

RETIREMENT BOARD
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF NOVEMBER 30, 2022
(In-person and hybrid meeting in County Council Meeting Room at 3pm)

TO: Members of the Retirement Board

FROM: Joanne Phillips, Board Secretary and County Controller.

PRESENT: Board Chair and County Councilwoman Christine Reuther; Board Secretary and County Controller Joanne Phillips; Board Member and County Council Chair Monica Taylor; Board Member and County Councilwoman Elaine Paul Schaefer; Board Member and County Treasurer James Hackett; Board Solicitor Jonathan Lichtenstein; Bruce Besecker and Michael Courtney with RBC Wealth Management; and Helen Hurilla, Relationship Manager with Principal Custody Solutions.

1) Meeting was called to order by Councilwoman Reuther at 3:02 pm. Councilwoman Taylor joined by telephone at 3:25 pm. Councilwoman Schaefer left the meeting and re-joined by telephone at 4:00 pm.

2) Approval of Minutes from meeting of September 28, 2022. Motion made by Councilwoman Schaefer. Seconded by Treasurer Hackett to approve the minutes.
(Motion passed 5-0.)

3) The Treasurer's Report.

Treasurer Hackett reported that as of October 31, 2022, the value of the fund was \$549,774,114, including the annuities. (Annuities were valued as of September 30, 2022, at \$3,438,678.)

4) Public Comment. There were no public comments.

5) New Business.

a. RBC Update. Mr. Besecker reported the year to date performance as of October 31, 2022 was -15.6% versus the benchmark return of -17.1. Market volatility continued in what has been a difficult year. The equity markets rebounded in October, with the S&P 500 up 8.1%, while the fixed income market returned -1.3% (as represented by the Bloomberg U.S. Aggregate).

The market is still concerned about the possibility of a future recession. Mr. Besecker said that while in September both equity and fixed income markets were down, economic news in October allowed both markets to recover some of those losses. The investment portfolio, as of October 31, is showing about \$108 million in market value loss in 2022, and so ended the month at \$546.3 million; however, the Fund continues to outperform the benchmark. Mr.

Besecker then reviewed each account and their performance. Mr. Besecker highlighted that the transactions to bring on fixed income managers Ramirez Asset Management and MetLife Investment Management had been completed. The Swarthmore assets were divided evenly between the two managers.

Councilwoman Reuther asked how weighted we are toward the growth stocks. She posed the question as to whether we should shift something out of Logan and put it into one of the value managers. Mr. Besecker responded that that the domestic equity portfolio (54.9% of the total fund, including REITs) is diversified and was currently allocated as follows: 22.9% core, 20.1% value and 11.9% growth. With growth a bit underweighted, he did not recommend any changes to the current allocation.

Regarding funding for pension expense needs, Secretary Phillips said that we have a plan in place to withdraw pro-rata from the different managers and they are notified ahead of time to be prepared. Mr. Besecker then explained how their office works with the Controller's Office to complete this process every month. Secretary Phillips explained that we can initiate transactions from Vanguard to raise case, as well, if needed.

b. COLA Discussion and Consideration. Board Chair Reuther announced that every three years the County pension laws require a Cost of Living Adjustment (COLA) increase to be considered. The last consideration by the Board had been done was in 2019 and 2020. It was discussed that the County currently pays for health care insurance for eligible County retired employees and families, in certain cases. Korn Ferry, the Fund's actuaries, projected that the County needs to budget approximately 9 million dollars in the 2023 budget for the pension (the actuarially determined contribution (ADC). The ADC for 2023 is an increase over prior years due, in part, to the adoption of recommended and up to date mortality tables. As projected by Korn Ferry, to provide a COLA, an additional \$23,272,552 would be needed. If this extra cost was incurred over a five- year period, the County budget would need an additional 5.7 million dollars per year added to the budget. Councilwoman Schaefer asked how many other counties have recently provided a COLA. Secretary Phillips said that at a recent Controller's Conference it was reported that less than 5% of Counties approved an increase for cost of living. Moreover, Council Chair and the Board discussed that Delaware County is one of the few counties that still pay for retiree health care. Following discussion and consideration, the consensus of the Board was to not grant an increase at this time. Secretary Phillips made a point that we have a very solid pension fund and County dollars might be better used to offer compensation to current employees instead of increasing payments. Motion was made to not offer a COLA increase; the motion was seconded, and was approved 5 to 0.
(Motion passed 5-0.)

