

BERKS COUNTY EMPLOYEES' RETIREMENT FUND BOARD MINUTES
AUGUST 26, 2022 - Approved September 26, 2022)

The Berks County Retirement Fund Board met in a regular session on Friday, August 26, 2022, at 9:30 A.M. via Microsoft Teams Live, pursuant to due notice to Board members and the public.

Chairman Christian Y. Leinbach called the meeting to order with Vice Chairman Michael Rivera; Secretary Sandra Graffius and Treasurer Dennis Adams in attendance. Member Commissioner Kevin Barnhardt was absent. The following County staff attended: David Peris, Assistant County Solicitor; Robert Patrizio, Chief Financial Officer; Ronald Seaman, Chief Operations Officer; Wendy Pennington, Benefits Manager; Grazyna Nykiel, Deputy Controller; Linda Weaver Deputy Chief Treasurer; Jonnelle Keller, Benefits/Pension Coordinator.

APPROVAL OF MINUTES

The minutes of the June 27, 2022 meeting were approved as presented.

PUBLIC COMMENT FROM THE FLOOR

None.

PRESENTATION

Kris Seets started off the Korn Ferry presentation with a recommendation to changing our asset smoothing. He points out to assure assets are available to pay benefits when they are due to members, we want to create basically a relatively stable, relatively predictable contribution pattern. It's important that we monitor the assumptions and the methods that we use to develop that contribution, because we do know obviously that the world is changing around us. Our expectations about the future are changing and the total value of the benefits is unknown because we do not know how long each member will receive their benefits; when they will retire and how their salaries will change over time. Mr. Seets states to help dampen the effect of market volatility each year we are going to create a contribution amount for the county, we know that there will be a lot of volatility in the markets. Rather than seeing drastic changes in the county's contribution amount; we want to use a smoothing method that helps dampen those changes. This will allow us to track the assets along a longer period of time and will not see a very drastic increase or decrease in the county's contribution amount.

The second recommendation Kris Seets presented to the board was in regard to revising the method of accumulated deductions to value the accumulated deductions discounted from retirement. Mr. Seets shares the plan collects members contributions; invests them just like they invest all other assets within the plan, and we assume over a long period that we will earn 7.5%, which is higher amount than what is credited to the members balances. Chief Financial Officer, Robert Patrizio points out what Mr. Seets is describing is already happening and has been from a generally accepted government accounting principal perspective. He adds Gatsby has taken a position that what Korn Ferry is proposing we do is the proper method for accounting. This is putting money into the plan; we would be syncing the two and providing consistency.

The final recommendation Korn Ferry had for the board was in regard to the mortality table. Kris Seets mentions there is a mortality table specifically for government use and they would suggest we consider moving to this table in the future. CFO Bob Patrizio suggests to the board we hold off until we can conduct our own specific study for our experience of our employees looking back ten years to compare to this new mortality table.

Terry Gerlach begins SEI presentation reporting on the quarter review; while we were down 15.77% as of July 31st, merely one month later the portfolio was down 10.9%; a significant improvement over that one-month period. He adds it has been quite volatile both up and down and there was really no place for investors to hide. One bright spot was the exposure to all the alternative asset classes within the total portfolio. He reports we all know what has caused the downdraft; very significant spike in inflation causing the Feds to raise interest rate on compounding and continued effects on supply chain. And of course, the war in Ukraine. Although some things are starting to get better; inflation remains elevated.

Mike Burke reports an improvement of approximately 6% from June to July. He points out the core property fund saw a 7.6% return in the second quarter. Mr. Burke kept his comments very short considering the two presentations during this meeting.

John Waite finished up SEI presentation with a discussion on asset allocation. Mr. Waite states we are over-funded by \$40M at the beginning of the year; 7.3% funded status. This shows we do not need to sear out higher returns at the expense of taking on a lot of volatility. We want to make sure the portfolio continues to support a 7.5% return expectation over the market cycles. Liability is growing about 4% from one year to the next and benefit payments are paid from the assets at about 4.9%. Combining these two numbers you get the hurdle rate of 9.3%. This is the rate the assets need to increase year over year to maintain the 100% funded level.

