

**RETIREMENT BOARD**  
**COUNTY OF DELAWARE, PENNSYLVANIA**  
**MEETING OF JUNE 23, 2021**

(In person meeting in County Council Meeting Room)

**TO:** Retirement Board

**FROM:** Joanne Phillips, Board Secretary and County Controller

**PRESENT:** Board Chairman and Council President Brian Zidek, Councilwoman Christine Reuther; Councilwoman Elaine Schaefer; Treasurer James Hackett; Board Solicitor Jonathan Lichtenstein; Executive Director Howard Lazarus; Michael Courtney and Rick Courtney with RBC Wealth Management; Helen Hurilla, Relationship Manager (via telephone call) with Wells Fargo Institutional Retirement and Trust.

- 1) Meeting was called to order at 2:08 pm.
- 2) Approval of Minutes from March 10, 2021 meeting.

Councilwoman Schaefer made a motion to approve the minutes, and Secretary Phillips seconded the motion. **Motion passed 5-0.**

- 3) The Treasurer's Report.

Treasurer Jim Hackett reported that as of May 31, 2021 the value of the fund is \$653,814,388, including the annuities. Chairwoman Reuther made a motion to accept the Treasurer's Report, and Secretary Phillips seconded the motion. **Motion passed 5-0.**

- 4) Public Comment.

There were no public comments made.

- 5) **New Business:**

**RBC Update and Restatement of Investment Policy.** Mr. Michael Courtney from RBC reviewed portions of the RBC report. He stated that the market value of the Retirement Fund was just under \$650 million excluding the annuities, which is an increase of \$43 million in 2021. Mr. Courtney said that since we have made changes to the portfolio we are seeing an uptick in performance.

Following up on prior discussions, Mr. Courtney made the recommendation to reduce the total U.S. equity position by 5% to bring the investments closer in line with our investment allocation policy.

RBC was asked at the previous meeting to watch the performance of Logan Capital. RBC has reviewed the Logan portfolio and had a very extensive conversation with Logan's manager. Similarly, RBC also reviewed the Swarthmore Group which has the significant portion of our fixed income investment. They have had a portfolio manager change and brought in a new team. This team is only about six months into managing but RBC believes that they have significant experience in credit and below investment grade securities that will benefit management of the fund.

Mr. Rick Courtney reminded the board that RBC "inherited" Logan when RBC was first engaged to advise the Retirement Board for Delaware County. Logan has been underweighted in FANG investments, and it has had a broader approach to some of the non- tech companies. Logan remains slightly ahead of their benchmark with their new investment processes for approximately 8 years. RBC will continue to closely monitor performance.

Secretary Phillips noted that in the report Logan compared favorable to the Vanguard index funds and did not look far off target. Councilman Zidek inquired whether the amounts were gross of fees or with fees. Michael Courtney led a discussion on fees and presented comparisons to a comparable managed funds. Chairman Zidek stressed that fees need to be considered and inquired as to how it is determined to invest with a fund like Vanguard Growth Index or managed funds. Secretary Phillips noted that in the last few years we have negotiated with all our fund managers. She felt that RBC had secured some favorable changes to fees.

Chairman Zidek inquired which companies RBC was considering using to reduce U.S. equity by 5%. RBC said that it would be from the growth side, looking at Logan and Emerald the two growth managers. Logan, which has \$119 million and Boston Partners at \$77 million. Growth funds have had a significant run over the last 7-10 years so it may be time to take some of the profits from these investments.

Secretary Phillips said that we are aware that the investment allocation was not balanced but that there is opportunity within our policy to correct this in a prudent way. Mr. Rick Courtney explained that the guidelines do not require an immediate change in allocation to bring the fund wholly within the investment policy. Although RBC and the Board favor equities over fixed income because of return, we have time to rebalance.

Mr. Rick Courtney noted that the Board had made some changes starting with domestic equity. In one-year Boston Partners, a newer investment, outperformed and continues to do well. Mr. Michael Courtney said that looking at the international equity bucket, we do have to recognize UBS performance is not sufficient, and that it may be time to move on completely from UBS. Councilman Zidek does feel that we should move from UBS since they have consistently underperformed. RBC suggested moving investments to Cumberland and Prudential.

