



BLAIR COUNTY RETIREMENT BOARD

c/o Blair County Controller, 423 Allegheny St., Ste 141 Hollidaysburg, PA 16648

Blair County Retirement Board Meeting

February 3, 2021 at 9:00 AM

By Conference Call

Board Members in Attendance:

Commissioner Bruce Erb, Commissioner Laura Burke, Controller A. C. Stickel, Commissioner Amy Webster, Treasurer Jim Carothers

Non-Board Members in Attendance:

Nicole Hemminger, Jennifer Sleppy, Pat Wing-Marquette Assoc., Dave Reid-CBIZ

Board Members not in Attendance:

Media in Attendance:

Kay Stephens – Altoona Murrer

Quorum: Present

Call to Order: Commissioner Bruce Erb called the meeting to order at 9:00 a.m.

Commissioner Erb explained the ground rules for today's teleconference. Only voting members of the Retirement Board may leave their telephones unmuted during the entire meeting, but we would request each avoids excess noise from your location. All other participants should mute their telephones until called upon to speak. Public participants may speak only during the designated public comment period near the beginning of the meeting and must keep their phones muted during the rest of the meeting. Each person needs to avoid interrupting the person speaking. Each speaker **MUST** state his/her name before talking each time he/she speaks so others will know who is speaking and to ensure minutes will be accurate.

The roll was called by Tracy Miller.

Call for Public Comment: Commissioner Erb called for public comment on Retirement Board Agenda items. There were no comments.

Approval of Minutes: A motion was made by Treasurer Carothers and seconded by Commissioner Webster to approve the minutes from the January 6, 2021 Retirement Board Meeting. The motion was unanimously carried.

Meeting of February 3, 2021 continued.

Quarterly Performance Review: Pat Wing from Marquette Associates presented the Fourth Quarter 2020 Investment Performance Report, reviewing the global economic environment, capital markets performance and the Retirement Fund (the “Fund”).

The Fund had an investment return of 9.5% for the quarter (all returns are net of investment management fees), slightly underperforming its policy benchmark by 0.2% (9.5% vs. 9.7%). Underperformance was largely due to MFS Int’l Intrinsic Value and Nuveen Global Infrastructure. While both investment managers showed positive returns for the quarter, they lagged their respective benchmarks due to a more defensive investment approach.

Year-to-date, the Fund had an investment return of 11.8%, underperforming its policy benchmark by 0.9% (11.8% vs. 12.7%). Still, the investment return was ahead of the 7.0% actuarial assumed rate of return.

Private Debt Presentation: In a continuation of discussions held throughout 2020 regarding asset allocation, Mr. Wing provided an overview of Private Debt—a new asset class for the Board’s consideration. According to Mr. Wing, Private Debt is loan financing to private businesses. He reviewed how an investment in Private Debt is made and why investors should consider an allocation to the asset class, as follows:

- A supply void of loan financing to private businesses has been created by the departure of traditional banks from the lending market
- Cash yields are higher than public debt & real estate
- Additional diversification can increase return expectations and/or lower risk for the Fund

He then reviewed a Private Debt investment manager, Partners Group, along with a fund they are launching in the coming months, Private Credit Strategy. He spoke to the firm’s investment background, investment process and key terms for the Private Credit Strategy Fund.

At the end of his review, Mr. Wing recommended the Board amend the current Investment Policy Statement as follows:

- Decrease U.S. Equities target from 41% to 40%
- Increase Non-U.S. Equities target from 18% to 20%
- Decrease Core Real Estate target from 10% to 7%
- Increase Listed Infrastructure target from 3% to 5%
- Decrease U.S. Fixed Income target from 27% to 22%
- Add a new target of 5% to Private Debt/High Yield
- Add Private Debt investment guidelines

After discussion by the Board, a motion was made by Commissioner Erb, seconded by Treasurer Carothers, and unanimously carried to adopt the Investment Policy Statement Amendment, as Mr. Wing had recommended.

Mr. Wing will draft the amendment and send to the Board for their review and signatures.

