

NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES

December 4, 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. Jim Hunter, Mr. Hayden Phillips, Ms. Cindy Smith and Mr. John Stoffa.

Others present:

Mr. Michael Shone, Investment Management Consultant - Peirce Park

Ms. Amy Trapp, Director of Human Resources

2. **Courtesy of the Floor - None**

3. **Approval of the September 11, 2015 Retirement Board Minutes.**

Mr. Stoffa made a motion to approve the Minutes. Mr. Brown seconded the Motion.

Vote was called: Ayes: Unanimous
 Nays: None

✓ **Minutes Passed**

4. **Request – Retirement Board Minutes to be posted on County website – J. Stoffa**

Mr. Stoffa had previously requested, via a request from a retired employee, to have the Retirement Board Minutes posted on the County website.

Mr. Hayden made a motion to post the Retirement Board Minutes on the County website. Mr. Hunter seconded the motion.

Vote was called: Ayes: Unanimous
 Nays: None

✓ **Motion Passes**

5. Management Fees – J. Stoffa

Mr. Shone of Peirce Park provided a report which outlined administrative fees associated with the Retirement Fund, OPEB Fund and the Hugh Moore Trust. Mr. Shone explained the fees as both custodial and investment related and accounted for less than one half percent of the total.

6. JP Morgan Strategic Property Fund – J. Hunter

Mr. Hunter explained a request for further authorization to move funds currently outside of the Bank of NY family of funds (Real Estate) to JP Morgan. This authorization is already in place from Bank of NY funds to JP Morgan, and according to Mr. Shone most likely does not require a vote from the Board. However, Mr. Brown explained that Mr. Hunter wanted full disclosure to the Board with this matter.

Mr. Hunter made a motion to extend this authorization.
Mr. Brown seconded the motion.

Vote was called: Ayes: Unanimous
 Nays: None

✓ **Motion Passes**

7. COLA Discussion

Each December the Board makes a decision relative to a COLA increase for the upcoming year. Hay provided a statement with costs for 2016. Historically, if COLA is granted it is in accordance with the Consumer Price Index, at 70%. Mr. Shone explained law related to COLA has passed both the House and Senate and is believed to be on the Governor’s desk for signature. Under the old law, if COLA is granted for a specific year, but had been passed over for a year or number of years leading up to that year, those missed years would also become subject to the COLA calculations, which becomes very expensive. The new law subjects the COLA increase to only the year in question and not the previous retro years as well. If signed, 2017 would be the first year to be affected. The cost for a COLA increase in 2016 would be \$1,781,732.

Mr. Hunter made a motion to reject a COLA increase for 2016.
Mr. Brown seconded the motion.

Vote was called: Mr. Brown – Yes Mrs. Ferraro – Yes Mr. Hunter – Yes
 Mr. Phillips – Yes Ms. Smith – Yes

Mr. Stoffa – No

✓ **Motion Passes**

8. Resubmission of the Plan Document to the IRS

Hay will resubmit the Plan Document to the IRS with subsequent documentation provided from the Board. There are two options moving forward. The Board can allow the Chair to approve the Plan Document without further meetings, or the Board would need to call a separate meeting between December 18, and January 8, 2016, to approve the Plan Document.

Mr. Brown made a motion to allow the Chair to signature the Plan Document.
Mr. Hunter seconded the motion.

Vote was called: Ayes: Unanimous
 Nays: None

✓ **Motion Passes**

9. Peirce Park Performance Report/Real Estate – Mr. Michael Shone

Mr. Shone provided a general market overview. Mr. Shone focused on the end of September and the third quarter. He stated market expectations for inflation have declined. Labor markets showing strong indicators for November report unemployment at roughly 5%, which is at the lowest it's been since 2008. The odds of a short term rate hike by the Fed are high.

Markets in general – Large Cap stocks down 6% - Small Cap Stocks down 12%
However, this type of market move or correction is the rule and not the exception. When considering this, there are several factors to consider. First, the markets haven't seen movement like this in 4 years. Normally, similar movement is expected every 18 months. Second, the movement came very swiftly. In a four day period in August, markets lost 10%, which has only happened 17 times in 75 years. The peak decline between May and September was 12.5%, which when compared to the past 50 years is very much in line with the average decline, which is also 12.5%.

So what did we do when the market dropped 10%? Mr. Shone explained that there was a systematic plan (portfolio rebalance) in place, which hinged on a +/- 3% factor, which in this case was to buy back stocks. Third quarter losses, were gained back in October 2015. The fund balance in September was 330 million, but climbed up to 345 million by the end of November.

Mr. Stoffa interjected, and asked for the possibility of a one page summary for the year. The summary should reflect Beginning balance, end balance, cash flow (benefit payments, expenses, contributions) and investment gains/losses. Mr. Shone agreed this would be possible and a good idea. He will provide this type of summary at the next meeting and moving forward.

The Board questioned their performance compared to other Pennsylvania counties. Mr. Shone had actuaries from 47 of 67 counties summarized. The Northampton County fund is very well funded. Assets are available to pay for benefits. Highest funded ratios, compared to any other county, are in the OPEB fund.

10. Suggested Meeting Dates

Meetings are held the first Friday of the month at 10am. 2016 meetings are scheduled for March 4, 2016 – June 3, 2016 - September 9, 2016 – December 2, 2016

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

Meeting adjourned