

**RETIREMENT BOARD MINUTES
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF JUNE 26, 2019**

TO: Retirement Board

FROM: Joanne Phillips, Board Secretary and County Controller

PRESENT: Board Chairman and Council President John P. McBlain; Board Secretary and Controller Joanne Phillips; Treasurer Charlene Mangano; Executive Director Marianne Grace; Councilwoman Colleen P. Morrone, Councilman Michael F. Culp, investment advisors Rick Courtney and Michael Courtney of RBC Wealth Management (RBC); Helen Hurilla of Wells Fargo; and Board Solicitor Francis J. Catania

ABSENT: No absences

1. Meeting was called to order at 2:00 p.m.
2. Motion made to approve the minutes of the March 27, 2019 meeting. Councilwoman Morrone made the motion and Treasurer Mangano seconded the motion. The motion passed. **(5-0 vote)**
3. The Treasurer's Report was submitted and will be delivered to the County Clerk by Treasurer Mangano. Market value as of May 31, 2019 was \$517,470,483. This valuation does not include the annuities held by the Fund, which adds about \$3 million to the total. RBC will include annuities in the value from now on.
4. No public comments were received or submitted.
5. New Business:
 - (a) RBC Report - Rick Courtney shared a report on performance of the Retirement Fund through May 31, 2019. Volatility in May had an impact on the equity markets and the Fund. However, through May the Fund was up \$41 million dollars for 2019. June rebounded a bit from May and the Fund is up by 8.7% this year so far.
 - (b) Termination of an Investment Fund. RBC recommended terminating Philadelphia Trust in the near future and recommended investment in an existing index fund. This conclusion came after discussions with the fund's manager and review of performance over the past 10 years. Councilwoman Morrone asked if we would reinvest all of these funds in one investment and where. Mr. Courtney said it would be invested in an existing Vanguard account. It was discussed that the process to invest in Vanguard but RBC will facilitate transfer. There was a discussion about investing all the funds into one existing fund, and some alternatives were discussed. As a result the Board discussed moving the funds to the existing Vanguard account. This will result in 15% of the Fund invested in an

index fund. A motion was made by Councilwoman Morrone to reinvest the Philadelphia Trust money into the Vanguard account and Councilman Culp seconded this motion. The motion passed. **(5-0 vote)**.

- (c) General Discussion- Other existing funds will also continue to be monitored. The Board and RBC discussed repositioning of the investments, in general. Interest rates and forecasts regarding interest rates was also discussed. RBC believes we will see Federal Reserve action, which is projected to make a further interest rate cut in 2019. International funds have been holding but are also subject to volatility from tariff decisions impacting international trade. We also discussed impact of the national election cycle on the equity markets.
- (d) Asset Allocation- Mr. Courtney then led a discussion regarding the overall investment strategy for the Fund considering market conditions and the asset allocation requirements of the Fund. With the investment goals set for the Fund, RBC believes we need to consider a private equity investment or other alternative investments to achieve the 7% return goal, and this approach would require a decision to alter the asset allocation for the Fund. RBC has analyzed how to achieve this goal. Fixed income investments cannot provide the historic returns seen in the past, so an alternative to that is required to offset the lack of returns from these types of investments. Replacing fixed income with typical equity investments may expose the Fund to more risk from volatility. Private equity is a possibility since the return net of all fees can be in the range of 13-15%, with RBC looking for investments with 8% preferred returns, with investments implemented over time. We reviewed an analysis of alternative asset allocation mixes. If private equity would be approved, RBC would do a review and bring recommendations to the Board to be approved. Councilman McBlain expressed that the Board should proceed cautiously with a 5% investment in private equity and a corresponding reduction in the fixed income asset allocation by 5%. Councilwoman Morrone made a motion and Councilman Culp seconded this motion. The motion passed. **(5-0 vote)**
- (e) Report from Custodian Bank-Following discussions with Controller Phillips who had inquired about certain fees, Wells Fargo did a review of fees that will save the Fund approximately \$6,000 annually. Relationship manager Helen Hurilla explained that Wells Fargo reviews fees periodically and that it was an appropriate time to review the fee schedule. In addition, Ms. Hurilla updated the Board on the Wells Fargo / Principal transaction that will result in Principal taking over the trust and retirement business of Wells Fargo. While changes will be expected, Ms. Hurilla will still be the relationship manager for the Fund. This will be a gradual change for Wells Fargo and Ms. Hurilla will keep us informed with any changes that will transpire. The Controller's office staff has met with representatives of the Bank to discuss changes and timelines. Board Secretary Phillips made a motion to approve the revised fee agreement and Ms. Morrone seconded this motion. The motion passed. **(5-0 vote)**

6. Old Business:

- (a) Board Secretary Phillips updated the Board on a proposed class action case to be pursued against U.S. Express in which the County was asked by outside counsel to be the lead plaintiff. Counsel advised that it turned out that the County was not positioned to be the best lead plaintiff, more appropriate for this case. The County was asked to participate as lead plaintiff in another case against a company named Livent. The County suffered a \$79,000 loss as a result of alleged actions taken by Livent management. The Board discussed that in general, it is appropriate to be involved in these cases. Board Secretary Phillips made a motion to participate in this case as the lead plaintiff, Councilman Culp seconded this motion. The motion passed. **(5-0 vote)**
- (b) Mr. Catania advised the Board, that with the exception of three investment funds, documentation regarding fee arrangements had been completed. There is no change to be made with Wells Fargo Advisors or Vanguard.
- (c) Secretary Phillips met with the Prudential/State Farm/Nationwide representative to learn more about the annuity investments held by the Retirement Fund. She noted that as a result of the meeting, she was advised that the Fund could convert the annuities to cash in September 2019 if desired. The death benefit for the five annuities is about \$1.1 million each. Individual cash value is about \$750,000. RBC has looked at the annuities at our request. The annuity contracts guarantee about 4% a year and we do pay fees in connection with the investments. It was suggested that we review the investments again later in 2019.
- (d) No other correspondence was discussed.
- (e) Individual reports - There was a discussion brought up by Councilman John McBlain asking if the Board would be interested in discussing an RFP for investment advising and for a custodial bank to administer the Fund. Board Secretary Phillips questioned how the Board would execute an RFP and that with Wells Fargo undergoing changes it may not be an appropriate time. RBC is working pursuant to a one-year contract. She also noted that changes in the Board will be coming in 2020 and it may not be a good time to make a major change that might affect the stability of the current processes. Councilman McBlain said that we can continue to think about this decision.

7. Motion to adjourn the meeting was made by Councilman Culp and seconded by Secretary Phillips. The motion passed. **(5-0 vote)** The meeting adjourned at 3:30 p.m.

8. The next meeting is scheduled for September 25, 2019 at 2:00 p.m.

Submitted September 19, 2019

Joanne Phillips, Board Secretary