

**RETIREMENT BOARD MINUTES COUNTY
OF DELAWARE, PENNSYLVANIA MEETING
OF FEBRUARY 25, 2020**

TO: Retirement Board Members

FROM: Joanne Phillips, Board Secretary and Controller

PRESENT: Board Chairman Brian Zidek; Board Secretary and Controller Joanne Phillips; Councilwoman Christine Reuther; Treasurer Charlene Mangano; Chief Administrative Officer Marianne Grace; investment consultant Rick Courtney, Bruce Besecker and Michael Courtney of RBC Wealth Management (RBC); and Board Solicitor John Lichtenstein

ABSENT: Councilwoman Elaine Schaefer

- 1) Meeting was called to order at 2:05 p.m.
- 2) Motion made to approve the minutes of the January 21, 2020, meeting. Councilwoman Reuther made the motion, and Treasurer Mangano seconded the motion. **(Motion passed 4-0 vote.)**
- 3) The Treasurer's Report was submitted and will be delivered to the County Clerk by Treasurer Mangano. The Treasurer reported that as of December 3, 2019, the market value of the fund was \$562,604,920, including the annuities. This represented an increase of \$26,191,278 since September 30, 2019. A short discussion followed about the volatility of the market. Councilwoman Reuther made a motion to accept the Treasurer's Report, and Secretary Phillips seconded the motion. **(Motion passed 4-0 vote.)**
- 4) Members of the public were present. Mr. George Oronzio asked why the cost of living adjustment (COLA) was approved in December but reversed in January. Mr. Oronzio said that his pension is worth less than when he retired and that many retirees are on Medicare and don't receive the full health benefits that other retirees receive. Mr. Dominic Spillaci asked why County workers got a raise but not retirees. Chairman Zidek explained that when the new members of the Board met in January they voted to rescind the COLA to protect the fiscal health of the County. The budget passed for this year included a \$23,000,000 deficit and numerous projects to be funded, including a \$50 million 911 emergency communications project. He stated that this was not an issue of retirees not deserving more but that there is not enough money to pay for a COLA now.

Councilwoman Reuther also responded by explaining that the budget would have to include substantial payments for a COLA. She believed it would be reckless to give an increase now before the Board has a chance to get a good understanding of the financial status of the retirement fund. Secretary Phillips explained that the outgoing Council had only looked at funding the COLA increase for once year

but that it would be a 10-year obligation on top of the County's usual funding obligation, which is determined by the actuaries and the value of the fund as affected by the market. In 2020, the County contributed \$5.9 million to the retirement fund.

Councilman Zidek pointed out that other counties do not offer health benefits to retirees and our plan allows an employee to work for 20 years and retire at age 55, or work 3 years and retire at age 60. Ms. Grace cited increases in healthcare costs for retirees as a contributor to the budget deficit. Councilwoman Reuther agreed to revisit the topic with a subcommittee.

NEW BUSINESS: RBC Report- Rick Courtney, Bruce Besecker and Michael Courtney

D) Update by RBC. RBC made an introduction to Michael Courtney, who has been with the group for 18 years.

a) Mr. Courtney reviewed the County's retirement fund's performance for 2019.

- The fund was up by \$102 million at the end of 2019.
- Cash flow showed that \$17 million was taken out of the fund to meet retirement payments and other expenses.
- At the end of 2019 there was \$558 million in the plan.
- There was a discussion of the how the actuarial defined contribution (ADC) is calculated by the actuaries. The 2020 contribution is \$5.9 million. The actuaries do not consider budgeting or taxation issues but utilize assumptions such as proposed investment return, annual raises and ages of retirees and workers. They also utilize a smoothing method to account for some volatility in the market. Secretary Phillips explained that the Board had updated some of the assumptions in 2018 to bring the assumptions up to date. Chairman Zidek and Mr. Besecker further explained the 5- year smoothing method.

