

NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES

April 29, 2021

4:00 p.m.

1. **Call to Order:** Mr. Lamont McClure called the meeting to order at 4:03 p.m.
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. Ronald Heckman, Council Member; Mr. Thomas Guth, active employee Member of Northampton County Retirement system; Mr. Gerald Seyfried, Retiree Member; and Mr. Stephen Barron, Director of Fiscal Affairs.

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 the January 28, 2021 Retirement Board minutes.** Ms. Vargo Heffner made a Motion to approve the minutes of the January 28, 2021 board meeting. Mr. Barron 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 1st quarter of 2021.

Pension Fund Market Value as of March 31, 2021 = \$503,590,140

As of March 31, 2021:

Q1 gain:	3.28 percent
Gain since inception:	10.72 percent (inception date is 9/1/2017)
YTD gain:	3.28 percent
1-year gain:	37.12 percent
3-year gain:	10.89 percent
5-year gain:	11.17 percent

The quarter was strong, building on momentum from last year and the opening of the economy. Domestic equities had a very strong one-year return across the board, with materials and technology up. PFM expects performance to be six to eight percent growth for the year, which is growing faster than expected, and may be even higher. The price-to-earnings (PE) ratio is expanding in anticipation of earnings catching up, with an expectation of around \$200 per share. Approximately 1.6 million jobs were added and overall unemployment and underemployment combined is at 10 percent. There is an estimated two trillion dollars of household savings because of people not being able to go anywhere or do anything. Most of the country has had at least one shot, and full vaccinations are likely by the end of May, which may result in an explosion of growth as businesses reopen and people start to go about normal life. Federal fund rates are still at or around zero percent. Higher tax rates are possible. Inflation is not a problem yet. We cannot anticipate whether the fiscal stimulus will have an impact, but consumer confidence is at an all-time high and the government is spending at a rate that has not occurred since Presidents Lyndon B. Johnson or Franklin D. Roosevelt with the infrastructure package.

Mr. McClure asked whether the current market value of the fund at about half a billion dollars, funded at 90.5 percent, is a good place to be funded for the County. Mr. Spagnola replied that it is, and our success is unprecedented for a public fund, especially compared to State and Federal levels, which have not been as prudent. Mr. McClure thanked PFM for the fund's success from the time the board was constituted, which started with about 406 million dollars and increased by 97 million dollars, up 20 percent. Mr. McClure stressed the importance of the board's fiduciary duty to its constituents, and asked Mr. Spagnola what we are doing to maintain the fund's remarkable success defensively, especially given that the County has no experience with these kinds of numbers. Mr. Spagnola replied that we are maintaining a diversified, disciplined portfolio and always looking for other areas in which to invest. Managers are being strategic about being overweight in asset classes they think will perform, like domestic and international equities, and underweight in areas they know will not perform as well, like fixed income, which is currently yielding a zero or negative return. They are being as tactical and dynamic as they can in the short-term, and watching for risks to ensure long-term success. They plan to take three percent from fixed income and move it to commodities to capture inflation risk. The fund is up 3.28 percent for the quarter and reached \$523,393,000 as of April 28, an increase of 20 million dollars since March 31.

Mr. Heckman asked how Northampton County's funding compares to the average funding of other counties in Pennsylvania. Mr. Spagnola replied that he is guessing their average funding is in the low 80's, and he can get exact information. Mr. McClure stated that this is consistent with the information the actuaries provided.

Mr. McGee reiterated protecting the pension fund for employees because it is so important to them and understanding the difference between a defined benefit plan and a 401k.

Ms. Vargo Heffner inquired how PFM will respond to President Biden's infrastructure plans presented to Congress on April 28. Mr. Spagnola replied that the pension fund is in a good position for this, and we have investments across the board that would benefit. He explained that while spending in infrastructure improves the economy, the economic impact of these plans will be spread out over time due to the planning and preparation required before the allocated funds are actually spent. Additionally, there are fewer opportunities to invest in infrastructure projects in the United States because most of them are funded privately or through bonds, unlike Australia or Europe where you can buy into publicly traded infrastructure funds. PFM will continue to look for investment opportunities as the sector grows.

We added value to the fund in mid-December by allocating three percent to the domestic equities small cap funds iShares and S&P 600, which both captured 18 percent for the quarter and boosted the total fund performance. The managers added the Artisan International Small-Mid cap, which was not great for the quarter but performed well in the last year. We lost less than the benchmark in fixed income funds.

6. Pension Updates – Ms. Mutarelli

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

Approval of 1st quarter Pensions: Mr. McGee made a Motion to approve the list of retirees submitted by Ms. Mutarelli. Mr. Heckman seconded the Motion. The vote was unanimous.

7. 2021 Actuarial Valuation Report – Mr. Barron

Mr. Barron presented the 2021 Actuarial Report from Korn Ferry. The total actuarially determined contribution budgeted for 2021 is 10.5 million dollars. Mr. Barron noted that the actuarial return rates anticipated by Korn Ferry tend to be more conservative than the benchmarks provided by PFM and that we have hit the market value return rate every year except 2018. A record number of retirees in 2018, in combination with market conditions the first quarter the current Board convened, affected that year's return.

8. **Adjournment** – Ms. Vargo Heffner made a Motion to adjourn the meeting. The Retirement Board meeting adjourned at 4:41 p.m.