

**RETIREMENT BOARD MINUTES
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF SEPTEMBER 14, 2023
(In-person meeting in County Council Conference Room at 10 a.m.)**

TO: Members of the Retirement Board

FROM: Joanne Phillips, Board Secretary and Controller

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

- 1) Meeting was called to order at 10:07 a.m. by Chairwoman Reuther.
- 2) Motion made to approve the minutes of the June 1, 2023 meeting. Councilwoman Schaefer made the motion and Treasurer Hackett seconded the motion.
(Motion passed 5-0).
- 3) **The Treasurer's Report:** Treasurer Hackett reported that as of June 30, 2023, the value of the Fund was \$602,378,944 including the annuities. (Annuities were valued as of June 30, 2023 at \$3,678,528.)
- 4) **Public Comment:** There were no public comments.
- 5) **New Business:**
 - a) RBC Update – Bruce Besecker. Investment advisor Bruce Besecker discussed information under Tab 1, economic review. He noted that the unemployment rate remains low, which remains a concern of the Federal Reserve in that consumer spending may continue to put pressure on inflation. He discussed that while inflation has come down, it is still above the 2% target of the Federal Reserve. Market concern over possible Federal Reserve action has kept interest rates high, with the Aggregate Bond Index yielding 4.8% on September 30th. Mr. Besecker discussed the market in general, noting that the increased influence of the technology and communication services sectors has grown over the past 10 years from 19% to 36% of the S&P 500 Index.

Turning next to the investment review, the Fund experienced investment gains of \$48 million to increase the market value from approximately \$554 million as of December 31, 2022, to \$599 million as of June 30, 2023, after accounting for pension payments and plan expenses. Investment performance for the Fund was up 9.0% year to date, versus the total Fund benchmark up 10.3%. Reviewing the individual investment managers, almost all exceeded their investment benchmarks, and it was noted the shortfall was mostly due to an equity manager terminated in

June 2023 with proceeds reinvested into the Vanguard Growth Index Fund. RBC believes the current portfolio is well positioned, in part, due to all the changes made over the past few years. All current investment managers have performed at or better than their benchmark since inception. The Board next discussed that the termination of the Nationwide investment had not been completed because the market value currently fell below book value which would result in a realized 6% to 7% loss if completed. Councilwoman Reuther inquired whether there would be fees involved if we closed this account. Mr. Besecker said he did not believe so. Councilwoman Reuther asked if it was still the feelings of the Board to terminate Nationwide even though it would be at a 6 to 7% loss. The decision was to wait for Mr. Lichtenstein to review this investment contract for any additional costs for termination other than at market value.

Councilwoman Reuther asked Secretary Phillips if she was still feeling that our investment with Siguler Guff was worth the effort and work to administer the private equity investment. Secretary Phillips reported that the Controller's office had established a process that works well and efficiently. She further noted that there were additional efficiencies and benefits that had resulted from the termination of some of the prior investments by consolidating the investments under the umbrella of Principal, as custodian.

b) Principal Custody Solutions--Ms. Helen Hurilla. Ms. Hurilla reported that a letter that was sent out to all retirees explaining that the retirees now have some limited online access to their account. Roughly 139 people out of approximately 2,000 people signed up for online access. Councilwoman Reuther expressed some concern that many retirees may not have online access or they are not computer savvy if they do have a computer. It was explained that information and support is still available by phone. Ms. Hurilla said that a reminder will be sent out in December about this service. Councilwoman Schaefer inquired as to the advantages of this online service, and Secretary Phillips said that this adds convenience and saves a lot of unnecessary phone calls to County offices for copies of tax documents, and encourages people to be independent with their account information.

Ms. Hurilla provided information to report that Principal was rated 44 out of 200 companies in the Country that have a cyber secure system. Principal takes security very seriously and the company is proud to be part of this secure group.

Ms. Hurilla also reported that year to date the number from class action settlements processed through Principal has resulted in about \$12,000 of income to the fund.

c) Secretary Phillips: Individual Report. Secretary Phillips discussed the Fund's expenses and shared monthly and quarterly expenses with the Board. Councilwoman Schaefer questioned why expenses from Boston Partners were so much higher than most other investments. It was explained that they hold substantially more than other managers at approximately 80 million dollars and expenses reflect that. Secretary Phillips also explained that RBC and the County had negotiated favorable terms regarding management fees that benefit the Fund.

6) **Old Business:**

a) Litigation Update – Jon Lichtenstein, Esq. Mr. Lichtenstein said that there are two active open cases with the Fund as a lead plaintiff. One is Cabot Oil, in which the company has been alleged to have concealed the true cost of environmental compliance issues affecting valuation. Mr. Lichtenstein was scheduled to be deposed at the end of September. The other active case is Adapt-Health, which will be subject to upcoming mediation. Mr. Lichtenstein explained that being a lead plaintiff does not result in larger awards, necessarily, but participating when appropriate is part of an overall policy and responsibility of the Board. Secretary Phillips explained that Robbins Geller is handling both cases for the Retirement System and is the main law firm that we work with because they proactively bring cases to our attention.

7) **Individual reports by Board members or committees:** Secretary Phillips announced that her office had been working on a project to provide employees a better explanation of their pension benefits. Several people in the Controller's office have been working on this and we hope to have this available by the end of the year. The information would be posted on our intranet.

8) **Public Comments:** None.

9) **Adjourn Public Meeting:** Councilwoman Schaefer entertained a motion at 11:25 a.m. to adjourn the meeting. Secretary Phillips seconded that motion. **(Motion passes 5-0.)**

Executive Session was scheduled to follow immediately after the Public Meeting.

Next Meeting: November 30, 2023 3 p.m.