

NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES

FEBRUARY 27, 2015

10:00 AM

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

Others present:

Mr. Michael Shone, Investment Management Consultant - Peirce Park
Mr. Pat Wing, Investment Consultant, Peirce Park
Mr. David Ceraul, County Solicitor

2. **Courtesy of the Floor** – None
3. **Swearing in of new Board Members**

The members listed below have taken the oath of office and are now members of the Board.

Mr. Hayden Phillips – County Council Representative
Mr. John Stoffa – Retiree Representative
Ms. Cindy Smith – Employee Representative

4. **Approval of the December 5, 2014 Retirement Board Meeting Minutes**

Mr. Stoffa asked that the following correction be made:

Mr. Jim Hunter should be listed as an attendee under Call of the Roll

Mr. Hunter made a motion to approve the minutes with the correction. Mr. Brown seconded the motion. The voting was as follows:

Ayes: Mr. Brown, Mr. Hunter, Mr. Phillips and Ms. Smith

Nays: None

Abstentions: Mrs. Ferraro, Mr. Stoffa

✓ **Minutes Approved**

5. **Peirce Park Performance Report – Mr. Michael Shone**

Mr. Shone provided the Board with an economic overview. Mr. Shone stated that U.S. equities topped international equities, for the last one, three and five years. Bonds did better than expected last year because interest rates came down. Mr. Shone stated that he expects international stocks to do better in the long term. Mr. Shone remarked that Large

Mr. Phillips asked if there was going to be a change, does Pierce Park have the authority to make the change or does it need to get approval from the Board. Mr. Shone replied that Pierce Park has full authority. Mr. Stoffa stated that the Board had given Pierce Park the authority to make changes as needed rather than wait for the quarterly meetings. Mr. Shone reminded that Board that Pierce Park cannot change the target asset allocation.

Mr. Shone stated that the County does a wonderful job communicating monthly cash flow needs. Mr. Shone stated that we should expect net cash outflows because the ARC (annual required contribution) is going down and benefit payments are going up. Mr. Stoffa asked whether the ARC would eventually go down. Mr. Shone replied that the ARC has been going down because investment returns have been greater than the 7.5% assumed rate of return. Mr. Phillips asked how we plan for pension liabilities. Mr. Brown stated that this is actuarially calculated and that we can expect this information from Hay in April. Mr. Brown stated that the Board would review this report at the next retirement board meeting. Mr. Brown continued, Fiscal makes an assumption during the budgeting process and then the HayGroup comes back with the actuarial calculation. Mr. Brown stated that we make certain assumptions, 4.5% salary increases and 7.5% investment return. Mr. Shone stated that there are predictable cash flows and with the information from the HayGroup Pierce Park can predict various ARCs, based on different assumptions. Mr. Shone stated that knowing that there is an expected cash outflow something to consider would be to set up a dedicated bond portfolio that would mature at various times so that you are not forced to sell securities, at an untimely basis.

Mr. Shone stated that Bank of New York/Mellon's services have recently deteriorated, as communicated by Pat Strunk in the Fiscal department. Mr. Shone stated that some disruption may have been caused by a BNY Mellon's new computer system, and relocation. Mr. Shone stated that this change in service was noted by other Counties as well. Based on this change in customer service Pierce Park sent out an RFI (Request for Information) for these services. Mr. Shone provided the following results from the RFI: PNC, who currently supports two of their clients declined to respond due to the complexity. U.S. Bank indicated that they were very interested, but never responded. M&T Bank/Wilmington Trust provided a response.

Mr. Shone stated he was unsure as to why PNC thought that Northampton County was too complex. Mr. Shone indicated that his firm did several follow ups with U.S. Bank, but they chose not to respond. Mr. Shone stated that M&T Bank/Wilmington Trust gives excellent service to the clients, but their price was \$30,000 more than the County is currently paying. Mr. Shone stated that he might be able to negotiate this price, but he didn't expect that it would get down to the price that we are currently paying BNY Mellon.

Mr. Hunter stated that Pat Strunk has indicated that the service is improving, but the bank statements are still difficult to decipher. Mr. Phillips asked if Bank of New York knew that we had an RFI out. Mr. Shone stated that they did. Mr. Shone stated that moving to another Custodian requires change and this may be difficult for the Retirees. Mr. Shone stated that it would be the Board's decision if they wanted to move to a new Custodian.

Mr. Brown asked for a motion to end the meeting.

Mr. Stoffa made a motion to end the meeting and Mr. Hunter seconded the motion.

Meeting adjourned