

**RETIREMENT BOARD
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF JANUARY 20, 2021 (VIRTUAL MEETING)**

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; Bruce Besecker, Michael Courtney and Rick Courtney with RBC Wealth Management; Helen Hurilla, Relationship Manager, with Wells Fargo Retirement and Trust.

- 1) Meeting was called to order at 2:00 pm.
- 2) Secretary Phillips informed the Board that the Interim Treasurer, Jim Hackett was sworn in before the meeting in the Controller's Office. The Board congratulated Treasurer Hackett.
- 3) Approval of Minutes from the November 18, 2020 meeting.

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

- 4) Treasurer's Report.

The Treasurer's Report was submitted and will be delivered to the County Clerk by Interim Treasurer Hackett. Mr. Hackett reported a value of \$609,290,224.00, including the annuities. Councilman Zidek commented that this is the highest balance yet to date and thanked all for the hard work that has been put into the recent changes that were made. Chairwoman Reuther made a motion to accept the Treasurer's Report, and Secretary Phillips seconded the motion. **Motion passed 5-0.**

- 5) Public Comment.

Councilman Zidek announced instructions on how to submit public comments on the website. There were no current public comments since the last meeting.

- 6) **New Business:**

- a. Secretary Phillips announced the proposed meeting dates for 2021 as January 20th, March 10th, June 23rd, September 22nd, and November 17th. Secretary Phillips said that the proposed dates will be advertised to the public once they are approved by the board. Secretary Phillips made a motion to approve the dates, Councilwoman Schaefer seconded the motion. **Motion passed 5-0.**

b. Secretary Phillips reported that the Scout Fund, which was held by Wells Fargo Advisors (WFA), was terminated and moved to **an existing** Vanguard fund held by custodial bank Wells Fargo Institutional Trust. The termination of Scout had been discussed at the November meeting. Following that meeting in December, the Retirement Board received correspondence from WFA that it was going to be terminating the fund and would be replacing it with a then-undisclosed investment in January. In consultation with RBC, it was determined that it was best to terminate the fund before it was transferred into another investment. \$24 million was moved to the Vanguard Total International Index Fund as discussed at the last meeting. Secretary Phillips asked that the Board ratify this action. Councilwoman Schaefer moved to ratify this action and Secretary Phillips seconded the motion. **Motion passed 5-0.**

Secretary Phillips announced that although a presentation from Ms. Hurilla from Wells Fargo Institutional Trust (Principal) was not on the agenda, Ms. Hurilla was in attendance and had sent the County a report. The report noted some of the key financial transactions that had been accomplished in 2020 between Delaware County and Wells Fargo to improve the Fund and to stay within the investment policy.

1. May 2020 - Dalton Granier moved to Boston Partners
2. June 2020 - Cambier moved to Vanguard
3. July 2020 - Ryan Labs moved to PGIM
4. July 2020 - Bryn Mawr Trust moved to Vanguard 500 Index Fund
5. December 2020 - Scout moved to Vanguard Total International Index Fund

Secretary Phillips thanked RBC, Helen Hurilla and her team, Controller's staff Senior Accountant Kelly Diaz, and Ms. Eileen Ricketts for their assistance with these transactions.

c. Mr. Besecker from RBC reported that so far in 2021 low interest rates are making equities the asset class of choice. In addition, for the first time in a long time (beginning Q4 2020) small company stocks were outperforming large company. Broader market participation is also a good sign for the stock market.

There was a brief discussion about alternative investments as a vehicle to increase return. Councilwoman Schaefer asked for more explanation as to what Mr. Besecker was referring to as alternative investments. Mr. Besecker discussed that it includes alternative funds like private equity and hedge funds. He said that many investors are looking at this approach.

Councilman Zidek noted that a sub-committee had been formed at the last Board meeting to look at investments. Councilman Zidek reminded the Board that they have a goal of earning 7% without taking too much risk, and that they must be mindful that if the Board wants to earn 7%, they will have to make sure the portfolio fits that expectation.

Michael Courtney reviewed the portfolio, noting that we had a strong fourth quarter in 2020, despite a pullback in the stock market just prior to the election. In reviewing the RBC report, Councilman Zidek also noted that the Fund was negatively impacted in connection with a transition at UBS account from their private bank to another platform. Councilwoman Schaefer wanted to know what happens when stock is being moved. Mr. Courtney explained that the

money sits in the account until it is all sold and is then transferred to the new account. This transition usually takes 3-4 days, but in this case, it took about 8 days. The Board wanted to RBC to follow up with UBS. RBC agreed to contact UBS and discuss this situation.

