

**RETIREMENT BOARD
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF FEBRUARY 2, 2023
(In-person 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 3:05 pm. Councilwoman Taylor joined at 3:15 pm. Councilwoman Reuther reminded the Board that there would be an executive session following the regular meeting.
- 2) Approval of Minutes from meeting of November 30, 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 December 31, 2022, the value of the fund was \$556,998,111, including the annuities. (Annuities were valued as of December 31, 2022, at \$3,521,927.)
- 4) Public Comment. There were no public comments.
- 5) New Business.
 - a. RBC Update. Mr. Besecker reported the year-to-date performance as of December 31, 2022 was -13.7% versus the benchmark return of -15.0%. Market volatility continued in what had been a difficult year with interest rates up, inflation up and investment performance down. It was a volatile year with bonds down 13% in 2022, a significant decline, especially when looking at historical data (the second worst year reported at - 3%), and then combined with the seventh worst year for the stock market (both equity and fixed income- looking at data back to 1926). Looking forward on a more positive note, historical data indicates that following a negative calendar year, stock market performance has produced an average return of +13.2% and a median return of +21.2%.

Turning next to Retirement Fund change in market value in 2022, it was noted that the fourth quarter saw a \$38 million gain, which reduced the calendar year loss to \$96 million. It was also noted that the Fund had negative cash flow of approximately \$26.4 million, which further

reduced the Retirement Fund market value at the end of the year.

It was discussed that asset allocation remains within allowable ranges per the investment policy target levels. Specifically, the Fund is within range for fixed income, and overweight to US stocks with an offsetting underweight to international stocks and private equity. Quickly reviewing total Fund investment performance, Mr. Besecker reported the Fund has been at or exceeded its policy benchmark over various time frames during the past 7 years.

Mr. Besecker next discussed current yield levels and the investment challenges and opportunities available in fixed income. Looking forward it is recommended to move away and reduce reliance on shorter duration investments and increase allocation to longer term, core fixed income portfolios. It was discussed that RBC expects that most of the damage from the move to higher yields has already occurred, and so there is less of a need to be defensive with less traditional, shorter term fixed income investments. For example, the Fund's core fixed income managers are all managing portfolios yielding around 5.5% or better, which has not been available since the 2006/2007-time period. Councilwoman Reuther suggested that we liquidate the PGIM short duration account and reallocate it to cash for current use or re-distribute it to Metlife or Ramirez. Councilwoman Reuther suggested a motion be made to liquidate the short duration/high yield account to cash, to be utilized or invested at the discretion of the Controller depending upon needs over the current year. Motion was made by Councilwoman Taylor to liquidate this account. Seconded by Councilwoman Schaefer. **(Motion passed 5-0.)**

b. Custodial Bank Update-Principal Custody Solutions. Helen Hurilla from Principal noted that the ending market value as reported by Principal does not include the value of the annuities. The total disbursements made does not account for unrealized losses for the year, which could then be recovered as the market improves.

The Fund did make 50 lump sum payments last year of approximately \$3.7 million. Monthly payments have been averaging approximately \$3 million. All are administered through the Controller's office with Principal. Ms. Hurilla also stated that there were 13 Class Action settlements handled by Principal in 2022 which total \$4487.00, which was relatively modest compared to other years.

Principal issued the needed 1099's for retirees receiving monthly payments. Administration is handled by the Controller's office through Deputy Diane Bradley, along with Principal as custodian. Chairwoman Reuther asked if Principal keeps records of the use of the website by retirees. Ms. Hurilla said that as of now the retirees cannot access online information but in a few months they will be able to access payment information and 1099s. They will also be able to make changes to their accounts. Chairwoman Reuther said that she would like to have the data when these changes are in place to see how many people take advantage of the self-service facilities. Ms. Hurilla agreed to keep the Board informed.

Secretary Phillips said that she had talked to Diane Bradley concerning the number of retirees we had in 2022. Ms. Bradley reported that there were over 200 employees retiring in December and that there would be about 40 more in January.

6) Old Business.

a. Litigation update – Jon Lichtenstein, Esq. Mr. Lichtenstein said that there are currently two class action suits in which we are the lead plaintiff. One is Cabot Oil which involves environmental liabilities and is progressing on a relatively slow track. The other is AdaptHealth, which is on a slightly faster track and Mr. Lichtenstein will be giving a deposition in about a week. Robbins Geller represents the Fund in both matters in which the Fund is a lead plaintiff in Cabot Oil and co-plaintiffs with Bucks County in the latter case. Councilwoman Schaffer inquired as to why we are chosen to be a lead plaintiff. Mr. Lichtenstein explained it is often an institutional organization that had the largest investments and suffered losses with a company. We get periodic reports concerning this litigation.

7) Individual reports by Board members or committees. No reports were presented but Councilwoman Reuther suggested that consider an RFP this year for advisory services but noted she did not believe we had the manpower to do this presently. Secretary Phillips said that she requests that someone on the Board request that this be put on the agenda for discussion if desired.

8) Discussion of correspondence received by the Board. No correspondence requiring Board review or discussion was received.

9) Public Comment. No public Comment.

10) Adjourn Public meeting. Motion made by Secretary Phillips to adjourn the meeting. Seconded by Councilwoman Taylor. Meeting was adjourned at 4:05 p.m.
(Motion passed 5-0.)

11) Executive Session to be held after regular meeting.

Next Meeting: Thursday, May 18th at 3:00 p.m.

(Post meeting note- Meeting re-advertised to be held on June 1, 2023 at 10 a.m.)