

NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES

JUNE 5, 2015

10:00 AM

1. **Call of the Role.** The following members of the Retirement Board were present: Mr. John A. Brown, Mrs. Margaret Ferraro, Mr. Glenn Geissinger, Mr. Jim Hunter, Mr. Hayden Phillips, Ms. Cindy Smith and Mr. John Stoffa.

Others present:

Mr. Michael Shone, Investment Management Consultant - Peirce Park
Ms. Tracie Barnes, Director of Human Resources
Mr. Brandon Dunstane, Fiscal Administrator

2. **Courtesy of the Floor**

Mr. Hunter introduced Mr. Brandon Dunstane as the Fiscal Administrator. Mr. Hunter indicated that Mr. Dunstane had taken Pat Strunk's position in the Fiscal Department. Mr. Dunstane stated that he had previously worked in the Controllers' Office.

3. **Approval of the February 27, 2015 Retirement Board Minutes.**

Mr. Stoffa made a motion to approve the Minutes. Mr. Brown seconded the Motion. The voting was as follows:

Ayes: Mr. Brown, Mrs. Ferraro, Mr. Geissinger, Mr. Hunter, Mr. Phillips, Ms. Smith and Mr. Stoffa.

Nayes: None

✓ **Minutes Approved**

4. **HAYGroup 2015 Actuarial Valuation**

Mr. Hunter provided an overview of the Hay report. Mr. Stoffa asked for clarification on the \$10,728,281 funding for 2015. Mr. Shone confirmed that this is the actuarially determined funding requirement for 2015. Mr. Stoffa asked what was budgeted for 2015 to which Mr. Brown replied, approximately \$13.2M. Mr. Stoffa asked why there was such difference. Mr. Hunter stated that the difference may be attributed to the large number of retirees in 2014 and that the market did much better than anticipated. Mr. Shone indicated that another factor in the variance is that Hay provides the funding calculation in early October, based on Septembers' asset values, and cannot predict what the market will do the last three months of the year. Mr. Shone further explained that if the market does exceptionally well in the last quarter it would throw this number off.

Mr. Shone remarked that he has seen this happen before both positively and negatively depending on what happens in the fourth quarter. Mr. Phillips asked whether the Board has ever had the HayGroup present their report. Mr. Shone stated that perhaps once or twice. Mr. Stoffa and Mr. Phillips both agreed that this would be a good idea. Mr. Hunter stated that questions on Haygroup numbers should be answered in the report, and questions on budgeting can be answered by Fiscal.

Mr. Hunter continued to review Schedule A from the Hay Report. Mr. Hunter stated that in 2014 Members contributed \$5,496,537 and the County contributed \$11,818,479. Mr. Hunter stated that in 2014 investment income was up \$20M and the County paid out \$22M. Mr. Hunter stated that we currently have 1830 employees contributing to the Fund. Mr. Hunter brought the Boards attention to page 7 of the report and stated that as of January 1, 2015 the County has an unfunded liability of \$61,296,690. Mr. Hunter remarked that the pension fund is funded at approximately 84%. Mr. Hunter reminded the Board that GASB 67 (Government Accounting Standards Board) will require the 2015 audited statements (entity-wide statement) to include this liability. Mr. Shone stated that GASB will allow you to use market value, so that would improve the liability by approximately \$18M; this is due to smoothing. Mr. Geissinger noted that he had seen 90% on the audit statement and asked if that was comparable. Mr. Shone stated yes, from a market perspective the Fund is about 88% funded. Mr. Hunter stated that we will need to do the same for OPEB; the unfunded liability there is \$55M. Mr. Phillips asked whether this unfunded pension liability is of great concern. Mr. Shone stated that anything above 80% (funded), and the fact that the County continues to make the contributions to the plan, represents a well-funded plan. Mr. Stoffa asked Mr. Shone how many Counties Peirce Park represents and where does Northampton County rank. Mr. Shone responded that his firm works with 12 Counties and that Northampton County ranks about average. Mr. Shone stated that some Counties are 90% funded, but that is mostly due to not giving Colas. Mr. Shone indicated his firm receives actuarial data from 45 of the Pennsylvania Counties and of those we are average. Some of those Counties did not have good investment returns and some Counties are not making full ARC payments. Mr. Brown directed the Board members to the chart in the Hay report which illustrates the unfunded liability going back to 2008. Mr. Brown stated that this liability has continued to grow each year for various years, but is now going in the right direction. Mr. Brown stated that this Board has made some recent changes and become a bit more aggressive in certain areas (real estate) which hopefully will help us to reduce this liability.

5. Asset Liability Projections – Mr. Michael Shone

Mr. Shone informed the Board that every four years Peirce Park does a full asset liability study and in-between does yearly updates. Mr. Shone reminded the Board that these projections are based on the County's projections (i.e. salary increase assumption 4.5% and current AAR (Actuarial Assumed Rate of Return) 7.5%). Mr. Shone stated that although the current AAR is 7.5%, he warns that we should not expect this return in the next 5-10 years. Mr. Shone stated that the 7.5% return is based on bonds doing an average of 5-1/4% and stocks 10%, so a total average of 7.5%. Mr. Shone stated that currently Bonds alone are paying 2%. Mr. Shone indicated that the Board has made some recent changes: increase equities by 5%, added Real Estate and restructured fixed income.

Meeting adjourned