

**NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES**

**January 28, 2021**

**4:00 PM**

1. **Call to Order:** Mr. Lamont McClure called the meeting to order at 4:01 pm.
2. **Call of the Roll:** The following appointees to the Retirement Board were present: Mr. Lamont McClure, County Executive; Ms. Lori Vargo Heffner, Council President; Mr. William McGee, Council Vice President; Mr. Gerald Seyfried, Retiree Member; and Mr. Stephen Barron, Director of Fiscal Affairs. **Absent:** Mr. Ronald Heckman, Council Member; Mr. Thomas Guth, active employee Member of Northampton County Retirement system.

Others Present – Mr. John Spagnola PFM; Mr. Bryce Meyers, Fiscal Affairs; Ms. Danielle Mutarelli, Human Resources; Ms. Kathleen Wedge, Board Secretary; Ms. Stephanie Hann, Human Resources.

3. **Courtesy of the Floor** – None.
4. **Approval of October 22, 2020 Retirement Board minutes.** Ms. Lori Vargo Heffner made a motion to approve the minutes of the October 22, 2020 board meeting. Mr. William McGee seconded the motion. The vote to approve was unanimous.
5. **Performance Updates – PFM, John Spagnola.** Mr. Spagnola gave the presentation of the fund’s performance in the 4<sup>th</sup> quarter of 2020.

Pension Fund Market Value as of December 31, 2020 = \$491,018,998

As of December 31, 2020:

Q4 gain:	10.65 percent
Gain since inception:	10.50 percent (inception date is 9/1/2017)
YTD gain:	14.49 percent
1-year gain:	14.49 percent
3-year gain:	9.62 percent
5-year gain:	10.71 percent

The Pension fund had two really extraordinary years back to back, in spite of how bleak the market was a few quarters ago. The market experienced the biggest, fastest drop in history due to COVID-19 and the fund managers made excellent decisions: they were defensive during a period of uncertainty, and then offensive when the market rallied.

The fourth quarter is trending in the right direction with 4 percent projected growth for 2021. PFM anticipates the market to respond based on COVID-19 containment and the availability of vaccines, and whether Congress passes another stimulus package. Consumer confidence is neutral, and unlike the 2008 financial crisis, there are no signs of inflation because the banks are required to have strong balance sheets because of that period. There are many extremes in certain areas of the market. Energy and financials are struggling while IT services like GameStop are succeeding because of people’s limited mobility. Unemployment is lower than it was, but is still high.

Ms. Vargo Heffner asked whether we added new managers, and how the managers are doing. Mr. Spagnola replied that they consolidated managers, who are doing well and increased the fund by 5-6% in one quarter.

Mr. McGee asked whether low cash equivalent of less than 1% is normal. Mr. Spagnola replied that this is normal, and facilitates the fund's fluctuations as money comes in and out.

**6. Pension Updates – Danielle Mutarelli**

Ms. Mutarelli prepared a summary sheet showing the individuals who retired during the fourth quarter and the amount of their pension benefits. Each member present received the summary sheet.

**Approval of 4<sup>th</sup> quarter Pensions:** Ms. Vargo Heffner made a Motion to approve the list of retirees submitted by Ms. Mutarelli. Mr. Seyfried seconded the Motion. The vote was unanimous.

**7. Open Discussion – COLA Proposal:**

Mr. Barron presented a letter from actuary Korn Ferry regarding a COLA for retirees, which the board is required to consider every three years. Korn Ferry noted the board's pattern of consistently granting a COLA every two years, and calculated the actuarially determined contribution needed to grant a COLA based on this pattern and the CPI, which defines the amount of the COLA. The board granted the last COLA two years ago when the CPI was 1.3%. The 2020 CPI is 0.4%, and if the board grants a COLA the actuarially determined contribution necessary for 2021 and 2022 is \$529,997. The board may choose to fund the COLA over a shorter or longer period than two years.

Mr. McClure and Mr. Seyfried recalled that the retirement board has not consistently granted a yearly COLA, and whether the board granted one depended on its members at the time. Mr. McClure expressed concern that if we review a COLA for a two-year period, the retirement board's hands would be tied if the cost of living goes up next year. Mr. Barron replied that the actuaries recommend taking action on a 0.4% COLA knowing our regular pattern of giving a COLA is two years, and that doing so does not prevent us from taking an additional liability later. The board can discuss a COLA again based on the 2021 CPI regardless of what it decides at this time. Pensioners will see the money right away in their monthly paycheck, but the actuarially determined contribution smooths out the impact to the pension fund over a two-year period.

Mr. McClure suggested a motion be made to grant a COLA to retirees, given that the COLA that can be given is 0.4 percent and that the pension fund is in good health. Mr. Seyfried asked whether it is ethical for him to make a motion since he receives the benefit, and Mr. McClure confirmed that it is ethical because casting a vote benefits an entire class of people, whereas not casting a vote means that they may not receive it.

Mr. Seyfried made a Motion to grant the maximum COLA of 0.4%, following the actuaries' advice for a two-year period. Ms. Vargo Heffner seconded the Motion. The vote to approve was unanimous. Mr. McClure indicated that the board should discuss a COLA again in Q1 2022.

**8. Schedule of Meetings for 2021:** The board selected dates for upcoming meetings at 4pm on April 29, July 29, and October 28.

9. **Adjournment** – Ms. Vargo Heffner made a Motion to adjourn the meeting. The Retirement Board meeting adjourned at 4:44pm and we moved on to the OPEB meeting.