

NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES

July 26, 2018
4:00 PM

1. **Call to Order:** Mr. Lamont McClure called the meeting to order at 4:00 pm.
2. **Call of the Roll:** The following members of the Board were present, Mr. Lamont McClure, Mr. William McGee, Mr. Gerald Seyfried, Mr. Thomas Guth, Mr. Stephen Barron. Mr. Kenneth Kraft participated by telephone conference call because he was traveling outside the United States. Absent: Mr. Ronald Heckman gave advance notice of his inability to attend the meeting.

Others Present – Mr. John Spagnola, PFM, Mr. Brandon Dunstane, Fiscal Affairs, Ms. Danielle Mutarelli, Human Resources; Mr. David Ceraul, Esquire, Assistant County Solicitor; Ms. Elizabeth Kelly, Board Secretary, Mr. Bernie O’Hare and Ms. Sandra Templeton.

3. **Courtesy of the Floor** – No Remarks
4. **Approval of the May 3, 2018 Board minutes.** Mr. McClure made a motion to approve the minutes of the May 3, 2018 meeting. Mr. Kraft seconded the motion. The minutes were approved by a unanimous vote.
5. **Retiree Healthcare Contributions** – Mr. Barron opened the discussion about the retiree healthcare premium contributions by reminding everyone that the contributions had been suspended by the Board at the May 3, 2018 Board meeting so that additional information could be found on the subject.

Mr. Barron made the following proposal, which was also outlined on a one page handout that he provided to the Members, for changes to the healthcare contributions:

Retiree:	0%
Retiree + one dependent:	3%
Retiree + two or more dependents:	5%

Mr. Barron reported that the above percentage contributions for dependents would be withheld from the base pension of retirees who elect healthcare coverage from the County.

Next, there was discussion of other counties’ retiree premium contributions, and in particular, other third class counties.

The discussion moved to what effect the proposed contribution rates above would have on the OPEB fund. Mr. Barron stated that the effect is that there will be a difference of approximately \$6,000 less in funds deposited to the OPEB Fund each month. This amount of difference is not so high as to require the County to contribute more funds than it is already contributing to the OPEB fund each year.

Mr. Barron reported that, under the proposal, no retiree will have to contribute more than \$150 above the amount that he or she was already contributing for healthcare benefits. In the majority of cases, retirees will be contributing less than what they are currently contributing.

Mr. Seyfried initiated discussion as to the legality of requiring retirees to make contributions for healthcare coverage, and reported that his legal research showed that there was some precedent in the

state's jurisprudence for the principle that retirement benefits cannot be diminished after the date of retirement, and that healthcare coverage is included in such benefits. Mr. McGee asked for Assistant Solicitor David Ceraul to provide a legal opinion on the subject. Mr. Ceraul stated that, although the Home Rule Charter was not specific as to this subject, his research showed that there is nothing unlawful about retiree premium contributions for healthcare benefits.

Mr. Barron pointed out that, under the proposed contribution rates, the retirees are not being asked to contribute monies for their own healthcare premiums. It is only if they wish to enroll a dependent that they will incur charges.

Chairman McClure made the point that it is entirely because of the concern brought forward by Mr. Gerald Seyfried that the Board is looking at this issue. In the past, changes were made to retiree healthcare contribution rates by County Executives, although the former County Executives had no authority to make such changes.

Chairman McClure added that Mr. Barron's proposal is a boon to retirees. The proposal is smart, in that Mr. Barron and his staff found a way to benefit many retirees without adversely affected the health of the OPEB fund.

Mr. Seyfried thanked Chairman McClure for his kind words. Mr. Seyfried next stated that he is not in agreement that it is legal to require retirees to make premium contributions for their healthcare. He stated that he must agree to disagree with the proposal.

Mr. McGee stated that the cost of healthcare is high; it goes up each year and, because of this, Mr. McGee believes that the proposed healthcare premium contributions are reasonable and the Administration did a good job on the proposal.

Mr. Kraft stated that he does not believe that the retirees' benefits have been diminished under the proposal. Free benefits for spouses do not exist. Using himself as an example, he stated that he would have to pay for his spouse's healthcare and his kids until they reach the age of 26. This is the same thing that is being asked of retirees under the proposal. Mr. Kraft also stated that the majority of retirees will be doing better under the proposal.