Mr. Waite reports the energy debt fund is liquidating currently and those proceeds will be coming back in the fund. He presents the question; do we just allocate to them across the portfolio, or do we want to do something a little more strategic? They modeled 2 portfolios for the board to consider: Portfolio A removes the allocation to the Energy Debt Fund, which has liquidated. A portion of these funds are allocated to High Yield and Emerging Markets Debt funds, reflecting the fixed income nature of the Energy Debt Fund. The remaining portion is allocated to the World Equity ex-US fund to rebalance the US to non-US part of the portfolio to better align with global capitalization levels; Portfolio B adds an allocation to Global Private Assets. This allocation is funded from the Return Enhancement portion of the portfolio reflecting the return seeking nature of the Global Private Assets fund. The allocation is primarily funded from US and non-US equity as the Global Private Assets fund is a form of private equity. The remaining portion is funded from High Yield and Emerging Markets Debt to recognize the additional corporate and credit exposure in the GPA fund.

Chairman Christian Leinbach asked representatives from both Korn Ferry and SEI if holding off on the boards decision until the next meeting would be of any concern. They both assured the board this would not be an issue.

OLD BUSINESS

None.

NEW BUSINESS

1. A motion was made by Vice Chairman Michael Rivera and second by Secretary Sandra Graffius to authorize the following. Motion carried.

- 16R.2022 A. Adopt a resolution authorizing employee buyback request's as follows:
- a. Monica Covington purchasing 1 year, 1 months and 26 days of leave of absence time in the amount of \$4,815.42.
 - b. Stephanie Drosdak purchasing 6 months and 14days of Workers Comp time in the amount of \$3,581.50.
 - c. Kelly Laubach purchasing 4 months leave of absence time in the amount of \$2,321.61.
 - d. Matthew Lutz purchasing 8 months and 16 days of leave of absence time in the amount of \$4,336.90.
 - e. Jazmine Morales purchasing 1 month and 8 days of leave of absence time in the amount of \$241.41.
 - f. Luz Rodriguez purchasing 2 months and 5 days of furlough time in the amount of \$799.52.
 - g. Luis Suero purchasing 1 month and 27 days of leave of absence time in the amount of \$1,645.07.

2. A motion was made by Secretary Sandra Graffius and Vice Chairman Michael Rivera to authorize the following. Motion carried.

- 17R.2022 B. Resolution to grant Ronald R. Seaman authority to approve payments, electronic transfers and retiree payroll disbursements for any and all weeks when a meeting of the Berks County Retirement Board is cancelled, or urgent circumstances require prompt action.

AUTHORIZE DISBURSEMENTS

1. A motion was made by Vice Chairman Michael Rivera and second by Secretary Sandra Graffius to authorize the following. Motion carried.

18R.2022 A. Adopt a resolution authorizing and approving annuities and refunds for August 2022 as follows:

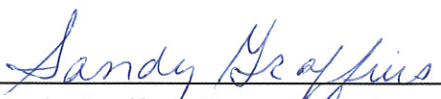
Annuities	\$2,174,611.08
Refund	\$ 405,915.33
Total	\$2,580,526.41

2. A motion was made by Secretary Sandra Graffius and second by Vice Chairman Michael Rivera to authorize the following. Motion carried.

19R.2022 B. Adopt a resolution authorizing and approving payment of Invoice No. 195251180 in the amount of \$8,625.00 to Korn Ferry US) for Actuarial Services to Agreement #PC-227009-20 for 2nd Quarter 2022.

There being no further business, on motion made by Vice Chairman Michael Rivera, the meeting adjourned at 10:48 A.M.

Respectfully Submitted,



Sandy Graffius, Secretary Retirement Fund Board