

**BERKS COUNTY EMPLOYEES' RETIREMENT FUND BOARD MINUTES
JANUARY 24, 2022**

The Berks County Retirement Fund Board met in a regular session on Monday, January 24, 2022, 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; Treasurer Dennis Adams, Secretary Sandra Graffius and Member Commissioner Kevin Barnhardt in attendance. The following County staff attended: Christine M. Sadler, County Solicitor; Cody Kauffman, Assistant County Solicitor; Jessica Weaknecht, Director of Human Resources; Wendy Pennington, Benefits Manager; Grazyna Nykiel, Deputy Controller; Pamela Shupp, Deputy CAO; Stephanie Weaver, Public Relations Officer; Jonnelle Keller, Benefits/Pension Coordinator.

APPROVAL OF MINUTES

The minutes of the December 21, 2021 meeting were approved as presented.

PUBLIC COMMENT FROM THE FLOOR

None.

PRESENTATION

Terry Gerlich began the presentation with stating a very strong year for our portfolio, certainly a much higher returns than most market forecasters predicted. As of 12/31/21 we had a balance of \$584,764,051 a return of 15.1%. We are still compounding at a good rate looking at 3 and 5-year return. The portfolio remains well diversified across and within asset classes.

He states we have seen short-term interest rates begin to rise at the end of the quarter in anticipation of the fed tightening monetary policy this year. Infection rates with Omicron were up and created concerns that the economy was slow despite the inflation and that we may go back into a lock down. Just as we say when they mindset took over in the early stages of the pandemic, we saw Megacap tech stock dominant leadership as fears of Covid increased.

Mr. Gerlich reported looking ahead this year; we do feel we will get through this Covid wave; the infection rate has peaked and hopefully we will see a declining rate of hospitalization and he doesn't think the economy will come to a stop the way it did earlier on. The big issue going forward that we will talk about all year is inflation; and no longer are most people thinking of it, or as the Feds are thinking of it as transitory as we originally forecasted; it will be with us for a while and will require federal banks to begin tightening policy to account for that. Rising interest rates are expected to impact valuation for stocks; so, we could see more volatility here this year as we see inflationary pressures persist.

Mike Burke reported as we closed the year at approx. \$584.76 million, this represents coming into the calendar year at approx. \$522 million. with net outflows of \$18.5 million which were

offset by almost \$78 million of investment gains during the year. He points out there are over forty different managers under the hood providing diversification with all our asset classes and strategies that they manage a steady and well-lined up portfolio as we close the books for 2021.

Mr. Burke stated at our next quarterly review they will look to bring an allocation study. They feel we have an opportunity to take some profits in the strength we are seeing in 2022, take profits and redistribute, and look for additional opportunities and what we see in front of us with the volatility we are currently seeing.

Chairman Christian Leinbach brings up concerns with the volatility we appear to be facing in 2022. Politically there is a lot of uncertainty, not referring to the elections as much as policy standpoint from this administration. There are geopolitical issues happening right now near the Ukraine border with Russia and concerns with China beyond the geopolitical with their economy. He believes one of China's entities went under and at this point it is not as big of an impact as people have seen. Terry Gerlich responds that in respect to the geopolitics; it is important to keep these issues in mind from an investment perspective, but it is hard to handicap these things.

Mr. Gerlich adds if Ukraine was invaded, the incursion would cause significant sanctions on Russia. What we do not know is would that reverberate into the broader economy or is the damage isolate to Russia. He states the entity you referred to in China is Evergrand, a large real estate firm. A lot of China's growths has been supported by very significant infrastructure spending of a variety of types; a lot of investment spending which the government has supported and encouraged. We caught this leverage in the real estate market. There was a powerful demographic trend years ago where empty cities were being built. Those living in the countryside were coming to urban areas to work, there was a demand on housing. This issue seemed to become excessive, and that bubble is now deflating. Because of this leveraging happening in China, it appears that much of this debt is domestic within China. Even though this is a benefit to the world, does it mean slower growth for China, slower growth for the world.

Terry shares every year there is a geopolitical concern somewhere; Iran is not off the danger list now either. These sorts of events can happen and there is no way to forecast. We cannot manage thinking that if a war with Iran were to happen, we better be prepared and go to cash in the portfolio; we just cannot do that, or we would never generate the returns that we need. In terms of the United States; right now, there has been tremendous amount of fiscal support during the pandemic. Right now, much of the stimulus is rolling off, that is why ironically growth may be little slower and in terms for going forward there is gridlock in Washington. Inflationary pressures could accelerate if there is no further spending beyond the infrastructure bill that was past. The gridlock will persist; even if the House or Representatives or the Senate were to change mid-election, there is still a democratic President and a mathematical equation that leads to gridlock.

OLD BUSINESS

None.

NEW BUSINESS

1. A motion was made by Commissioner Kevin Barnhardt and second by Vice Chairman Michael Rivera to authorize the following. Motion carried.

- 01R.2022 A. Adopt a resolution authorizing employee buyback request's as follows:
- a. Kyle W. Danner purchasing 5 years of military service time in the amount of \$45,729.66.

AUTHORIZE DISBURSEMENTS

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

- 02R.2022 A. Adopt a resolution authorizing and approving annuities and refunds for January 2022 as follows:


Annuities	\$2,065,904.46
Refund	\$ 119,885.18
Total	\$2,185,789.64

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

- 03R.2022 B. Adopt a resolution authorizing and approving payment of Invoice No. 195238763 in the amount of \$8,625.00 to Kron Ferry (US) for the Actuarial Services to Agreement #PC-227009-20 for 4th Quarter 2021.

There being no further business, on motion made by Vice Chairman Michael Rivera, the meeting adjourned at 10:33 A.M.

Respectfully Submitted,


Sandy Graffius, Secretary Retirement Fund Board