Next, a question was posed by Ms. Templeton as to what the term "base pension" means. Mr. Dunstane responded that the base pension does not include any cost of living increases or additional contributions above the mandated minimum contributions that retirees had the option to contribute when they were employees.

Mr. Seyfried stated that if it were not for Chairman McClure, no change would have happened and [speaking for retirees] we thank you for it.

Mr. McClure stated that he holds two positions. He the Chair of the Retirement Board and he is the County Executive, and as such, he has an obligation to the County Treasury as well as the retirees. He favors the proposed plan because it benefits many retirees, it does not affect the soundness of the OPEB fund and it does not require the taxpayers to contribute any more money. Mr. McClure sympathizes with the retirees who must pay more under the new proposal, but the proposal is the best possible solution under the circumstances.

A Motion was made by Mr. Barron to adopt the proposed retiree healthcare premium contributions, as set forth above. Mr. Kraft seconded the Motion. Ms. Kelly, Board Secretary, called for the roll call vote:

Member Gerald Seyfried:	No.
Member William McGee:	Yes.
Member Lamont McClure:	Yes.
Member Stephen Barron:	Yes.

Member Thomas Guth: Yes.

Member Kenneth Kraft: Yes.

With five (5) votes in favor, and one (1) vote against, the Motion carries.

After the vote, Mr. Seyfried requested that the next time a member wishes to bring a motion forward, that it be placed in writing and provided to Board Members in advance.

At 4:45 p.m., Mr. McGee was excused to attend to other County business.

Note: At 4:45 p.m., the Retirement Board adjourned briefly to convene the Hugh Moore Trust Fund Board meeting to allow Victor Scomilio, Stifel, to be at another meeting the same day. Immediately after the Hugh Moore Trust Board meeting ended at 5:00 p.m., the Retirement Board meeting resumed.

6. Performance Updates – PFM, John Spagnola. Mr. Spagnola gave the presentation of the Fund’s performance in the second quarter of 2018.

Pension Fund Market Value as of June 30, 2018 =	\$404, 823,748
Q1 gain:	1.41 percent
Gain since inception:	7.12 percent (inception date is 9-1-17)
YTD gain:	1.17 percent
1 year gain:	9.84 percent
3 year gain:	7.73 percent
5 year gain:	8.62 percent

Mr. Spagnola reported that, as of July 24, 2018, the Pension Fund’s market value is \$412 million dollars. He reported that PFM added an exchange traded fund and removed the T. Rowe Price Fund from the mix of investments. PFM also added a small cap component because the new tax bill does not affect small cap stocks.

Mr. Barron reported that as of today’s meeting, the pension fund is 90% funded.

7. Pension Updates – Danielle Mutarelli

Ms. Mutarelli prepared a two page summary showing the list of individuals who retired during the period and the amount of their pension benefits, which was distributed to Board Members.

Mr. Seyfried made a Motion to approve the list of retirees for the second quarter of 2018. Mr. Barron seconded the Motion. The Motion was unanimously approved.

Mr. Guth stated that he perceives a need for literature about the pension benefits because he has found that employees are not knowledgeable about their pension benefits.

Mr. Dunstane reported that the firm, Korn Ferry, prepared such literature in the past and that an update can be requested.

Mr. Barron made a Motion that the Board direct the County Fiscal Department to explore the price of obtaining a written update or plan summary and report this price at the next Board meeting. Mr. Kraft seconded the Motion. Ms. Kelly called for a roll call vote:

Mr. Seyfried: yes
Mr. McClure: yes
Mr. Barron: yes

Mr. Guth: yes
Mr. Kraft: yes

The Motion was approved by a unanimous vote of the Board.

8. **Adjournment** – Mr. Barron made a Motion to adjourn the meeting. Mr. Kraft seconded the Motion. The meeting was adjourned at 5:20 p.m.

Postscript: After the meeting, letters were prepared to inform the affected retirees of the Board’s decision on the healthcare premium contributions. Three different letters were prepared and mailed by the County Human Resources Department. Each letter was the same with the exception on one paragraph, which varied depending on how the retiree was affected by the new premium contribution rates: (1) retirees paying more than they previously paid, (2) retirees paying less than they previously paid, and (3) retirees staying the same. All three letters were copied to the Retirement Board Members.