At 2:31, Councilwoman Reuther suggested moving into an executive session to discuss potential litigation and having RBC and all others outside of the Board step out for 10 minutes. Councilwoman Reuther made a motion to move to Executive Session and Councilwoman Schaefer seconded the motion. **Motion passed 5-0.**

Upon resuming the public meeting at 2:44, Councilwoman Reuther made a motion that the retirement board move all money from UBS to the Vanguard International Index Fund. Mr. Rick Courtney advised the Board that it would cost 10-15 basis points to move the investment whether the Board moved half or all the money from UBS. Either all funds or all but five million dollars to remain in UBS to be determined by the Controller after getting advice from the Solicitor. Councilwoman Schaefer seconded the motion. **Motion passed 5-0.**

Secretary Phillips told the Board that the investment policy is documented and that the main document had been amended by modifications enacted by the Board- one permitting real estate investments and one authoring alternative investments. In discussions with the Board and RBC, it was discussed that the policy should be restated to include the amendments. Mr. Besecker worked on this with Secretary Phillips to restate the policy in one document. Councilwoman Reuther asked what the policy requires if the investments become unbalanced. Secretary Phillips advised that there is a provision that states that the investment manager is to inform the board and advise the Board as to what to do to bring investments back in line. Mr. Rick Courtney said that typically they would recommend the Board to stay where they are even if over, if this was better for the return. Secretary Phillips said that the board could change the investment policy if they needed to.

Following the discussion regarding rebalancing, Secretary Phillips made a motion to redirect 5% of the domestic equity from Logan and Emerald to Cumberland and Prudential. Councilwoman Reuther seconded the motion. **Motion Passed 5-0.**

6) **Old Business:**

a) **Private Equity Discussion** – RBC, Solicitor, Secretary Phillips. At the last meeting there was discussion about pursuing an investment in the private equity company, Banner Ridge. Since the last meeting, there was research done by Solicitor Lichtenstein and Mr. Besecker. Mr. Lichtenstein did seek advice from outside council. He discussed the need to negotiate a side letter and other concerns that were raised. Mr. Rick Courtney said that paperwork needed to be submitted by the end of July and he was not sure there was enough time to negotiate a side letter, etc. The feeling was that making this investment would be too rushed. Councilwoman Reuther does not favor this kind of investment and expressed her concern that that private equity investment may not be justifiable for Delaware County, especially without more knowledge of investing with private equity companies. She expressed concern that we do not have the staff as well to do the capital calls that are required. require. Chairman Zidek expressed more support for this type of investment on the basis that the Board must do the best for the county as far as investing and that if we do not expand our investments we will not grow our retirement plan to meet the assumptions on return. Mr. Courtney agreed that we cannot invest traditionally with all the funds and not take some risk. Secretary Phillips acknowledged both views but she believes that we will not grow if we do not expand our investments. After discussion, Mr. Rick Courtney suggested that the board create a side letter of its own and make it our standard side letter for future private equity investments. Councilwoman Schafer reiterated that she feels that we should continue to invest in other ways than the standard investments.

b) **Update from Custodial Bank** – Ms. Helen Hurilla. Ms. Hurilla noted that in the past several years she has seen an increase in private equity and validated the Board’s experience concerning the need for document review and side letters.

Ms. Hurilla gave a description of the changes taking place with the Wells Fargo Institutional Retirement and Trust to Principal pre-migration. They will have several online classes available over the summer to all involved clients. Secretary Phillips told the board that she has been reassured that we will still have the contacts available that we are familiar with, including our contacts in Texas.

7) **Individual Reports by Board Members or Committees.** There were no reports or sub-committees.

8) **Discussion of Correspondence Received or sent to the Board.** Secretary Phillips distributed samples of the capital calls from Siguler Guff and explained procedure with the private equity company. Secretary Phillips reassured the Board that her office had established a procedure for capital calls and with Ms. Hurilla’s help had streamlined the process. no longer feel the pressure of these calls when they come up.

9) **Public Comment.** There were no public comments made.

10) **Adjourn.** Councilman Zidek entertained a motion to adjourn at 3:45 pm. Secretary Phillips made the motion. Councilwoman Schaefer seconded the motion. **Motion passed 5-0.**

**Next Meeting September 22, 2021 2pm**