

**BERKS COUNTY EMPLOYEES' RETIREMENT FUND BOARD MINUTES
FEBRUARY 1, 2023 – APPROVED FEBRUARY 22, 2023**

The Berks County Retirement Fund Board met in a regular session on Wednesday, February 1, 2023, 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, and Secretary Sandra Graffius in attendance. Treasurer Dennis Adams were absent. The following County staff attended: Christine Sadler, County Solicitor; Jessica Weaknecht, Director Human Resources; Ronald Seam, Chief Operational Officer; Robert Patrizio, Chief Financial Officer; Cody Kaufman, 1st Assistant County Solicitor; David Peris, Assistant County Solicitor; Kevin Barnhardt, Chief Operational Officer; Larry Medaglia, Deputy Chief Operational Officer; Grazyna Nykiel, Deputy Controller; Wendy Pennington, Benefits Manager; and Jonnelle Keller, Benefits/Pension Coordinator.

APPROVAL OF MINUTES

The minutes of the December 21, 2022 meeting were approved as presented.

PUBLIC COMMENT FROM THE FLOOR

PRESENTATION

Kathleen Parisi begins her review that we have nothing but positive news to look forward too, despite the horrific year we just had. We saw the highest inflation; most aggressive tightening cycle in 40 years; seven rate hikes and the bond market had its worst year on record ever. It was only the fifth time since 1926 that both bonds and stocks were negative and the very first time it was over 10%. Although the portfolio was down 14.2% or 83 million; we gained 23 million back in the month of January. Our most appealing allocation in the portfolio; core properties was up 24% year to date.

In their opinion, the Feds are the number one thing controlling the market inflation. We see folks are going out to restaurants, traveling, and getting back into services. The service areas of the market are really driven by wages. She believes this is the number one thing the fed is looking at, because inflation is coming down, but wages are still going up. Chairman Christian Leinbach feels there are several factors that come into play here. Right now, we are looking at long term employment vacancy. That is putting pressure to wages, salaries, and benefits because employers are trying to attract employees to their organization or retain employees, that's being exacerbated by inflation. Something else to think about inflation; we have taken a major step in the cost of goods, especially services. Technology is impacting both goods and services, so they will not come down easily.

Ms. Parisi points out although the Feds are raising rates and there is a fear of a recession, typically we would see unemployment much higher than we are right now. And it is rumored the Feds want unemployment anywhere from four to five points; that would equate to a lot of job losses. We may see sentiment depending on what the Feds do after how good the market was in January. Robert Patrizio provides his perspective; for ten years the Feds couldn't figure out quite why inflation was so low, and productivity was so high, and now it is in reverse. They are fighting the federal government spending. He also feels they will not wreck the economy when they realize the real new normal information; they are trying to get it to 2%, but it is probably more like a 4%. And we cannot forget all the stimulus put out there, it magnified the position we are in. Ms. Parisi adds China is a wild card right now with our inflation. They were shut down for a year, but now that they are spending; and if that continues, it could hurt our inflation.

In response to our negative 14% return, both Robert Patrizio and Chairman Leinbach feel must keep an eye on the long-term basis. Over a ten-year average, our assumed return is $7 - 7\frac{1}{2}\%$. We have had worse years, so we will not just look at what happened last year.

OLD BUSINESS

None.

NEW BUSINESS

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

- 01R.2023 A. Adopt a resolution authorizing employee buyback request as follows:
- a. Kathryn D. Bush purchasing 1 year, 1 month and 9 days of multiple leave of absence timeframes in the amount of \$7,237.67.

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

- 02R.2023 B. Rescind resolution 17R.2022 and hereby authorize the Chief Operations Officer 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 when other urgent circumstances require prompt action prior to the next scheduled public meeting.

3. Act 96 Superannuation provision discussion – At the request of Chairman Christian Leinbach, County Solicitor Christine Sadler shares her thoughts; we have had individuals start their employment with the county after age 60 and not work a full five years. Regardless of the years

of service, their age automatically makes them eligible for pension. This has resulted in pension checks being issued for very small amounts. She adds we did look at potentially paying these retirees a lump sum payout, but that is not permitted by statutory authority. Ms. Sadler didn't look at the legislative history to see what the thought process was initially, but from her perspective she would support a provision that in order to be considered vested in a pension plan, you must complete the five full years of service; regardless of the age you started with the county. Within the Act 96 provision, there was another issue of moving the retirement age from 60 to 65; but we do not know how that would work with our employees that have 20 years and reach 55. Christine Sadler feels this would have a significant effect on our employees that are currently in the plan. Many employees plan out their retirement over an extended period, so this change would have an impact. Chairman Leinbach adds if we would do that type of change, we might be grandfathering all those already in the plan. He also points out CCAP supports a 10-year vesting requirement that is equivalent to what the state requires now.

Robert Patrizio steps in with his comments; he feels it is a simple resolution. We grandfather everyone that is in the pension plan at the time of the modification. Then as long as you satisfy the five-year vesting requirement, you can collect a pension. Mr. Patrizio does not know how many employees we bring on that are over the age of 60, but Chairman Leinbach is quick to comment, he believes this may change with the employment issue challenges. Christine Sadler feels if we potentially move to a 10-year vesting period, this could discourage us from getting a valuable employee who might give us a solid 5 to 6 years.

Kris Seets from Korn Ferry offers his thoughts, that we would be more consistent with other pension plans around the country to require the five years in order to collect and not just automatically provide a benefit just because they are 60. Chairman Leinbach stated he and Christine Sadler will put together a draft for Mr. Patrizio and the other board members to look over. Jonnelle Keller will then send it out to Korn Ferry and SEI for their comments.

There being no further business, on motion made by Vice Chairman Michael River, the meeting adjourned at 10:23 A.M.

Respectfully Submitted,



Sandy Graffius, Secretary Retirement Fund Board

