

RETIREMENT BOARD
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF SEPTEMBER 22, 2021
(In person meeting in County Council Meeting Room 2 – 4 pm)

TO: Retirement Board

FROM: Joanne Phillips, Board Secretary and County Controller

PRESENT: Councilwoman Christine Reuther; Councilwoman Elaine Schaefer; Treasurer James Hackett; Board Solicitor Jonathan Lichtenstein; Bruce Besecker and Rick Courtney with RBC Wealth Management; David Reichert and Kris Seets with Korn Ferry; and Helen Hurilla, Relationship Manager with Wells Fargo Institutional Retirement and Trust.

ABSENT: Councilman and Board Chair Brian Zidek and Executive Director Howard Lazarus.

- 1) Meeting was called to order by Secretary Joanne Phillips at 2:05 pm. (Councilman Brian Zidek was not present at this meeting, and Councilwoman Reuther arrived a few minutes after the start).
- 2) **Approval of Minutes** from June 23, 2021 meeting, with one amendment. The minutes were amended to state that the Executive Session held during the June Retirement Board meeting was to discuss possible litigation. Councilwoman Schaefer made a motion to approve the minutes, as amended, and Treasurer Hackett seconded the motion. **Motion passed 3-0.**

3) The Treasurer's Report

Treasurer Jim Hackett reported that as of May 31, 2021, the value of the fund is \$673,642,829, including the annuities valued at \$4,450,729. A copy of the Treasurer's Report will be sent to the County Clerk, Anne Coogan.

4) Public Comment

There were no public comments made.

5) New Business

a. **RBC Update and Restatement of Investment Policy.** Mr. Michael Courtney from RBC addressed portions of the RBC report through August 31, 2021. Mr. Courtney noted that the equity markets had continued to move up in early September but were experiencing a downward turn as of the date of the meeting. As a result of earlier decisions of the Board, the County did undertake to take steps to rebalance the fund, but it remains overweighted in stocks. RBC would like to continue a discussion concerning private equity as opportunities arise. RBC and the Board agreed that we will continue to present possible investments. While the fund includes a REIT investment (Real Estate and Investment Trust), in the future RBC may also present an investment in a private real estate fund to counter the limitation on fixed income yields. These returns are generally around 4 or 5%. The Board expressed that it would stay open to this possibility and asked that RBC send information to review in advance of meetings to consider such an investment.

Mr. Besecker reviewed their report and investment fund performances. The Board agreed to continue to watch Logan Capital and Swarthmore Group for improvement. Mr. Courtney also reviewed the private equity investment in Siguler Guff and discussed how their reporting works. Following up on prior discussions, Mr.

Courtney made the recommendation to further reduce the total U.S. equity position by 5% to bring the investments closer in line with our investment allocation policy.

The Board noted the success of Cumberland, and the Board discussed moving additional funds to Cumberland from Swarthmore. Following further discussion, Councilwoman Schaefer made a motion to move \$5 million from Swarthmore and to invest in a recommended short duration Prudential product. Councilwoman Reuther seconded the motion. **Motion passed 4-0.**

b. Discussion with Actuaries Korn Ferry- Dave Reichert and Kris Seets. Mr. Reichert and Mr. Seets reviewed the 2021 Actuarial Valuation prepared by Korn Ferry utilizing fund performance and census from the end of 2020. Korn Ferry reports that the plan is very well-funded. Mr. Seets explained how the assumptions adopted by the Board are utilized in arriving at the valuation, including how the valuation is calculated on estimated projections and use of the smoothing method. Of note, retirements had increased as of January 1, 2021, to a total of 1,822. Secretary Phillips said that the County had seen 139 people retire so far this year, with 178 in 2020 and 126 in 2019. Mr. Seets continued the discussion about the ADC (Actuarially Determined Contribution) for 2021. The ADC had been set by Korn Ferry at \$6,112,362 million dollars for 2021 based on the assumptions adopted by the Board and being applied to the fund.

Mr. Reichert discussed the mortality rate assumption and how this assumption affects the calculation of the ADC. Korn Ferry has noted in past reports that the Board consider adopting a mortality rate specifically applicable to public employees who have been determined to live longer than people in the private sector, which if adopted, would increase the 2021 ADC significantly. The 2021 ADC was established and budgeted for in 2020. Korn Ferry expressed that, due to the health of the fund and increases from investment success, an increase in the ADC could be made and might not significantly increase the budgeted contribution. However, the Board noted that the ADC for 2021 had already been budgeted for by the County and used in 2021 to help pay monthly pension amounts. Korn Ferry will continue to raise the issue of mortality tables in their reports to the Board.

Secretary Phillips noted that the actuarial report with the estimated ADC for 2022 would be coming around the end of September from Korn Ferry for budgeting purposes. This estimate is then tried up later in the year.

6) Old Business:

a. Jon Lichtenstein, Solicitor's Report. The Solicitor announced that the class action suit with Cabot Oil & Gas was moved to a venue in Texas, which was not viewed as a positive development for the litigation.

Mr. Lichtenstein also reported on potential litigation involving alleged misrepresentations by Adapt Health as to its growth. Our plan lost approximately \$92,000 dollars and is positioned to be appointed as a lead plaintiff. Bucks County will also be a proposed co-lead plaintiff. Laura Stein, Esq. from Robbins Geller brought this class action suit to our attention.

b. Helen Hurilla, Wells Fargo Report. Ms. Hurilla reminded the Board that the migration over to Principal has been moved to Presidents Day of 2022 because a three-day weekend is required for the completion of the work. Ms. Hurilla assured us that several webinars will be available to help us move over to Principal. Ms. Phillips stated to the Board that Ms. Hurilla and her team, RBC and Korn Ferry have been very helpful to the Controller's Office in completing all the transactions and the changes we have made this year.

7) Individual Reports. There were no committee reports. Secretary Phillips said as an FYI that the Controller's Office would be exploring creation of a position for an accountant to assist with the investment and retirement functions, and the office would also explore preservation of retirement records.

Councilwoman Reuther inquired as to where the funds come from to pay the investment companies for the retirement fund. Secretary Phillips explained that all payments come from Fund 70, which is the retirement account, and nothing is paid from the General Fund (Fund 01) other than the ADC budgeted by Council.

8) No Correspondence received.

9) No Public Comments.

10) Motion to Adjourn. Secretary Phillips make a motion to adjourn at 3:55 p.m.. Councilwoman Schaeffer seconded the motion. **(Motion Passed 4-0).**

Next Meeting: November 17, 2021 (2:00 p.m.)