

**NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES**

**October 25, 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 appointees to the Retirement Board were present: Mr. Lamont McClure, County Executive, Mr. Ronald Heckman, Council Member, Mr. William McGee, Council Member, Mr. Gerald Seyfried, retired member of Northampton County Retirement system, Mr. Thomas Guth, active employee member of Northampton County Retirement system, and Mr. Stephen Barron, Director of Fiscal Affairs.

Others Present – Mr. John Spagnola, PFM. Mr. Henry Stiehl and Mr. David Reichert, Korn Ferry. Mr. Brandon Dunstane, Fiscal Affairs. Ms. Danielle Mutarelli, Human Resources; Ms. Elizabeth Kelly, Board Secretary.

3. **Courtesy of the Floor** – Liz Kelly, Board Secretary, conveyed the request of Dennis Galligani, Retiree, to the Retirement Board. The Board President directed the Secretary to ask Mr. Galligani to submit his request in writing to Board.
4. **Approval of the July 26, 2018 Retirement Board minutes.** Mr. Seyfried made a motion to amend the minutes of the July 26, 2018 meeting, to change the sentence that reads, “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,” to conform the sentence to read what Mr. Seyfried recalled to be Mr. Barron’s statement at the July 26, 2018 meeting. There was no second. The Motion failed. A Motion was made by Mr. Barron to approve the minutes of the July 26, 2018 meeting. The motion was seconded. A roll call vote was taken and the minutes were approved by a vote of 4 votes in favor to 1 vote against approval. Mr. Seyfried voted against approval. Mr. Heckman abstained from the vote. The minutes were approved by a majority of the members.

**Note:** At 4:13 PM the Board adjourned temporarily at the request of Mr. Craig Muff, Stifel, to conduct business for the Hugh Moore Trust. At 4:29 PM, the temporary adjournment ended and the business of the Retirement Board resumed.

5. **Performance Updates – PFM, John Spagnola.** Mr. Spagnola gave the presentation of the fund’s performance in the first quarter of 2018. Mr. Spagnola reminded everyone present that the first quarter is traditionally a weak quarter. In addition to his report, Mr. Spagnola also distributed a one page handout showing fund performance results for the quarter ending September 30, 2018.

Pension Fund  
Market Value as of September 30, 2018 = \$416.76 million  
As of September 30, 2018:  
Q3 gain: 3.58 percent  
Gain since inception: 10.10% (inception date is 9-1-17)  
YTD gain: 4.81 percent  
1 year gain: 9.45 percent  
3 year gain: 11.09 percent  
5 year gain: 8.32 percent

Mr. Spagnola gave market updates and there was discussion of the most recent three week downward movement in the S&P 500. Mr. Spagnola reported that according to most sources, a recession remains at least two years away, and that the market finished up 3% today.

**Discussion-Chairman McClure's Proposal (COLA)** – At Mr. McClure's request, Mr. Stiehl, Korn Ferry, provided information to the Board concerning a possible cost of living increase, or COLA. Mr. Stiehl informed all present that, by State law, the maximum amount of COLA that can be given is 1.7%, which would cost \$3.4 million. Chairman McClure reported that he had asked Korn Ferry whether the money managers could prepare for a COLA to be given on January 1, 2019, and he distributed a letter of Korn Ferry to all Members present, which states that members who retired in 2017 and prior years are eligible for the COLA. Mr. Seyfried stated that he knew that retirees appreciated everything the Lamont G. McClure Administration has done for them to date, and added that historically, the Board had considered at least one COLA for retirees each year but this had not occurred in recent years. Mr. Seyfried also reported that, because of changes in the law, the Board must review the cost of living index once every three years and must be based on the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware and Maryland area. Mr. Seyfried inquired as to whether the Board is permitted to award cost of living increases retroactively, to fill the gap in the years in which no COLA was given to the retirees. Mr. Stiehl, Korn Ferry, stated that the Board was no longer permitted to award COLA increases to the retirees retroactively, due to the changes in applicable laws, as explained in the letter of Korn Ferry. Mr. Seyfried requested that the letter of Korn Ferry be made a part of the minutes as **Exhibit 1**.

