

RETIREMENT BOARD MINUTES
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF JANUARY 24, 2018

TO: Retirement Board DATE: March 13, 2018

FROM: Joanne Phillips, Board Secretary

PRESENT: Board Chairman and Council President John P. McBlain; Board Secretary and Controller, Joanne Phillips; Councilwoman, Colleen P. Morrone; Treasurer Jack Dowd; Board Solicitor Frank Catania; others in attendance, Executive Director Marianne Grace, Pension Consultant Rick Courtney of RBC Wealth Management, Helen Hurilla, Custodian Wells Fargo Bank, Councilman Brian Zidek

ABSENT: Councilman Michael Culp

- 1) Meeting was called to order at 12:45 PM.
- 2) Motion made by Jack Dowd to approve the Minutes of the November 29, 2017 meeting, seconded by Colleen Morrone, approved **(3-0 vote)**, with Joanne Phillips abstaining since she was not a member of Board at that time.
- 3) The Treasurer's Report titled "Pension Fund Market Value" dated January 24, 2018 was accepted by the Board. Treasurer to file a copy with the County Clerk.
- 4) No Public comments were received or submitted.
- 5) **New Business:**
 - a) The Board's 2018 meeting schedule was accepted and approved by Board. Motion was made by Colleen Morrone, seconded by Jack Dowd, and approved **(4-0 vote)**.
 - b) Rick Courtney provided each Board member and those in attendance with an Investment Performance report as of 12/31/2017. Rick noted equity and domestic markets are strong and international markets have started to outperform the domestic market. He noted that the Retirement Fund has some exposure to fixed investments. He further noted that the Federal Reserve will likely not move in long term rates. Rick explained that RBC made some preemptive moves to the investments in mid-2017 and pulled some funds from equity funds. RBC noted that the Retirement Fund is fully funded with a value of \$530,483,701-- its highest value ever. He reviewed performance of each fund from his report with the Board. The Board entertained discussion with Rick about the investments and highlighted that Board policy was to be invested in less volatile areas and to remain diversified. Rick noted that we do not know when markets will pull back from current levels. His view is that the market is in uncharted territory, particularly with new tax bill, but there may be other impacts on cash that may push valuation higher. He advised that that he believes the Retirement Fund is investing within the investment guidelines established for the fund.

Councilman Brian Zidek asked several questions of Rick Courtney as to benchmarks and performance. He also asked why money was moved out of equity funds in 2017 when this

sector of the market had performed so well. Rick responded that the investments were made on the recommendation of the Board to stay within investment guidelines.

Councilmen Zidek and Joanne Phillips asked about how fund performance was being reported, and whether performance percentages were being reported of net fees. Rick reported that only the international funds in the portfolio were being reported net of fees. Councilman Zidek asked if past reports on performance could be run net of fees to reflect true performance. Rick reported that he did not believe that could be done retroactively, but could be done going forward. The Board requested that going forward RBC report performance of each fund net of fees.

- c) Following the decision made by the Board in 2017 to terminate Pacer Advisors from the Retirement Fund, the account was closed out in January 2018. On the recommendation of RBC, \$34 million that had been with Pacer Advisors was re-invested with Vanguard Funds and \$1.5 million was to be held in the Retirement Fund to be used to fund current retirement payments. Joanne Phillips made a motion to ratify actions to terminate Pacer Advisors and to reinvest the proceeds as recommended; the motion was seconded by Jack Dowd and approved (4-0 vote).
- d) Joanne Phillips noted that Korn Ferry, the County's actuarial firm has requested data required for the preparation of the 2017 financial report ("CAFR").
- e) Joanne Phillips advised the Board that accounting firm, Brinker Simpson, had produced a report on the Delaware County Employees Retirement Fund Policies and Procedures dated December 21, 2017. As of the date of the Retirement Board meeting, the report had not been analyzed by the Controller's Office. Following review by the Controller, the Board would be updated on findings at its next meeting. Copies of the report were to be provided to members of the Board.

6) Old Business

- a) Rick Courtney confirmed that fund managers had agreed to reduce fees. Follow up is needed as to whether contract amendments are required.
- b) Following up on a discussion from 2017, the Board discussed whether a cost of living adjustment ("COLA") was required to be made or should be considered. It was concluded no COLA was required. Further, to implement the adjustment, a \$2.2 million negative impact on the fund would result, with an additional amount of \$331,000 per year required for 10 years. It was discussed that the last COLA increases were made in 2005, 2002, 1999, 1996. Solicitor Catania noted it would require a County Council decision to implement the adjustment. Council President McBlain noted that the Board might consider looking at how and when a COLA would be appropriate, particularly given the level of the ARC at this time, and to determine how much administrative work and time would be needed to implement a COLA. The Board decided to review the possibility of a COLA in the second quarter of the year.
- c) At the next Board meeting, Helen Hurilla from Wells Fargo will make a presentation on services that Wells Fargo, the custodial bank, can provide to the County, if requested.

7) Discussion of correspondence received or sent by Board – None.

8) Individual reports by Board members or Committees – None.

9) Meeting adjourned 1:45 PM. Motion made by Jack Dowd and seconded by Colleen Morrone.