RBC shared a report to explain a few questions that were asked at the last meeting about private equity and the various types of investments in the past versus the future. Councilwoman Reuther expressed some concerns about private equity such as lack of liquidity, cash flow and possible success of business ventures. Secretary Phillips and Mr. Besecker explained that the investment policy only allows for up to 5% of the fund to be invested in private equity, and we are currently committed to no more than \$5 million in our present investment. There was a discussion on the challenge to meet the 7% return assumed by the plan. The Board followed with a discussion on passive investing, real estate investments and REITs.

- b) The discussion turned to making changes in the portfolio as requested by Chairman Zidek at the January meeting. Councilman Zidek suggested the Board consider changes by separate motions for each change.

Councilwoman Reuther made a motion to move money from Bryn Mawr Trust to our existing Vanguard investment. Secretary Phillips seconded the motion. **(Motion passed 4-0 vote.)**

Councilman Zidek suggested a motion for Dalton Granier to be terminated. Secretary Phillips questioned as to what we had planned to do with Dalton Granier. RBC advised moving to one of three possible funds. Following a discussion on the recommendations and comparison of the companies, the Board looked favorably on Boston Partners. Secretary Phillips made a motion to move the Dalton Granier funds to Boston Partners. Councilwoman Reuther seconded the motion. **(Motion passed 4-0 vote.)**

- g) Next, a motion was made to invest Cambiar, which is under Wells Fargo Advisors, into a new Vanguard international equity index investment. A motion was made by Christine Reuther to make this change, and Treasurer Mangano seconded this motion. **(Motion passed 4-0 vote.)**
- h) Next, Councilman Zidek wanted to discuss Ryan labs and possibly transferring investments to a mutual fund involving three different companies. All companies are solid in Mr. Besecker's opinion, but he spoke with the representative from Prudential and believes they would be a good choice. Councilwoman Reuther made a motion to move the money from Ryan Labs to Prudential. Secretary Phillips seconded the motion. **(Motion passed 4-0 vote.)**
- i) Center Square is a REIT investment. Center Square sent an email requesting an increase in the cap of certain investments. This investment diversity is limited and at present the cap is 7%, but they requested an increase to 10%. Councilman Zidek questioned whether we should invest with Center Square at all. Mr. Besecker explained that they have been quite strong for years and may be following a trend at this moment. We will revisit this subject later. Secretary Phillips is in favor of this change and made a motion to accept the change in the cap to 10%. Councilwoman Reuther seconded this motion. **(Motion passed 4-0 vote.)**

OLD BUSINESS:

- 1) In 2016, then-current Controller Ed O'Lone asked Center Square to maintain a minimum of 1,000 shares of Simon Property Group in the Center Square portfolio. The manager has requested a release from the restriction if no longer necessary. We will investigate this requirement with the help of Wells Fargo before any changes are made. Secretary

Phillips made a motion to accept the change, subject to a review, and Treasurer Mangano seconded this motion. **(Motion passed 4-0 vote.)**

- 2) Secretary Phillips and Solicitor Lichtenstein gave a litigation report concerning class action litigation, including work done by the Chimicles firm. Solicitor Lichtenstein reported that through his investigation he believes that any law firm can call the County concerning a class action and represent the fund for no cost. Secretary Phillips also said that the firm Robbins Geller, led by attorney Laura Stein, is very proactive. There are also several local firms that would like to present to the Board and offer to work for us in this area. Councilman Zidek said that we should keep this subject in mind and perhaps address it in the future.
- 3) Secretary Phillips suggested that we arrange a meeting with Korn Ferry (Hank Stiehl and Dave Reichert) to come in and explain some of what they do as our actuaries. Secretary Phillips feels that it would be a worthwhile meeting for the Board to understand how the County makes decisions about the Retirement Plan.
- 4) Councilman Zidek addressed Councilwoman Reuther about agreeing to form a committee to address the COLA. Councilwoman Reuther said that she would be happy to chair this committee and would like to have a budget director and personnel director on board to address this work. Secretary Phillips wanted to remind the Board that this subject must be addressed every three years, although it is not required to grant a COLA.

Councilwoman Phillips made a motion to adjourn the meeting. Treasurer Mangano seconded the motion. **(Motion passed 4-0 vote.) The meeting was adjourned at 4:15p.m.**