**Motion** – Chairman Lamont McClure moved that the Board approve the 1.7% COLA for the Northampton County retirees. The Motion was seconded by Mr. Barron. A roll call vote was taken. The Board unanimously voted to approve Mr. McClure's Motion to give retirees a 1.7% COLA effective January 1, 2019.

**NOTE:** The 1.7% COLA will be effective on January 1, 2019, for all retirees who retired in the years 2017 and earlier. Please note that, unfortunately, the COLA cannot be given to those who retired in 2018.

**6. Pension Updates – Danielle Mutarelli**

Ms. Mutarelli prepared a summary sheet showing the individuals who retired during the period and the amount of their pension benefits. The summary sheet was distributed to each member present.

**7. Discussion of Updating Summary Retirement Plan Literature** – Mr. Stiehl, Korn Ferry, stated that Korn Ferry had not yet prepared an estimate of the cost to prepare new summary plan description booklets for the pension plan. He informed the Board that the cost to draft the booklet was approximately \$750.00. He cautioned that this is a rough estimate, because it is the benefits attorney who will do the drafting. He stated that the most recent summary pension plan booklet is dated 2004-05.

**8. Motion** – Mr. Barron moved that the Board authorize him to spend up to \$1,000 in fees to allow Korn Ferry to update the summary pension plan booklet. The Motion was seconded by Mr. Heckman. A roll call vote was taken. The Board voted unanimously to approve the Motion to authorize Mr. Barron to spend up to \$1,000 to get the summary pension plan booklet updated.

**9. Discussion** – Mr. Stiehl, Korn Ferry, provided the Board with copies of the Actuarial report for the pension plan. He remarked that the County is funding the plan at 100% of what the Actuaries calculated as necessary to maintain the financial health of the plan. The plan's current ratio of total funding to total liabilities is 89.7% which is very good. Korn Ferry reported that it is inadvisable to fund the plan at less

than 80%, although there are other municipal pension plans that are funded at 80% or less and, in some cases, much less. Korn Ferry also reported that over the past 10 years, the plan has trended at having 16 million dollars in contributions (excluding investment income) and spends 27 million dollars each year to pay pension obligations. This is not unusual for mature pension plans such as Northampton County's. Korn Ferry valued the return on investment needed by the plan at 7.5% annually, based on the plan's trend of income vs. expenditures. Korn Ferry's projected value for the plan's needed return on investment is 10 to 10.5%, but they cautioned that this number could change. They indicated that the best time to look at this number and what can be done to reduce it is in May, when the Korn Ferry annual report is completed.

Questions were posted by Mr. McClure and Mr. Barron, and Mr. Stiehl provided some information about options such as resetting the amortization rate and lowering costs. Mr. Barron suggested that they revisit the number and these options in May, 2019.

- 10. Motion** – Mr. Barron made a Motion to schedule the next regular meeting of the Retirement Board on Thursday, January 24, 2019, at 4:00 PM. The Motion was seconded by Mr. McGee. A roll call vote was taken. The Board voted unanimously to approve the Motion to schedule the next regular Retirement Board meeting on January 24, 2019.

Note: After the meeting was adjourned, the next meeting of the Retirement Board was rescheduled to January 31, 2019, at 4:00 PM., due to a conflict with some County Council Committee meetings scheduled at the same time.

- 11. Adjournment** – A Motion was made to adjourn the meeting at 5:17 PM by Mr. Barron. The Motion was seconded by Mr. McGee. The Motion passed unanimously. The meeting adjourned at 5:17 PM.

**Enclosure: Exhibit 1**, Letter of Mr. Henry Stiehl and Mr. David Reichert, Korn Ferry, dated October 9, 2018.