



RETIREMENT BOARD MINUTES

Thursday, October 14, 2021, 11:00 A.M.

Willowbank Office Building, Room 146
420 Holmes Street, Room 146
Bellefonte, PA 16823

I. CALL TO ORDER

The Retirement Board met in Room 146 at the Willowbank Office Building. The meeting was called to order by Commissioner Pipe at 11:00AM. In attendance were Retirement Board members Commissioner Higgins, Commissioner Dershem, Treasurer Kennedy, and Controller Moser. Damian Gallagher and Ken Mertz from Emerald Advisers were also in attendance.

II. PUBLIC COMMENT

In accordance with the Sunshine Act, attendees will be given the opportunity to comment on matters of concern, official action, or deliberation before the Retirement Board. For items not on the agenda, the Retirement Board will accept public comment at the beginning of each meeting. For items that are on the agenda, the Board will accept public comment prior to each official action. Persons desiring to comment should raise their hand to be recognized by the Chair. Anyone addressing the Board will be given a five-minute time period in which to do so.

III. MEETING MINUTES

Minutes from the Thursday, August 26, 2021 Retirement Board Meeting.

On a motion from Treasurer Kennedy and seconded by Commissioner Dershem, the minutes from the August 26, 2021, Retirement Board meeting were approved unanimously.

IV. CORRESPONDENCE

None.

V. OLD BUSINESS

None.

VI. NEW BUSINESS

- A. **Emerald Advisers Capital 3Q 2021 Investment Performance Results** – After a welcome by Commissioner Pipe, Controller Moser introduced Damian Gallagher, AVP of Client Relations and Business Development, and Ken Mertz, Chief Investment Officer, from Emerald Advisers.

Damian indicated there were no major changes at Emerald Advisers and that they were back to work in a hybrid-rotational model at their offices. He noted that MJ Boparai has replaced Serena Tenant, who retired at the end of September.

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	Centre County	Russell 2000
3rd Quarter 2021	-0.16%	-4.36%
Year to Date 2021	12.47%	12.41%
Trailing 1 Year	39.18%	47.68%
Trailing 3 Years	15.30%	10.54%
Trailing 5 Years	17.43%	13.45%
From 3-31-06	10.48%	8.54%

Damian reported that Delta uncertainty weighed on 10-year yields, bottoming at 1.19% during July and August.

Ken Mertz then reported at length about the continuation of volatility in the market, expected to continue into 2022. Interest rate hikes are a year or more away, with some analysts predicting that there will not be any interest rate hikes.

Ken further noted that the Fed has a plan to begin tapering, or reducing the amount of Treasury and mortgage debt it purchases, with a plan to end the tapering in 2022. Ken indicated he does not believe that date will happen but that the pending tapering discussions in October were partially to blame for the September slow down in the market.

Underperformance in the small cap market is a primarily a result of Facebook, Amazon, Apple, Netflix, and Google (FAANG) stocks. These companies changed the dynamics of the market with their share. Ken believes small cap companies will recover strongly in 2022, because of the entrepreneurial spirit of those companies. The portfolio, however, outperformed the index in the health care sector, which saw a decline due to uncertainty over a new/permanent FDA director.

GDP quarter forecast was approximately 6-7% but adjusted numbers have it closer to 2%, primarily related to supply chain issues, which are anticipated to continue into 2022, with the anticipation that we've seen the worst of these issues have products that would typically be in stores now delayed. He also noted that the Russell 2000 has underperformed the S&P 500 in new all-time highs and that 2021 could be the third consecutive year of this trend, unprecedented in its 40-year history.

Additional evidence of continued recovery are large banks reporting significant earnings above projected revenues.

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Commissioner Dershem asked what the effects of increased energy costs are on the portfolio/markets. Ken noted that energy costs increased faster than anticipated because banks ceased lending to energy firms. He also noted that if energy prices increased any more, it would be a major negative in the market. The consumer, as a whole, would be able to cover increased home energy costs this winter in the northeast, though those below the poverty line would have serious difficulties.

VII. ADJOURNMENT

After no additional questions or commentary, a motion was made to adjourn at 11:30AM by Commissioner Higgins, seconded by Commissioner Dershem, and passed unanimously.

Jason Moser, Secretary of the Retirement Board
Controller