

**RETIREMENT BOARD MINUTES
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF NOVEMBER 13, 2019**

TO: Retirement Board

FROM: Joanne Phillips, Board Secretary and County Controller

PRESENT: Board Chairman and Council President John P. McBlain; Board Secretary and Controller Joanne Phillips; Treasurer Charlene Mangano; Councilwoman Colleen P. Morrone; Councilman Michael F. Culp; Executive Director Marianne Grace; investment advisors Rick Courtney and Bruce Besecker of RBC Wealth Management (RBC); relationship manager Helen Hurilla of Wells Fargo; Councilman Brian Zidek; former Solicitor Frank Catania (representing Solicitor Mike Maddren); Staff Accountant Kelly Diaz; and three members of the public.

1. The meeting commenced at 3:12 p.m. Due to the late start of the meeting, Board Chairman McBlain offered the three members of the public to speak, and asked that they state their names and comments. The three guests, Delaware County pensioners George Aronzio, Dominick Spillacci and Brian Snyder, asked for the Board to consider enacting a cost of living adjustment (COLA). George Aronzio stated he had been retired for 17 years, but his pension was worth 20% less than when it began. Discussion among the Board members followed.

Councilman Zidek asked if a sub-committee had been formed to discuss COLA. Board Chairman McBlain and Secretary Phillips answered there had been discussion of a sub-committee but that no sub-committee meetings were held on a COLA. Korn Ferry, the County actuary, did not include a COLA in their 2020 projections, and the current "actuarially determined contribution" (ADC) to be paid by the County in 2020 is \$5.9 million. Executive Director Grace noted this was more than anticipated.

Board Chairman McBlain said that the Board had discussed COLA for more than a year. Secretary Phillips noted that a COLA was not on the agenda and she had not received any requests to modify the agenda. Board Chairman McBlain said he thought Korn Ferry would have been asked to come up with the numbers. Board Chairman McBlain, Secretary Phillips and Councilwoman Morrone agreed the topic could be raised in another meeting.

Councilwoman Morrone commented that Social Security's cost of living increase is 1.6%. Helen Hurilla confirmed that the County pays over \$2 million per month to pensioners; Executive Director Grace added this is \$24 – 25 million annually. Secretary Phillips reiterated that any increase would have to be discussed with Korn Ferry. Councilman Zidek asked if this would affect the county financials and the present value of the fund liability. Secretary Phillips stated that yes, it would affect the percentage of how the pension is funded.

2. Secretary Phillips commented on one correction to the meeting minutes for September 26, 2019. Paragraph 5C was corrected by RBC. Board Chairman McBlain made a motion to approve the minutes, which was seconded by Councilman Culp. The motion passed. (5-0 vote)

3. The Treasurer's Report was submitted and will be delivered to the County Clerk by Treasurer Mangano. Market value (net of fees) as of September 30, 2019, was \$532,848,531, not including annuities. The fund saw an increase of \$4,683,569 since the last valuation reported as of August 31, 2019.

4. New Business:

- (a) RBC Report - Rick Courtney shared an Investment Performance Report on the Retirement Fund through September 30, 2019. Please refer to the report filed with the minutes for specific investment performances. He noted the termination of Philadelphia Trust last quarter. He remarked that Bryn Mawr Trust had a "so so" year, and Emerald had some difficulties this year. Rick Courtney was happy with the performance of Center Square. He noted that the fund's international equity managers are doing well. There was discussion on the impact of currency conversion and emerging market exposure. He remarked that RBC's focuses on long-term goals and works to achieve a median or better performance. He expected the fund will have a good year.
- (b) Korn Ferry - Secretary Phillips mentioned an increase in fees to the actuary. There was some discussion about other companies performing this type of work and the automatic renewal of the Korn Ferry contract in 2020. It was noted that Korn Ferry does work for most counties in Pennsylvania.
- (c) Report from custodian bank - Helen Hurilla of Wells Fargo provided an update on the acquisition of Wells Fargo's trust business by Principal Financial, which will double the size of Principal's retirement business. The migration to Principal is expected to be seamless for Delaware County, and Principal will retain the same platform for the trust system and the accounting systems. Checks will be issued to pensioners from Principal instead of Wells Fargo in the future. There will be plenty of time for communications to be made. The asset transfer will occur in 2021, and an assignment consent will be sent to Secretary Phillips in the first quarter of 2020. Helen Hurilla also discussed the direct deposit solicitation mailing sent to 143 pensioners, which action was requested by the Controller's Office. The mailing resulted in 18 pensioners switching to direct deposit, which leaves 125 pensioners still receiving monthly checks.

5. Old business:

- (a) Siguler Guff - Secretary Phillips updated the Board on the Siguler Guff private equity investment. RBC provided paperwork to the Controller's Office for submittal to Siguler Guff. Secretary Phillips administered all the paperwork and sent it to Solicitor Maddren for review. Board Chairman McBlain made a motion to ratify the investment in Siguler Guff. Councilman Culp seconded the motion. The motion passed. (5-0 vote)

- (b) Litigation Report - Frank Catania discussed allowing the Chimicles firm to monitor the portfolio. Secretary Phillips noted she would like to interview more firms for this work. Councilman Culp believed Chimicles was doing a good job. Secretary Phillips noted that she received very little communication from this firm. There was a motion to approve the portfolio monitoring agreement by the Chimicles firm. Councilman Culp seconded the motion. The motion passed (4-1 vote), with Secretary Phillips opposed.

6. There was return to the discussion on COLA. Board Chairman McBlain reiterated that the Board had discussed COLA for over a year. He suggested meeting again on December 12, 2019, which would be sufficient time for Korn Ferry to provide projections for a COLA. Mr. McBlain noted that considering the health of the pension plan and level of funding, the COLA is the right thing to do.

Secretary Phillips asked for more discussion on a COLA. She reported that in 2018, only a few counties approved a COLA. Many counties have not approved a COLA since the 2000s. She further noted that the cost involves more than looking at a one-year dollar amount but needs to be calculated by the actuaries; she stated that in her opinion it was not good policy to give the COLA at this last meeting of the current Board when the Board members will be changing dramatically in 2020. She urged that the Board's legal obligation is only to consider a COLA every three year, which had been done, and that the Board has an obligation to future retirees and the health of the fund going forward.

Board Chairman McBlain reiterated that he believed Korn Ferry could provide the information for the Board on this subject and inform the Board. He stated that he would be looking at this and requested Secretary Phillips to contact Korn Ferry to get projections for a COLA.

7. There was discussion about the status of RBC's contract, which is an annual fixed fee agreement and can be terminated with 30 days' notice. Councilwoman Morrone stated a vote on a contract is typically done the last meeting of the year. There was discussion on putting forth an RFP for investment advising services in the future.

8. Board Chairman McBlain suggested meeting again on December 12 at 1:00 p.m. to continue a discussion on open matters. Councilwoman Morrone asked that the next meeting address a discussion of COLA, the RBC contract and any other business. A motion to continue the meeting to December 12, 2019, was made by Councilman Culp and seconded by Councilwoman Morrone. The motion passed (4-1 vote) with Secretary Phillips opposed.

A continuation of the meeting was scheduled for December 12, 2019, at 1:00 p.m.