

RETIREMENT BOARD
COUNTY OF DELAWARE, PENNSYLVANIA
MEETING OF MARCH 23, 2022
(In-person and hybrid meeting in County Council Meeting Room 3-4 pm)

TO: Members of the Retirement Board

FROM: Joanne Phillips, Board Secretary and County Controller

PRESENT: Councilwoman and Retirement Board Chair Christine Reuther; Board Secretary and County Controller Joanne Phillips; County Council Chair and Retirement Board Member Monica Taylor; Board Member and Treasurer James Hackett; Budget Director James Hayes; Board Solicitor Jonathan Lichtenstein; Bruce Besecker and Michael Courtney, RBC Wealth Management; and Helen Hurilla, Relationship Manager, Principal Custody Solutions. Ms. Phillips arrived late.

ABSENT: Councilwoman Elaine Schaefer.

- 1) Meeting was called to order by Council Chair Monica Taylor at 3:03 (pending Chairwoman Christine Reuther's arrival).
- 2) Approval of Minutes from January 19, 2022, meeting. Motion made by Council Chair Taylor to approve the minutes. **Motion passed 3-0.**
- 3) The Treasurer's Report.

Treasurer James Hackett reported that as of February 28, 2022, the value of the fund was \$635,310,234.00, including the annuities (annuities were valued as of December 31, 2021 at \$4,478,915.)

- 4) Public Comment.

There were no public comments made.

- 5) New Business.

a. RBC Update. Bruce Besecker reported that the market has been quite volatile since the beginning of the year, with the equity markets down about 8% and fixed income markets down over 3%. Notwithstanding this volatility, the Plan return of -6% slightly outperformed the measured benchmark of the various subcategories in the portfolio of -6.2%. Mr. Besecker reported that as of March 22, 2022, the S&P was down about 5% year to date. The biggest surprise for the year, however, is that bonds are down about 6.4%, which is not typical. Most would think that bonds would be a safe haven, but not the case in this market with inflation being a concern.

Mr. Besecker presented RBC's written report, including page 5, loss and gain. The Plan's portfolio had lost about \$41 million from the end of 2021 until the end of February 2022. Putting this in perspective, RBC noted that the 2021 gain was \$90 million.

Regarding the Plan's asset allocation, being slightly over weighted in equities has worked to the portfolio's benefit as equities have done better than the fixed income portfolio year to date through March 22nd. Looking at the equity investment manager performance through the first two months of 2022, they were collectively down 8.2% but looking at the trailing 1 year performance they were up 13.7% and during a very volatile investment period.

RBC next discussed the Plan's investment with Boston Partners, which was brought on board about two years ago. Their average annualized return since 2020 is 32.8%, and their benchmark is 26.5%, which is a very strong annual outperformance of 6.3%. In comparison, Philadelphia Investment Partners (PIP) has not performed as well in 2022. PIP was down 6% versus the benchmark and down 3.5% in the first two months of this year, but looking at the 1-year, 3-year, and 5-year performance, the fund has done well overall.

Siguler Guff is the only private equity investment that the Board has invested in, beginning in 2019, and it has seen an inception to date net IRR of 31%.

RBC then summarized that several managers have been terminated in the last few years with proceeds reinvested into the Plan's indexed Vanguard funds. Logan Capital remains on the watchlist, and the Board may be asked to consider acting in this regard.

Following up on inquires made prior to the meeting by the Controller considering the situation in Ukraine, Michael Courtney explained that the only Russian investments held in the Plan are those found in mutual funds, and the funds held by the Plan have very little investment in this area. Russian stock markets have been closed for about three weeks as of the date of the meeting, and we do not have any direct investment with Russia.

b. Monthly Pension Payment Structure. Mr. Bruce Besecker explained the planned payment structure that has been implemented with the Controller's Office to cover payment to the pensioners each month. As designed, RBC will ask each fund manager to have a certain amount of cash available each month so that no Company is given a surprise withdrawal request. Secretary Phillips said that this procedure has been working well for administering the payments, and the fund managers appreciate the heads-up.

c. Custodial Bank Update. Ms. Helen Hurilla said that this is her first report since Wells Fargo Retirement and Trust transitioned the entire platform to Principal Custody Solutions as of February 22, 2022. She expressed that the transition was successful, although there were the usual hiccups as would be expected with any change of this magnitude. Ms. Hurilla reviewed the general changes that were involved. Ms. Hurilla also mentioned that there was over \$40,000 in revenue paid to the Plan through class actions administered through the custodial bank. Secretary Phillips said that Principal was very thorough in helping the County to transition. The County Controller's staff participated in training webinars to understand the transition and how to manage the custodial bank transition. The Controller's staff prepared for the month-end

payments ahead of the transition to ensure there was cash on hand for paying pensioners. The Controller's office also posted an FAQ document based on a Principal communication on its website to assist any pensioners or members who might have questions.

6) Old Business.

a. **Litigation Update.** Jon Lichtenstein, Esq. reported that he is working with the Controller and outside counsel and that the UBS litigation is progressing. Currently, they are selecting arbitrators. The Plan continues to be contacted about possible class action matters, but there are no updates with now.

7) Individual Reports.

Secretary Phillips reported that she, Deputy Controller Kelly Diaz, and Councilwoman Reuther had a meeting with the Plan's actuaries, Korn Ferry, to advise Korn Ferry that the Prison and the Health Department had been and would continue to add an additional 400+ employees by June 2022, with the potential for more hires. Mr. Dave Reichert from Korn Ferry did not anticipate many initial issues with adding these employees, and he will be at the next Board meeting.

There are no other subcommittees to report.

8) Correspondence Received.

No correspondence received except requests for capital calls from our private equity investment manager at Siguler Guff, which were processed by the Controller's Office and custodial bank.

There has been no other correspondence.

9) Public Comment. There are no public comments.

10) Council Chair Taylor reminded the Board that the next meeting is **June 22, 2022, at 3:00 p.m.** and entertained a motion to adjourn the meeting. Secretary Phillips made the motion, and Councilwoman Reuther seconded this motion.

Motion passed 4-0.