

RETIREMENT BOARD
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF NOVEMBER 30, 2023
(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 (via hybrid); Board Member and County Council Chair Monica Taylor; Board Member and County Councilwoman Elaine Paul Schaefer (via hybrid); 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 3:03 pm. Secretary Phillips joined by zoom at 3:03 pm. Councilwoman Schaefer joined by telephone at 3:25 pm.
- 2) Approval of Minutes from meeting of September 14, 2023. Motion made by Councilwoman Reuther. Seconded by Treasurer Hackett to approve the minutes. (**Motion passed 5-0.**)
- 3) **The Treasurer's Report.** Treasurer Hackett reported that as of September 30, 2023, the value of the fund was \$577,055,116, including the annuities. (Annuities were valued as of September 30, 2023, at \$3,539,604.)
- 4) **Public Comment.** There was no public comment.
- 5) **New Business.**
 - a. RBC Update - Mr. Besecker. Investment advisor Bruce Besecker announced that the market value had risen since the end of September. Stocks were up between 5 to 6.5 percent, and the bond market was up 1.5 to 2 percent. Market value has improved since the numbers were prepared for the actuary to prepare the estimated actuarially determined contribution (ADC) for the 2024

budget. It was noted that we had waited until the end of September to provide the market value to the actuaries so that they could have the then- most current value for giving a figure for the 2024 Budget. The ADC was provided to the Budget Office as soon as it became available.

RBC then reviewed recommendations considering current and projected conditions. RBC made the recommendation to increase the fixed income allocation up to 35 percent. The equity markets have been the driver for the Fund's investment performance so far this year with the largest stocks driving the index. It was noted that as of September 30th, the largest seven stocks had comprised 73 percent the return in the S&P 500.

Turning attention to the fixed income investments, it was noted that over the long term, bond returns had tended to provide stable returns, but with the low interest environment over the past years it had been difficult to earn good fixed rates that would meet investment income assumptions. In the current market, 6 percent plus have become available to support the Fund's overall return. The last time a rate of 6 percent had been available was around 2001 or 2002, so it has been a long time since the bond market has been this generous. The increase to fixed income investments would be made to the core fixed income managers and would bring the overall allocation in fixed income to the to the upper end of the range of the investment policy.

Year to date the Fund experienced an investment gain of 30 million dollars, and the portfolio's market value increased from approximately 553 to 573 million dollars, excluding the annuities. Fixed income allocation is a little over 28 percent, compared to the targeted rate of 30 percent. The U.S. equity allocation is at 52%, compared to the 40 percent targeted allocation, and the Fund has been a beneficiary of the stock market's rebound. A reallocation of assets would bring the domestic equity down to 45 percent and bring the fixed income up to 35 percent. Lastly, a combination of domestic and international equity would then come in at approximately 60 percent, closer to the Fund's overall equity investment allocation.

Following discussion at this meeting and prior meeting, Councilwoman Reuther made a motion to move 20 percent of the current Nationwide investment to the Prudential Mutual Fund held by Nationwide and monitor performance. This would be close to 6 million dollars. Secretary Phillips seconded the motion. **(Motion passed 5 – 0).**

b. Principal Custody Solutions – Ms. Helen Hurilla. Ms. Hurilla reported on current activity with our custodial bank. As part of the report she shared that there has been about \$13,000 of income from class action suits administered by Principal through the end of October. It was noted that, retirement payments made for November totaled \$3,124,224 with a total of 1,992 ACH payments being made to pensioners, with only 69 checks needing to be issued now. Ms. Hurilla reported that this is a very good record overall. The Controller’s office and Principal will make further efforts via mail to encourage direct deposit.

Ms. Hurilla also offered that Principal announced that it will provide an online service now to allow the Controller’s office to sell mutual funds online, which is sometimes required to raise cash for monthly pension payments when appropriate. In addition, to support the administration of the Fund, Treasurer Hackett now has online access to sign documents as needed in the event of the Controller’s absence.

6) **Old Business.**

a. Litigation Update - Jon Lichtenstein, Esq. Mr. Lichtenstein reported that the AdaptHealth and Cabot Oil litigation continue with no new updates to report.

b. RBC Amendment and discussion for investment advisor services. Secretary Phillips said that she and her office would like to renew RBC’s contract by amendment for another year with the same fixed fee and with the provision that the agreement could be terminated on 30 days’ notice. Councilwoman Schaeffer expressed her desire to have the Board initiate an RFP to look at investment advisors and for this to be begun by the end of the first quarter of the new year. Board Secretary Phillips noted that the Controller’s office is involved in several major projects affecting County-wide finances. Secretary Phillips expressed that the same people responsible for Fund management and administration- herself and Deputy Diaz, would be the same people needed for any RFP process, as well as the many existing projects. Councilwoman Reuther said that we could certainly discuss this at the next meeting since she is aware that we are involved in some very time-consuming projects. Secretary Phillips expressed that she was not in favor of looking for a new advisor at this time because the Controller’s Office is overloaded with work and we are satisfied with the work and support that RBC provides and the stability of the Fund’s performance, but in the spirit of the

Board she would follow through with an RFP process this year. Councilwoman Reuther made a motion to renew the RBC contract for one year. Treasurer Hackett seconded the motion. **(Motion passed 5-0)**

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

a. Councilwoman Reuther noted that additional compensation for our Secretary of the Retirement Board is something to be discussed at the next meeting in new business. Our Controller and Board Secretary salaries combine to be the lowest paid in the Commonwealth of Pennsylvania. This should be added to the agenda at the next meeting under new business.

b. Secretary Phillips also announced that Kelly Diaz and herself attended a one-day conference on Institutional Investment November 1, 2023. The conference touched on most of the discussion held by the Board.

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

a. No correspondence was received of relevance to Board discussion.

9) **Adjourn Public Meeting.**

Motion made by Councilwoman Reuther to adjourn this meeting at 3:54 P.M., Treasurer Hackett seconded this motion **(Motion passed 5-0).**

Next meeting- to be scheduled in 2024 upon review of schedules and re-organization of Council.

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.)