

**FOURTH QUARTERLY MEETING
ERIE COUNTY EMPLOYEES' RETIREMENT BOARD**

NOVEMBER 16, 2022

Members present: Andre Horton
Terry Scutella
Dr. Kyle Foust
Paul Lichtenwalter (arrived at 12:13pm)
Brian Shank

Also present: Frank Burnette, Morrison Fiduciary
Christiaan Brokaw, AndCo
Cindi Marzka, Definiti
Marie Lewis, Controllers Office
Mark Orlop, Controllers Office
Ray Reade, Erie County Retirees
Karen Dorich, Erie County Retirees
Joe Conroy, Allspring
Melissa Grucza, PNC
Carolyn Rains, PNC
Andrew Dylewski, PNC
Michael Chen, Portfolio Advisors (Zoom)
John Kyles, Portfolio Advisors (Zoom)

Chairman Horton called the Erie County Employees' Retirement Board to order at 12:05 PM in Room 114A at the Erie County Courthouse. Roll call showed Mr. Lichtenwalter was absent.

Dr. Kyle Foust introduced Marie Lewis as the Controller's office employee that will replace Dan Bayletts for Retirement Board duties.

Chairman Horton called for the hearing of the public. Ray Reade spoke on behalf of the Erie County Retirees. Mr. Reade thanked the Board for the COLA that was granted last year. Karen Dorich spoke on behalf of the Erie County Retirees. Mrs. Dorich introduced herself and asked the Board to please take their job seriously and take care of the fund.

Motion to approve the minutes for the Third Quarterly Meeting held on August 17, 2022 and the Special Meeting held on September 22, 2022 made by Mr. Shank, seconded by Mr. Scutella. Motion approved unanimously.

Chairman Horton asked Cindi Marzka to please give a short presentation as to the state of the fund, the estimated actuarial contribution for 2023 and explain how the fund went from 101% funded to below 80% funded. Mrs. Marzka stated the market value of the County's assets as of 12/31/2021 funded ratio was 101.5%. At the beginning of the year the fund was approximately \$330 million and due to market performance, at the beginning of November the fund was approximately \$280 million and had lost approximately \$50 million. If the number stays consistent through year end, the funded ratio will be approximately 80% as of 12/31/2022 and under Act 96 a COLA cannot be approved if including the value of adding the COLA would

cause the fund to be under 80% funded. The downturn in the market is also affecting what the actuarially determined contribution will be for 2023. In 2022, the funding requirements for the plan were just under \$7 million and it is projected that the funding requirements will be \$8 million to \$8.5 million for 2023. An additional factor that is causing the increase in cost is the updated mortality assumption tables that are going to be recommended to governmental plans for 2023. Mrs. Marzka recommended that the Board schedule a work session in early 2023 to discuss the results of the mortality assumption table valuation and how close the projections are to the actuals for 2023 and possibly change the mortality tables and adjust the actuarial assumption if needed.

Chairman Horton called for the approval of an interest rate for the Erie County Employees for 2023. Motion by Dr. Foust, seconded by Mr. Shank to keep the interest rate at 4% for the Erie County employees for 2023. Motion carried by unanimous voice vote.

Chairman Horton referenced item six on the agenda (Consideration of Cost-of-Living Increase for the Erie County Retirees) and stated the fund was at the 80% level therefore a COLA cannot be considered for the Erie County Retirees.

Chairman Horton turned the floor over to Mr. Burnette of Morrison Fiduciary Advisors for his report. Mr. Burnette introduced Joe Conroy of Allspring to give his presentation. Mr. Conroy gave the report. He stated that the fund has maintained performance but it slightly underperformed the benchmark this year.

Mr. Burnette introduced Michael Chen of Portfolio Advisors to give his presentation. Mr. Chen stated he is very pleased on how the fund has continued to mature and it has continued to appreciate each quarter this year. John Kyles then gave his presentation for Portfolio Advisors.

Mr. Burnette introduced Carolyn Raines of PNC Fixed Income to give her presentation. Ms. Raines introduced Melissa Grucza and Andrew Dylewski and then gave her presentation. Dr. Foust informed Ms. Raines that the Board has agreed to allow PNC to use Erie County Fixed Income as a reference for another client and Chairman Horton agreed.

Mr. Burnette and Christian Brokaw gave the report for Morrison Fiduciary. Mr. Burnette stated that the fund is down about 11% for the year but the long term return for the fund has been 7% for a ten year period.

Mr. Burnette stated that he would like to have a discussion regarding something that was previously brought up; investment managers in the Erie County fund that are owned by disadvantaged business entities and/or investment managers that are local to Erie County. In the current IPS, it states that all investment managers, consultants or other vendors serving the plan must disclose any contractual relationships or fee sharing arrangement with any third party, including any local broker agreements. The IPS also states that the Board will recognize and evaluate investment managers that have a local geographical presence. Local managers investment strategy, credentials and fee structure must be competitive with national caliber firms. Mr. Burnette stated that the Erie County Fund currently works with AndCo which has multiple managers that meet this criteria and also Bentall GreenOak, which is listed as a minority owned firm. Mr. Burnette stated that he is willing to update the IPS if the Board would like to but there is already a provision in the current IPS that relates to this issue. The Board agreed that they will

keep the current IPS in place and hire with performance as the number one criteria when considering an investment manager. The IPS will be amended as needed, however.


Mr. Burnette asked the Board if they would allow the consultant to lengthen the Fixed Income Maturities to longer durations in the fund. He stated that the firms would stay the same; PNC and Boyd Watterson but they would move from Intermediate to Core and Vanguard would move from Short Duration to a Core Portfolio.

Motion to authorize the consultant to use their discretion, in conjunction with the Controller, provided they inform the Board as they proceed, to adjust benchmarks at their discretion made by Dr. Foust, seconded by Mr. Shank and carried by unanimous voice vote.

Dr. Foust informed the Board that the Retirement fund had received a check from the PA Unclaimed Property fund on behalf of an Erie County retiree and the Retirement fund is the payee on this check. Dr. Foust stated he is working with Tom Talarico and the office of the PA Unclaimed Property fund to get this money back to the retiree but he wanted the Board to be aware that this is taking place.

Dr. Foust informed the Board that he had signed paperwork and returned it regarding NantHealth, Inc. and a settlement recovery in the amount of \$15,345.71 for Erie County and he is now waiting for a response.

Adjournment at 1:29 PM



Dr. Kyle W. Foust, Secretary
Erie County Employees' Retirement Board
Pleasant Ridge Manor Employees' Retirement Committee

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