Mr. Courtney reviewed the report noting that the Fund ended with a value of \$605 million at the end of the year. He said that we had moved 30% of the portfolio and reinvested over the course of the year. Mr. Besecker said that in reviewing the investment policy the Fund is a little high in domestic equity, but we had decided to use some of that for payment of retirement benefits and expenditures to bring it down within range. Mr. Courtney reviewed all of the accounts and commented on the performance.

Secretary Phillips said that representatives of Emerald had contacted her and had communicated that the funds performance had consistently met or outperformed the benchmark.

7) **Old Business:**

a. Mr. Lichtenstein updated the Board on the Cabot Securities litigation in which the Fund will be the lead plaintiff. Secretary Phillips explained that we do not make a substantial amount of money from class actions but it is something that we pursue to help keep companies in compliance and to protect the Fund. The list of class action suits included in the packet from Wells Fargo/Principal listed that the Fund had benefitted from 28 settlements in 2020, the largest being \$68,000 from the Volkswagen litigation; however, most settlements are not material and this is the exception.

8) **Subcommittee Report:**

a. Councilman Zidek said that the sub-committee formed at the last meeting on investments did have a meeting with RBC. RBC suggested looking at private equity and investing more in this area than what we have currently invested. We are only required to invest a small amount at a time but are committed to investing over a period, typically 5 to 10 years, which is funded by meeting capital calls from time to time. Secretary Phillips reported that we currently have a five million dollar commitment with Siguler Guff fund. Councilman Zidek feels that this would help us reach our goal over time. Secretary Phillips said that RBC has been researching companies for us to invest with and she agrees that it is a good idea.

Councilwoman Reuther feels that we need to be careful where we take money from to invest so that we do not come up short in paying benefits since private equity is not liquid. Councilwoman Schaefer said that investing with private equity instead of investing the way we have in years past with fixed income may be much more profitable. She believes we could save on fees and we may receive a higher interest rate. Bruce Besecker said that the terms for some investments seem to be more favorable and that we may be able to invest in programs that ask for less than a 5-10-year commitment. Blackstone, one of the companies they have worked with is currently offering an investment with a 6-year horizon.

Councilwoman Schaefer felt that we should invest in both fixed income and private equity because fixed income would be less risky and private equity is riskier but carries more reward.

Councilman Zidek pointed out that our policy allows up to 5% private equity investment and we currently have only a 1% investment. He said that we could also consider changing our investment policy. Councilwoman Schaefer wanted to know if reallocation and moving funds to new companies has been commonplace in the past. Councilman Zidek and Secretary Phillips said that it did not appear that a lot of rebalancing or replacing had taken place in the past. Mr. Besecker noted that the funds in the portfolio had not been meeting the benchmark for about the past five years warranting a change.

Councilman Zidek addressed the RBC report and the amount of time it takes to review it. He suggested that perhaps RBC could send their report in advance of the next meeting for the Board to review on their own, and that maybe we could be prepared to make some investment decisions at the next meeting. Secretary Phillips said that should RBC come to her with an investment that seems like a good investment she would like to ask Councilman Zidek to call a special meeting to vote on this decision. Otherwise, we will wait until the next meeting.

b) Secretary Phillips requested a decision on a request of an employee to buy back time as permitted by the Plan with approval of the Board. The employee had been furloughed during the Covid-19 pandemic. The employee would like to use this benefit which is written in the Plan. The cost of the buyback is covered by the employee. Councilwoman Reuther made a motion since this is a written policy and Councilwoman Schaefer seconded the motion. **(Motion passed 5-0).**

9) Secretary Phillips said that she included several pieces of correspondence sent to the Controller's Office since the last meeting. The Valuation report from Korn Ferry was given out. This shows the projected amounts that are needed for the coming year for retirees. Also, the Wells Fargo/Principal report, and a Siguler Guff report.

10) There were no Public Comments given at this time.

11) Councilman Zidek made a motion to adjourn at 3:50 P.M. Councilwoman Schaefer seconded the motion. **(Motion passed 5-0).**

Next meeting is March 10, 2021.