Rebalancing Proposal: The Controller’s Office has determined that \$125,000 is needed from the Fund to meet February distribution payments. Mr. Wing presented a rebalancing option to the Board that

Meeting of February 3, 2021 continued.

proposed a redemption of \$100,000 from the Vanguard Total Stock Market Index Fund, a redemption of \$150,000 from the Fidelity Global ex U.S. Index Fund, and a purchase of \$300,000 of the Vanguard Intermediate-Treasury Fund. The remaining distribution would then be met by existing cash in the money market account.

This would accomplish multiple goals. First, the rebalancing would keep the Fund's asset allocation close to the targets as set forth in the Investment Policy Statement. Second, it would raise the necessary liquidity to meet February distribution payments.

Further, Mr. Wing proposed the Board rescind the remaining redemption amount for the Fund's investment into the Principal U.S. Property Account. At the September 2020 Retirement Board meeting, the Board approved partial redemption requests for the two real estate managers, Clarion and Principal such that the ultimate allocation to the managers would be evenly split, if possible. Given the Board has approved a new long-term target to Real Estate of 7.0% and Principal now accounts for approximately 3.5% of the Fund, rescinding the remaining redemption would be consistent with the newly approved asset allocation and the previous approval from September 2020.

After discussion by the Board, a motion was made by Controller Stickel, seconded by Commissioner Erb, and unanimously carried to approve rescinding the remaining redemption amount for the Fund's investment into the Principal U.S. Property Account.

After discussion by the Board, a motion was made by Controller Stickel, seconded by Commissioner Burke, and unanimously carried to approve the proposed rebalancing Pat Wing from Marquette Associates presented.

Experience Study: Mr. Reid presented the results of a study of the Plan's experience compared to various assumptions used to value the Plan's liabilities. He included a brief explanation of what an experience study entails and why it is important to perform such studies every 3 to 5 years. The assumptions studied were Retirement from Active Status, Retirement from Terminated Vested Status, Rates at which active employees terminate employment with the County, compensation increase assumptions and form of annuity payment elected upon retirement. The assumptions not studied were mortality rates since the data is not sufficient to produce credible results, rates of disability and the percentage of plan members who are married (insufficient data). The primary findings of the study were that employees are retiring at earlier ages than previously assumed, the rate of turnover of County employees more closely matches a Turnover Table published by the Society of Actuaries and nearly 95% of participants retiring select a life annuity with the remaining 5% opting for a joint & survivor annuity.

The aggregate financial impact of changing to the recommended new assumptions is an increase to the Plan's liabilities of roughly \$1.5 Million, or about a 1.6% increase in the liability. This increase in liability was primarily driven by the updated rates of retirement. The previous assumption included participants working out to age 80, while the observed experience shows that most have retired by the time they reach age 70.

Meeting of February 3, 2021 continued.

A motion was made by Controller Stickel and seconded by Treasurer Carothers to accept the Experience Study presented by Dave Reid from CBIZ.

Proposed Pension Funding Policy Amendment: Commissioner Erb and Dave Reid presented a Proposed Pension Funding Policy Amendment. The text of this amendment is attached to the minutes. Controller Stickel is to place additional language into an amended policy for review in the March meeting.

Monthly Financial Report: Controller Stickel provided the January financial report for the information of the board.

Applications for Membership, Retirements, Refunds, and Rollover Payments: A motion was made by Controller Stickel and seconded by Commissioner Burke that the applications for membership, retirements, refunds and rollover payments be accepted as set forth in the agenda. The motion was unanimously carried.

Administrative Fees: A motion was made by Controller Stickel and seconded by Commissioner Burke that the administrative fees be accepted as set forth in the agenda. The motion was unanimously carried.

Litigation Checks: No litigation checks received this month.

Totals for the Monthly Retirement Distribution for 2021 were set forth in the agenda for the information of the board.

Contributions made to the Retirement Fund in 2021 were set forth in the agenda for the information of the board.

An amended policy for non-vested employees who leave county employment and have funds in the county retirement plan was sent to CBIZ for review. The Retirement Board would review the amended policy at the March meeting.

Adjournment: There being no more business to discuss, the meeting was adjourned at 10:39 a.m.

**The next regular meeting of the Retirement Board will be held on March 3 2021
at 9:00 a.m. by conference call.**

Meeting of February 3, 2021 continued.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "August C. Stickel IV". The signature is written in a cursive style with a large, stylized initial "A".

August C. Stickel IV
Secretary