

**RETIREMENT BOARD MINUTES
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF JANUARY 16, 2019**

TO: Retirement Board

DATE: February 27, 2019

FROM: Joanne Phillips, Board Secretary and Controller

PRESENT: Board Chairman and Council President John P. McBlain; Board Secretary and Controller Joanne Phillips; Acting Treasurer Charlene Mangano; Executive Director Marianne Grace; investment consultant Rick Courtney and Bruce Besecker of RBC Wealth Management (RBC); and Board Solicitor Francis J. Catania

ABSENT: Councilman Michael F. Culp; Councilwoman Colleen P. Morrone

- 1) Meeting was called to order at 2:15 p.m.
- 2) Motion made to approve the minutes of the November 28, 2018 meeting. Secretary Phillips made the motion and Acting Treasurer Mangano seconded the motion. **(3-0 vote)**
- 3) The Treasurer's Report was submitted and will be delivered to the County Clerk by Acting Treasurer Mangano. There was a discussion on how the Treasurer's Report should be submitted in the future, including whether it should be presented at a Council meeting. Mr. Catania will look into this and report at next meeting.
- 4) No public comments were received or submitted.
- 5) New Business:
 - a) Charlene Mangano was recognized as a new member to the Retirement Board, having been appointed Acting Treasurer for Delaware County following the retirement of Treasurer Jack Dowd.
 - b) Meeting dates for the 2019 Retirement Board have been advertised as noted by Secretary Phillips in the Agenda.
 - c) RBC Report – Rick Courtney & Bruce Besecker
 - The market did well in the first three quarters of 2018. In the fourth quarter the markets suffered a substantial downturn and there was no sector that was free from the impact; however, RBC stated that they believe the Fund is in a good position for the future and that projections for the economy are good and that the market should stabilize in the near future. The Fund (not including annuity contracts) was valued at \$473 mm at the end of December 2018, and at the end of September the Fund had been valued at

\$540 mm. Over the course of 2018, and excluding withdrawals for Fun expenses, the Fund saw a \$34 mm decrease in value (over the 12-month period.) It was noted that the Fund had already made a partial comeback as of the date of the January meeting. Mr. Courtney expressed his opinion that until regulations are imposed on the market to restrict certain types of algorithmic trading, volatility will continue. The investment mix was slightly weighted toward domestic equities and Mr. Courtney would like to talk to the Board about asset allocation in the coming months with a focus on equity and international investments.

- Mr. Courtney reviewed the RBC report in detail, which report will be filed with the minutes. RBC reported that they met with managers at Philadelphia Trust and Dalton Greiner in light of performance, and concluded that they should not be replaced now. RBC recommends sticking with the investments in the Fund and give them a chance to recover. Chairman McBlain and Ms. Phillips questioned this approach and expressed concern that we may be sticking with some investments too long, so we need to monitor these investments closely. Mr. Courtney advised that one approach may be for the Fund to draw from the lower performing funds when we generate cash for retirement payments.
- Executive Director Grace asked about the process in how we raise money for the monthly retirement payments. Secretary Phillips explained the process utilized in the Controller's office, and explained that the Controller and RBC are exploring different approaches to smooth the process out (between using the County contribution and assets in the Fund) when raising money monthly throughout the year.
- The Board and RBC discussed having a presentation at the March meeting from a private equity company to educate board members on private equity funds and how that type of investment might work in the portfolio. Mr. Courtney suggested that we may be interested in investing a relatively small amount of money, for instance \$5 mm, in this kind of fund. There was a discussion about how these funds are valued and the term for maintaining these investments, which can often be required for up to 10 years. The funds RBC would consider consist of investments in small businesses and family businesses.

d) Discussion re COLA Sub-Committee.

- Secretary Phillips said that she received more information at the end of 2018 from Korn Ferry about the cost of a COLA. The Board would like more information about this before they can

consider moving forward. Chairman McBlain suggested that he and Secretary Phillips form a subcommittee to discuss this further. The state of the markets may have impact on any future decision.

e) Third Party Provider Services

- Secretary Phillips attended a presentation from a company call Pension Technology Group that demonstrated software that would allow members and pensioners to access information about their benefits on line and allow for certain self-service activities. She thinks this is something that would be worth following up on and perhaps have a presentation made to a group. Wells Fargo offers similar services, as do many other companies, so the Board would likely want to conduct an RFP. The Board agreed to follow up with this idea in the future.

f) Fund 70 – Baker Tilly

- Secretary Phillips explained that fund 70 is the account designation for the Retirement fund that is administered by the County, and all pension funds and payments run through fund 70. At the end of 2017, Baker Tilly (independent auditors) advised the Controller's office that there were accounting issues with the fund that needed to be evaluated and the auditors recommended an accounting process be applied to reconcile transactions in that account. Over the course of 2018 the process was not fully implemented and additional accounting work is required. This work will be a cost of between \$7,000 and \$11,000. Mr. Catania will look at the proposal letter from Baker Tilly. All agreed that this should be a separate contract from the Baker Tilly contract and can be paid by the Fund.

6) Old Business

- a) Amendments to Fund Agreements – Solicitor Catania said that 12 letters have been sent to the investment companies to document fee reduction adjustments. Solicitor Catania said that he does not have contracts for Dalton Ranier, and Scout but they are retained through Wells Fargo Advisors. Mr. Besecker will work with Mr. Catania to complete this.
- b) Mr. Catania discussed the latest securities class action suits and how they are handled. Some are handled directly by Wells Fargo and the bank, as custodian, recovers awards on behalf of the Fund.

7) Secretary Phillips shared that Korn Ferry distributed an end of year report which was shared with the Board. Also, Ms. Phillips noted that Korn Ferry's contract automatically renews each year. The Board can terminate the agreement on

3 months' notice but the contract has been renewed routinely for several years. Korn Ferry is one of the most widely-used actuarial firms by counties throughout the Commonwealth. Korn Ferry gave written notice that it is increasing their fees by 1.5% this year, with a monthly increase of approximately \$50.00 per month for the actuarial work and an annual cost of \$41,000. The Board accepted this increase and will continue using Korn Ferry.

- 8) Individual Reports – none to report
- 9) Motion to adjourn the meeting was made by Ms. Phillips and seconded by Acting Treasurer Mangano. **(3-0 vote)**. The meeting adjourned at 3:30 p.m.