

**BERKS COUNTY EMPLOYEES' RETIREMENT FUND BOARD MINUTES
OCTOBER 25, 2021**

The Berks County Retirement Fund Board met in a regular session on Monday, October 25, 2021, 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 Secretary Sandra Graffius, Treasurer Dennis Adams, Vice Chairman Michael Rivera and Member Commissioner Kevin Barnhardt were in attendance. The following County staff attended: Cody Kauffman, Assistant County Solicitor; Jessica Weaknecht, Director of Human Resources; Christie Bennett-Zellers, Benefit Manager; Grazyna Nykiel, Deputy Controller; Ron Seaman, Chief Administrative Officer; Stephanie Weaver, Public Relations Officer; Jonnelle Keller, Benefits/Pension Coordinator.

APPROVAL OF MINUTES

The minutes of the September 16, 2021 meeting were approved as presented.

PUBLIC COMMENT FROM THE FLOOR

None.

PRESENTATION

Terry Gerlach began the presentation by stating that we continue see good news. Year-to-date returns are up 9.5% and over a traveling one year, we are up about 19.8%. He reported that we expect to see some change as we go forward; both with volatility and diversification. Mr. Gerlach mentioned if you look back over the long term, since inception 13 years ago, we have generated an annualized rate of return of approximately 8.4%. This rate of return is well ahead of the actuarial required return, and this differential has added important additional funding and security to the plan.

The combination of the various physical supports of unemployment payments and childcare credits, etc. resulted in a significant amount of excess savings on the part of individuals. The approximately \$1.6 trillion in excess savings is going to provide further support for the economy. Mr. Gerlach stated the issue with inflation is expected to continue with goods and services, as well as wages.

Mr Gerlach reported that in the third quarter we saw a rotation back to large cap growth. Some of the mega cap technology stocks, which had started to lag after such a strong run, had some rebound. That was related to investors worrying about a resurgence of Covid in the summer and the effects on the economy. Investors rotated out of the more economically sensitive value stocks and went to some more sustainable growth companies.

Mr. Gerlach shared that as much as we enjoyed it, we cannot expect the double digit returns to continue. Right now, the markets have high valuation levels. With inflationary pressure and its effect on interest rates, the market becomes a little more vulnerable to disruption or perceived

disruption. These are concerns about what may happen in the future. He compared this to the stress of a seismic fault. The stresses are there, so the potential is there. This is the price of being in the market. It's normal and we need to ride right through it.

Commissioner Leinbach questioned Mr. Gerlach regarding the inflation with wages that he has never seen before, supply chain issues both in the grocery store and in the auto industry and the stability of the China situation. Commissioner Leinbach pointed out that the markets do not seem to be completely reacting as though things are out of control, but they are very concerning. Mr. Gerlach responded to the supply chains by stating that the economy had become very efficient in operating with very low levels of inventory in the past. With the perfect storm of the pandemic and the economy shutting down, inventories were being driven even lower than with demand coming back stronger than we anticipated. It will take a while for supply to catch up. We saw similar things happen with Energy. Oil activity went very low and with the return of the demand, the supplies cannot be turned on overnight; it will take months. He stated, as far as the wages, there were more jobs than there were officially unemployed people. Several million people still have not come back to the labor force, although economists expect they will. If they do not return, we will have more pressure on wages for a longer period. The last point Mr. Gerlach made was regarding geo-political concerns. If you are an investor, there will always be concern. In the past, we had Iran or Iraq, and now it is China. The only way to account for this from an investment perspective; it is just overhang.

Mike Burke reported our actual and target exposures are well in line giving us a calendar year at approximately \$500 million. That combined with a \$13.5 million up flow and approximately \$50 million investment gain as of September 30th, created a portfolio value of \$561.3 million. He stated that we can add approximately \$18 million on top of that to get us to real time figures. The account has come a long way in a fairly short period to time. Mr. Burke added some additional commentary regarding the China situation. Although it represented a small part of the portfolio, only 3%, that emerging market equity strategy is up almost 7% on a year to date basis. He stated the fund is underweight in that particular region and that is how we have been able to get a strong return in the face of an otherwise negative index.

OLD BUSINESS

None.

NEW BUSINESS

1. A motion was made by Commissioner Kevin Barnhardt and second by Vice Chairman Michael Rivera not to consider the cost of living adjustment. Motion carried.

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

24R.2021 A. Adopt a resolution authorizing employee buyback requests as follows:

- a. Barry Hamm purchasing 2 months and 27 days of leave of absence and furlough time in the amount of \$1,073.95.
- b. John Reigle purchasing 2 years, 4 months and 5 days of previous service time in the amount of \$5,073.39.
- c. Donna Shaner purchasing 9 months and 1 days of leave of absence time in the amount of \$1,816.51.

AUTHORIZE DISBURSEMENTS

1. A motion was made by Vice Chairman Michael Rivera and second by Treasurer Dennis Adams to authorize the disbursements as follows. Motion carried.

25R.2021 A. Adopt a resolution ratifying, confirming and approving annuities and refunds for September 2021 as follows:

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|-----------|----------------|
| Annuities | \$2,016,826.03 |
| Refund | \$ 942,538.48 |
| Total | \$2,959,364.51 |

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

26R.2021 B. Adopt a resolution authorizing and approving annuities and refunds for October 2021 as follows:

| | |
|-----------|----------------|
| Annuities | \$2,033,715.53 |
| Refund | \$ 215,526.04 |
| Total | \$2,249,241.57 |

3. A motion was made by Vice Chairman Michael Rivera and second by Treasurer Dennis Adams to authorize the disbursement as follows. Motion carried.

27R.2021 C. Adopt a resolution authorizing and approving the payment of the Invoice No. 195232899 in the amount of \$8,625.00 to Korn Ferry (US) for Actuarial Services to Agreement #PC-227009-20, for the 3rd Quarter 2021.

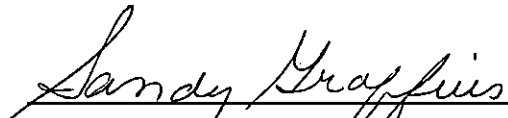
4. A motion was made by Commissioner Kevin Barnhardt and second by Vice Chairman Michael Rivera to authorize the disbursement as follows. Motion carried.

28R.2021 D. Adopt a resolution authorizing Sandra Graffius and Dennis Adams to execute Invoice 19860 in the amount of \$36,030.00 to EHD (Engle-Hambright & Davies, Inc.) for the 2021/2022 Fiduciary Liability policy.

Chairman Christian Y. Leinbach reported the Berks County Employees' Retirement Fund balance as of October 22, 2021 is \$579,765,925.60.

There being no further business, on motion made by Commissioner Kevin Barnhardt, the meeting adjourned at 10:34 A.M.

Respectfully Submitted,



Sandy Graffius, Secretary Retirement Fund Board