

RETIREMENT BOARD MINUTES
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF MAY 23, 2018

TO: Retirement Board DATE: May 23, 2018

FROM: Joanne Phillips, Board Secretary and Controller

PRESENT: Board Chairman and Council President John P. McBlain; Councilwoman Colleen P. Morrone; Councilman Michael F. Culp; Board Secretary and Controller Joanne Phillips; Treasurer Jack Dowd; Board Solicitor Francis J. Catania; Executive Director Marianne Grace; Pension Consultant Rick Courtney and Bruce Besecker of RBC Wealth Management (RBC); and Councilman Brian Zidek

- 1) Meeting was called to order at 2:20 PM
- 2) Motion made by Mr. McBlain to approve the Minutes of April 11, 2018 meeting (moved to May 23, 2018). Ms. Phillips pointed out a change in bullet 3 under new business concerning Center Square is the only manager that handles Real Estate. That was the only change. Motion made to accept the minutes **(5-0 vote)**
- 3) The Treasurer's Report – report submitted and received.
- 4) No public comments were received or submitted.
- 5) New Business:
 - a) Update from RBC
 - Mr. Courtney and Mr. Besecker led a discussion with the Board concerning the present state of the U.S. economy and financial indicators that they are monitoring to guide RBC in overseeing the investments of the retirement fund. They presented several slides that demonstrated the current status of leading indicators on the economy and capital markets. (The RBC report is attached to filed minutes.)
 - RBC also reviewed the overall asset allocation of the Retirement Fund. While there were no recommendations to change the current posture, they did say that if there were signs of a recession they would recommend a reduction of domestic equity. The Retirement Board and RBC closely follow the investment guidelines and asset allocation set by the County.
 - The Board was next instructed to page 8 of the Report to review investment performance net of fees. This is a new breakdown to RBC's report done at the request of the Retirement Board made earlier in 2018. They pointed out that this year (to April) and last year the Fund outperformed its benchmark on a net of fees basis. Mr. Courtney discussed each investment manager's current and long term performance. There were questions as to when a manager would need to be replaced. There is currently no fixed policy for making a decision but several scenarios were discussed. This discussion included recent manager history and for some managers their recovery justified their retention. Mr. Courtney also said they are still working on refining net of fees performance and will provide additional information in future reports.
 - b) Litigation report/update
 - Mr. Catania had no new litigation to report. Frank wanted to know if Wells Fargo would be capable of providing us with the owned shares that we held at a particular date in the past from an investor. RBC said that they could help us with tracking down that information.

6) Old Business:

a) Cost of living adjustment.

- Ms. Phillips explained that we were waiting for the 2017 audit to be completed so that the Controller's Office could send Korn Ferry (actuary firm) the data required to estimate the impact of a cost of living adjustment. The audit will be completed by the end of June and it usually takes 2-3 weeks to get this information.

b) Amendment of Contracts.

- Ms. Phillips expressed that we have to document the fee changes for the funds so that we know we are getting charged properly. Mr. Catania said that his office will amend all of the contracts to the best of their ability this summer.

c) Additional Custodial Services.

- There is still interest at looking into the cost of retaining other services from Wells Fargo or another provider for our retirement program. A sub-committee will initially be made up of Ms. Phillips, Ms. Grace and Mr. Catania. They will get together and discuss this after the audit is complete. Ms. Phillips said she will look into what services we should consider for the future concerning services or procedures.

d) Rate of Return Assumptions.

- This issue had been raised by Ms. Phillips at an earlier meeting in 2018. Ms. Phillips reported that assumptions for the rate of return has not been addressed by Korn Ferry at this point. Mr. Catania felt that Korn Ferry would speak to us if they felt it was necessary to make changes. Chairman McBlain felt that he would like a more specified look at the rate of return. It was discussed that we will have a representative at a meeting from Korn Ferry for their input in the Fall.

e) Brinker Simpson Report.

- There was a discussion concerning the discrepancy in the retirement program figures noted by Brinker Simpson in its December 2017 report. The Controller's Office staff determined that there was a difference in the numbers because in the past the Controller's Office provided Korn Ferry with numbers for the fund before Baker Tilly reviewed the pension calculations. We may wish to address this finding with Brinker Simpson, pending the outcome of the audit. Mr. Catania expressed that the Board discuss commissioning an independent audit of the fund later in the year..

Meeting adjourned at 3:20 PM.