

**RETIREMENT BOARD
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF FEBRUARY 1, 2024
(In-person and hybrid meeting in County Council Conference Room at 3pm)**

TO: Members of the Retirement Board

FROM: Joanne Phillips, Board Secretary and County Controller.

PRESENT: Board Secretary and County Controller Joanne Phillips; Board Member and County Council Chair Monica Taylor; Board Member and County Treasurer James Hackett; Board Solicitor Jonathan Lichtenstein; Bruce Besecker and Michael Courtney with RBC Wealth Management; and Ms. Janet Werner for Helen Hurilla, Relationship Manager with Principal Custody Solutions. All in person.

- 1) Meeting was called to order by Councilwoman Taylor at 3:00 pm.
- 2) Approval of Minutes from meeting of November 30, 2023. Motion made by Treasurer Hackett. Seconded by Secretary Phillips to approve the minutes.
(Motion passed 3-0.)
- 3) **The Treasurer's Report.** Treasurer Hackett reported that as of December 31, 2023, the value of the fund was \$625,185,847 including the annuities. (Annuities were valued at \$3,818,084.)
- 4) **Public Comment.** There were no public comments.
- 5) **New Business.**
 - a. RBC Update - Mr. Besecker

RBC presented their written report. First, turning to the executive summary on page 2, the Fund had a very strong return of 16% in the last year. It was noted that there was an under performance from the benchmark, with a lot generally attributed to the underperformance and then the manager change from Logan in 2023.

Mr. Besecker reported the S&P 500 return for 2023 of 26.3%, with 11.7% coming in the fourth quarter, particularly in the last six weeks of the year. The catalyst for this rally was the Federal Reserve's announcement in November that it appeared inflation was coming down and the interest rates might come down in the next year.

The report included data reflecting that despite of interest rates rising in 2022 and most of 2023, that there was almost no adverse change in the unemployment rate.

Mr. Besecker discussed the status of the equity market update. He noted that an analysis of the calendar year history of the S&P 500 since 1926 shows most years have been marked with a positive return, with only 26 negative years. We discussed keeping this in mind as the Fund is positioned for the long term. The report included a comparison of the current composition of the S&P 500 to that of 10 years ago. Mr. Besecker pointed out the significant increase in technology and communication sectors from 19% of the index 10 years ago to 37% today. The index reflects a strong migration away from manufacturing, which we all can see in our day to day activities.

Mr. Besecker finished his market and economic discussion with a review of the fixed income market. Representing the fixed income market, Mr. Besecker focused on the US Aggregate Index which is comprised of all U.S. dollar denominated investment grade securities. Performance for the year was up five and a half percent, but in the fourth quarter it was up 6.8 percent. In the fourth quarter stocks were up just under 12% and bonds up just under 7%.

The Board discussed interest rate impact. In November the Federal Reserve chairman said they were done raising rates but may have to cut rates three times in 2024. At their January meeting the Federal Reserve said they would not lower rates in March, and this caused a negative reaction from the market. Mr. Courtney noted that three years ago, we were looking at bond rates that were two percent or less, and now we are looking at four and a half percent. With our return assumption of seven percent, an active fixed income manager with index plus performance can now better contribute to the targeted return and provide a less volatile path. The Board did allocate more money to fixed income at the last meeting to address this condition.

Looking at the 2023 performance, it was noted that the Fund began the year with 553 million dollars, with net contributions coming out of the Fund at just under 20 million dollars. The Board was pleased to acknowledge the report of an investment gain of 83.5 million dollars, with almost sixty percent of the gain coming in the fourth quarter.

The Board reviewed the investment policy on page 32, indicating the Fund is a little over allocated in equity and under in fixed income. As was discussed and approved at the previous meeting, 36 million dollars was moved out of equity funds (23 million out of the S&P Index fund and 13 million from Boston Partners) and allocated to fixed income managers Prudential, Ramirez and MetLife, and the balance to be used for pension payments. It was discussed that pension payments would be made using the County contribution in March. Secretary Phillips explained that we typically have used the County contribution in the first few months of the year, but this year we held off and used gains in 2023 to help with expenses.

Mr. Courtney reviewed the domestic equity managers and felt that once we dismissed Logan, in May 2022, Vanguard, Emerald and our other investments managers did a very strong job. The international investments with Vanguard are also doing well along with fixed income. The private equity investment with Siguler Guff has provided strong inception to date on their investment performance.

RBC also discussed how the Fund performance compares to our peers. Mr. Courtney directed everyone to the report showing that for calendar year 2023 the Fund is in the top 17th percentile, exceeding the investment performance of 83 percent of our peers. Secretary Phillips inquired how RBC generally sees the future for 2024. Mr. Besecker said that they are very comfortable with fixed income. He expressed more concern about the stock market because only seven companies were the driving force behind the stock market rally last year, and this condition is unchanged. It was also noted that election years are usually strong years for the market.

b. Custodial Bank- Principal Custody Solutions – Ms. Janet Werner

Ms. Werner shared that she is filling in for Ms. Hurilla while she is on vacation. The retirement payments have almost completely converted to direct deposit payments with only 69 checks going out to pensioners. In the last month there was a total of 2,071 payments made, which totaled \$3,155,000. Ms. Hurilla will monitor the numbers to see if our mailing last month for online depositing and banking has been effective with the retirees. Secretary Phillips reminded the Board that a letter was sent out to encourage retirees to use direct deposit with Principal. We currently have 145 users with Principal online banking

Principal also monitors and submits certain class actions that result in payments to the Fund and in 2023 revenue from this activity totaled \$15,498.

c. Board Secretary Compensation discussion – This discussion was tabled until the next Retirement Board meeting since Councilwoman Reuther was heading this discussion and she is not present today. Mr. Lichtenstein said that the Board is allowed to pay expenses from the Fund unless it would have an undue burden on the Fund. Council Chair Taylor made the Motion to table this discussion until the next meeting. Treasurer Hackett seconded the motion. **(Motion passed 3-0).**

6) **Old Business.**

a. Litigation Update - Jon Lichtenstein, Esq. Solicitor Jon Lichtenstein said that the two current active cases have had not new activity since the Board last met.

7) **Individual Reports of Board members or committees.**

a. No reports.

8) **Discussion of correspondence received by the Board.**

a. There was no significant correspondence for the Board to discuss.

9) **Adjourn Public Meeting.**

Motion made by Council Chair Taylor to adjourn this meeting at 3:32 P.M.,
Treasurer Hackett seconded this motion **(Motion passed 3-0)**

Next meeting- May 16, 2024, 3:00 P.M., Council Conference Room 2nd floor