, compared to a benchmark of 8.83%. Since its inception, the rate of return as of 12-31-2021 for the international equity fund was 7.05%, compared to a benchmark of 5.93%. **The fixed income** portion of the portfolio as of 12-31-2021 showed a return rate of (1.23%), compared to the benchmark of (1.58%). Since its inception, the rate of return for fixed income as of 12-31-2021 was 3.32% compared to a benchmark of 3.25%. The final component of the portfolio, **real estate/other investment (REIT) funds** as of 12-31-2021 the return rate was 40.41% compared to a benchmark of 40.56%. Since this fund was established it has produced a 10.73% rate of return compared to a benchmark of 10.82% rate as of 12-31-2021. Finally, the total portfolio rate of return year to date as of December 31, 2021 was 12.03% compared to a benchmark of 11.84%, and since its inception the return rate is 9.08% vs. a benchmark of 9.10%. Chair Arkoosh asked for any Board comments or questions, hearing none she called on Peter Glennon to present SEI's portfolio and market review.

SEI Performance Review

Chair Arkoosh called on Peter Glennon of SEI to present his portfolio performance update and market review. He noted that SEI managed assets as of December 31, 2021 were \$66.5 million which was higher from the market value of \$60.2 million as of 12-31-2020. Mr. Glennon stated that as of 12-31-21, the rate of return on SEI managed funds was 14.19% compared to a benchmark of 13.60%. Finally, Mr. Glennon stated that since its inception our rate of return as of 12-31-2021 was 9.45% versus the benchmark of 8.91%.

Mr. Glennon noted that while COVID will remain a challenge in 2022, recession fears are unfounded as markets shook off these fears and had a strong "Santa Claus" rally at year end. SEI believes inflation will remain at high levels this year and into 2023. Wage pressure will continue as well as fuel inflation as businesses try to coax workers back into the workforce. The central Banks in the US, UK and Canada will fight inflation by reducing stimulus and raising interest rates. Mr. Glennon reminded the board that our strategic asset allocation policy continues to benefit the portfolio with protection against rising rates and inflation. SEI is maintaining an optimistic view that global growth will continue unabated and markets will move higher. Chair Arkoosh asked both Vanguard and SEI about possible sanctions against Russia over the Ukraine conflict. Both Vanguard and SEI indicated that each portfolio contains less than 1% of exposure and plans are being finalized for divesting those holdings from each portfolio. 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. Chair Arkoosh so moved, Controller Sanchez seconded the motion, and the motion for adjournment was approved unanimously at 1:30 PM.

Respectfully Submitted,

Karen Sanchez
Controller - Secretary