

BEDFORD COUNTY RETIREMENT BOARD
February 13, 2020

A meeting of the Bedford County Retirement Board was held on Thursday, February 13, 2020 at the Omni Bedford Springs. The meeting began at 12:06 p.m.

Those present were: Commissioner Josh Lang; Commissioner Barry L. Dallara; Commissioner Deb Baughman; Melissa A. Cottle, Treasurer; Debra Brown, Chief Clerk; Mike Clapper, Finance Director; Christopher Lakatos, Senior Consultant and John Paul “JP” Cavaliere, Senior Consultant of Cornerstone.

Approval of Minutes:

The November 19, 2019 minutes were approved as presented.

Mr. Lakatos gave an overview of the performance of the retirement board. He gave a brief introduction about Mr. Cavaliere.

There was no old business to discuss.

Retirement Fund Flash Report:

Mr. Lakatos gave a brief overview of the report noting the Current Market Value and the negative returns on Domestic Equity, and the International Equity.

2020 Capital Market Assumptions:

Mr. Lakatos spoke briefly regarding the S & P 500 Annual returns; positive

- Themes for 2010’s – in 2020 saw growth in the market.
- Expected Returns:
 - 2010 – 10 year – Expected Return / Actual Return
 - Domestic Equity – 8.5% / 13.6% returned
 - International Equity – 8/7% / 5.5% returned
 - Fixed Income – 4.5% / 3.8% - returned
 - High Yield Bonds – expected 6.1% / 7.6%
 - Asset Class Forecasting – Expected Return – Actual Return
 - Global Equity – 8.6% / 8.8%
 - Domestic Bonds – 4.8% / 4.6%
 - New Tech is not going away
 - De-Globalization picks up
 - Millennials become dominant force in market
 - Economical Social Government (ESG) 45% focus
 - US dollar could force the dollar down

Annual Survey of Outlooks:

- Expected returns compared to 25 Year Average are average
 - US Large Cap at 5.9% /10.2%
 - US Small Cap at 6.4% / 9.4% a 4.5% return
 - Developed International at 7.7% / 4.6% at 2.2.% return

- Fixed Income 2.4% / 5.6% at 2.4% group
- Cash 2.1% / 2.5% average cash at 2.1%
- Private Equity 9.4% / 15/4%
- Current Allocation Forecast
 - Projected 95th percentile
 - Probable growth at 7.5%
- 2020 1-Year Forecasted Ranges Overview
 - Loss 50% - needs to be 100% of equity
 - Losses to get to 7 ½ % 0 volatility

Index Flash Report – Market Returns:

- a. S & P 500 Commodities market returns year to date up at 31.49; last 10 years up at 13.56
- b. Growth over Value on the Russell 1000 points
- c. MSCI up almost to 19%; Commodities up almost 5%
- d. Blmbg – 2019 was a strong year

Bullish Market Sentiment:

- a. Chart shows the market strong

The Trade War:

- a. impact on tariff's in China positive to market
- b. trade deal to create activity
- c. Coronavirus could be a threat

Accommodative Monetary Conditions:

- a. Positive capital market

Consumers + Business:

- a. US wage growth has picked up
- b. Unemployment 3 ½ %
- c. Trend strong and positive

Oil Dependency Decreasing:

- a. On the 12-month average; oil 35-45% commodities decreasing

Political Update:

- a. Correlation of trade policy
- b. More clarity with election

Global Support:

- a. U.S. improving
- b. China rebounded 18%
- c. UK Brexit – capital market – finalize trade agreements

Global Divergence:

- a. Valuation - leaning more into International
- b. Move favorable
- c. International growth

SECTION II:**Cash Flow Summary:**

- a. Beginning market value at near 13 million
- b. Income at \$109,058
- c. Expenses at (\$20,848)
- d. Withdrawals at (\$323,701)
- e. Ending Market Value at end of quarter \$13,332,121

Historical Cash Flow:

- a. Contributions up at \$2,947
- b. Withdrawals (paying beneficiary's) at (\$7,199)
- c. Income up at \$2,078
- d. Change in Market Value almost 5 million

Asset Allocation:

- a. Beginning Market Value at \$12,752,704
- b. Ending Market Value at \$13,332,121

Net Portfolio Performance:

- a. Net Fee Returns 5.52% - Benchmark 5.53%
- b. Calendar Year Net of Fee Returns – outperformed 5 years

Manager Performance Matrix:

- a. Replacing ALS/CC
- b. Excess returns down (4.55%)

Historical Net Performance:

- a. Rolling 12 Quarter Net of Fee Returns up 9.5% in terms of returns
- b. Since inception in 2012 – Net of Fee Drawdown – V shaped recoveries – down 8%

SECTION III:**Blended Benchmark:**

- a. Scatter Chart shows north of median line
- b. Return Analysis – is at median

Blended BM:

- a. Return Analysis – at 5.9% - top 50%
- b. Last year at 19.58%
- c. Since inception – top 3 of 5 quartiles
- d. Beta at 1.00
- e. Standard Deviation at 8.18

- f. Up market capture analysis 100.00
- g. Down market capture analysis at 92.34

Mr. Lakatosh gave an overview of the activity report.

Commissioner Dallara request that it be noted that there will be an increase in the 2020 budget of around \$400,000.

Commissioner Dallara made a motion to approve to keep contributions at 5%, seconded by Melissa Cottle. The motion was approved as presented.

Commissioner Dallara made a motion to remain at a 160 current class basis, Commissioner Lang seconded the motion. Commissioner Baughman abstained. The motion was approved as presented.

Commission Dallara made a motion to approve the interest rate at 5 ½ %, Melissa Cottle seconded the motion. Commissioner Baughman abstained. The motion was approved as presented.

Old Business:

There was no old business to discuss.

Adjournment:

Commissioner Lang made the motion to adjourn at 1:20 p.m. Commissioner Dallara seconded the motion.