c. Update from Custodial Bank, Helen Hurilla. After the closing of the Swarthmore funds, the assets in the funds were moved expeditiously, especially considering the time constraints given, as approved by the Board. The transactions were made possible by the work and assistance of the Controller's office staff, Mr. Besecker of RBC, and the managers at Birch Run, Ramirez and MetLife.

Ms. Hurilla also noted that IRS has come up with new forms for retirees. Ms. Hurilla expressed that she thinks there may be questions. Most people will not be aware of the new changes. Ms. Phillips said that there is a telephone number for retirees to receive help. The migration to Principal from Wells Fargo seems to have been handled well by retirees and the phone number for assistance is the same.

d. RBC Contract Renewal. Secretary Phillips reviewed the RBC contract and made a motion to renew the RBC contract for another year at an annual fixed cost of \$95,000, which amount has not been increased for several years. She said that the Controller's Office is very satisfied with the work of RBC and the assistance the County receives throughout the year. In response to a question from Ms. Schafer, Mr. Besecker stated that the contract had been in place since 2011. While noting that there is not an urgent need to do this now, Councilwoman Schaffer said that she feels we need to test the market by advertising for an RFP for these services since the RFP process will probably take about six months. Councilwoman Schaffer would like to make a motion to advertise for an RFP at the meetings in 2023 and to not put this off any longer because of the duration of the RBC contract. Secretary Phillips said that she wants to be sure that we get the same services and understanding that RBC provides to us now. They are very good at helping the retirement program reach deadlines and they know the process of our program. Councilwoman Reuther made a motion to extend the RBC contract for another year with a plan to schedule an RFP later in 2023. Treasurer Hackett seconded this motion.

(Motion passed 5-0.)

e. Discussion of 2023 Meeting Schedule. Secretary Phillips asked Mr. Besecker whether the meetings in 2023 should be adjusted. Mr. Besecker said that the best time to look at the final financial numbers for the 2022 year-end would be the end of January or in February. It was decided February 2nd would be the best time to meet. The Controller's Office will poll members and RBS, and circulate a proposed schedule for the rest of the year.

6) Old Business.

a. Litigation Update - Jon Lichtenstein, Esq. Mr. Lichtenstein said that the AdaptHealth and Cabot Oil litigation continue with nothing material at this time to report. The UBS matter will be discussed in the executive session.

7) Individual Reports of Board members or committees.

Secretary Phillips reports that Diane Bradley in the Controller's Office had already retired 160 people and still has 40 more that plan to retire. She reported that this is not a particularly unusual number of people who wish to retire and is generally consistent with prior years.

8) Discussion of correspondence received by the Board.

a. A report from Korn Ferry has been received for the determined actuarial contribution and it has been included in the agenda for consideration for the budget by Council for 2023.

b. We have also received two letters for requests to buy back pension time. Employees can buy back time for their pensions if they leave and rejoin the County. Both will be contributing their money for the buying back and make the County whole. Secretary Phillips is in favor of approval since it is a permitted action through the County pension fund. Secretary Phillips make a motion. Treasurer Hackett seconded the motion. **(Motion Passed 5-0.)**

9) Public Comment.

a. Secretary Phillips announced Eileen Ricketts' retirement in December 2022 and thanked her for all her work in the Controller's Office and especially in helping administer the retirement fund.

10) Adjourn Public Meeting.

a. Councilwoman Reuther made a motion to adjourn the Public Meeting and move into an Executive Session with the Board at 4:20 p.m. Secretary Phillips made a motion. Treasurer Hackett seconded the motion.
(Motion Passed 5-0.)