BERKS COUNTY EMPLOYEES' RETIREMENT FUND BOARD MINUTES
APRIL 24, 2023 – Approval May 22, 2023

The Berks County Retirement Fund Board met in a regular session on Monday, April 24, 2023, at 10:00 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, Sandra Graffius, Acting Treasurer Socrates Georgeadis, and Member Commissioner Lucine Sihelnik in attendance. The following County staff attended: Christine Sadler, County Solicitor; Linda Weaver, Chief Deputy Treasurer; Cody Kaufman, 1st Assistant County Solicitor; Kevin Barnhardt, Chief Operations Officer; Lawrence Medaglia, Deputy Chief Operations Officer; Wendy Pennington, Benefits Manager; Grazyna Nykiel, Deputy Controller; and Jonnelle Keller, Benefits/Pension Coordinator.

APPROVAL OF MINUTES

The minutes of the March 27, 2023 meeting were approved as presented.

PRESENTATION

John Thompson from Vesper Global started off his conversation looking back at the devastating effects we went through at the beginning of the pandemic and back even further to the financial crisis of 2008; if you don't have something to balance out your portfolio above stock and bonds, it may take a long time to recoup those losses. This is where Mount Lucas comes in as a risk mitigating strategy, who have been pioneers of this since mid-1980's. They manage about $1.6 billion in assets. If there is something out there that can help smooth out your volatility and limit your annual contributions and maintain your funding status; he would like us to hear about it.

Jerry Pryor; a managing partner at Mount Lucas for 25 years. Managed futures sit as an alternative asset class; it's liquid, its exchange traded. There is a real investor premium that can be earned in that asset class that investor risk premium is truly diversifying to what traditional asset classes have. In 1988, Mount Lucas created the MLM index as means of measuring the investor risk premium for participating as an investor in the futures markets; a means of transferring the price risk. He used a corn farmer as an example; your fall harvest comes in at $6.50 a bushel of corn and it costs you $5.50 in expenses. You have a dollar margin, but if the corn drops to $4.50 you are at risk of going out of business. The farmer goes into the futures market and sells forward his crop, then he is indifferent to the price. The farmers are corn producers, and the corn consumer could be General Mills which makes cornflakes. You cannot make cornflakes without corn. General Mills is concerned about the price of corn going up; they go in the futures market and buy corn locking in their price. That pricing difference would then get passed own to the consumer. Mount Lucas as the investors; steps into the marketplace, accepting those price risks.

Chairman Leinbach is open to the possibility, to have something in the portfolio that potentially can do well with those upheaval type situations makes a lot of sense. Commissioner Shelnick asks how many patterned instances they have analyzed before. John Thompson offers a response. Prior to last year, we have been in a 40-year bull market. Every time there is a major pullback in stocks, the bond market has been there to sort of balance that. That means there is 40 years of data to look at or even longer. Mr. Pryor adds, the Fed is not behind us. Every time the stock market falls anymore, before every time the stock market would fall, the Fed would lower rates, and everything would sort of work out well. The Fed's not guaranteeing they are going to lower rates every time the market goes down. We are in a different environment; one that is more tailwind for strategies like ours. John also points out managed future is unlike many other alternative investments; they are transparent, which is very big in today's pension fund world, because we are paying out a lot of benefits monthly.

Acting Treasurer Socrates Georgeadis questions if there is a case study available to show the comparisons that were discussed. CFO Bob Patrizio request an annual performance over the life of this funding to see what it looks like when the stock is just booming and what it looked like in late 2020 and 2022. John Thomson responded that he would email it to them. Kathy Parisi from SEI requested a meeting with Mr. Thompson and Mr. Pryor with members of her staff to have a better understanding of what they have to offer. She agrees 100% of diversification is so critical, especially during these volatile markets.

Kathy Parisi begins her review that before 2022 was very volatile, the portfolio was down significantly in 2002 but the good news is the market value is up to $497M at the end of the year and happy to note as of this morning at $500,115,197. When we look at the returns, the portfolio was up 5.5% in the first quarter; it was down for the one year -5%. She adds it is important that they continue as our fiduciaries to look at the asset allocation and really several products from equities, fixed income, and alternative. The markets are anticipating the Fed is going to start cutting rates later this year. We disagree, the Fed disagrees as well. There are several reasons; a tight labor market, high inflation, baby boomers retiring, and millennials are coming into the workforce; but they are not concerned with working as hard. There are cyclical and demographic concerns that we think inflation is going to remain higher. Ms. Parisi shares there is still concern out there for a recession and to that point, we do expect markets to be more volatile; we could see a little bit of pullback from what we have seen.

She also points out; asset allocation is critical from a long-term perspective. Building a portfolio that really is strong and diversified and hits several asset class alternatives. Chairman Leinbach mentions he is keeping an eye on the 10-year; 6.27%. We have had a few volatile cycles here, as we smooth out of the next couple of years, we want to see that number move back up. Kathy responds that a full asset allocation review, looking at the liabilities of the plan and what the realistic projection are going forward. Controller Sandy Graffius talked about the controller's conference last week and the subject of how much smoothing to expect. We are sitting at 7.5%; and she notes about 10 counties across Pennsylvania have changed to between 6.75% and 7%. Mr. Patrizio adds our 10 year was over 7.5%. You do not want to overreact and what happened in 2022; we are already seeing a recovery.

PUBLIC COMMENT FROM THE FLOOR

OLD BUSINESS

None.

NEW BUSINESS

None.

AUTHORIZE DISBURSEMENTS

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

09R.2022 A. Adopt a resolution authorizing and approving annuities and refunds for April 2023 as follows:

Annuities	$ 2,269,130.33
Refund	$ 294,796.60
Total	$ 2,563,926.93

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

10R.2023 B. Adopt a resolution authorizing and approving payment of Invoice No. 195268468 in the amount of $8,625.00 to Korn Ferry (US) for Actuarial Services to Agreement #PC-227009-20 for 1st Quarter 2023.

There being no further business, on motion made by Vice Chairman Michael Rivera, the meeting adjourned at 10:52 A.M.

Respectfully Submitted,

Sandy Graffius

Sandy Graffius, Secretary Retirement Fund Board