

NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES

April 28, 2022

4:00 p.m.

1. **Call to Order:** Mr. Stephen Barron called the meeting to order at 4:02 p.m.
2. **Call of the Roll:** The following appointees to the Retirement Board were present: Ms. Lori Vargo Heffner, Council President; Mr. Kerry Myers, Council Vice President; Mr. Thomas Guth, active employee Member of Northampton County Retirement system; Mr. Gerald Seyfried, Retiree Member; and Mr. Stephen Barron, Director of Fiscal Affairs.

The following appointees to the Retirement Board were absent: Mr. Lamont McClure, County Executive; and Mr. Ronald Heckman, Council Member.

Others Present: Mr. John Spagnola, PFM; Mr. Bryce Meyers, Fiscal Affairs; Ms. Mary Lou Kaboly, Board Secretary; Mr. Robert Donchez, Human Resources; Ms. Stephanie Hann, Human Resources.

3. **Courtesy of the Floor** – None.
4. **Approval of the January 27, 2022 Retirement Board minutes.** Ms. Vargo Heffner made a Motion to approve the minutes of the January 27, 2022 board meeting. Mr. Myers seconded the Motion. The vote to approve was unanimous by acclamation.
5. **Performance Updates – PFM, John Spagnola.** Mr. Spagnola gave the presentation of the fund's performance in the 1st quarter of 2022.

Pension Fund Market Value as of March 31, 2022 = \$508,196,528

As of March 31, 2022:

Q1 gain:	-6.15 percent
Gain since inception:	9.22 percent (inception date is 9/1/2017)
YTD gain:	-6.15 percent
1-year gain:	4.01 percent
3-year gain:	10.79 percent
5-year gain:	9.60 percent

The economy did not grow in the first quarter as anticipated, but PFM believes it is a result of a trade deficit and transitions in the economy and does not indicate a recession. The Federal Reserve raised interest rates by 2.5 percent and is expected to raise them even further to combat inflation, which is at a forty-year high and significantly influencing gas and food prices. Political unrest with Ukraine is effecting the prices of energy and farmed goods, and there are additional supply chain disruptions with China on lockdown. Corporate fundamentals are strong and consumer spending is fine.

The pension fund's overall performance for the quarter fell below the benchmark because one of the international equities managers underperformed, but PFM has confidence that they will outperform in future considering they doubled the benchmark in their annualized performance.

Mr. Spagnola recommends investing in private debt funds with Golub Capital Partners and infrastructure with Blackstone Infrastructure Partners because the fixed income and equity funds in which

we currently invest have negative returns and we will not meet our actuarial assumption without more stable, positive returns. There is a one percent management fee for both funds.

PFM wants to add a new asset class in infrastructure with Blackstone under the real assets category with four percent (twenty million dollars) of our total investment, which they would move from fixed income. The recommendation is compliant with our investment policy and we can get out at any time because the fund is open-ended, but there is an eight-month waiting period before we can invest after we sign.

PFM also recommends investing three to four percent of the total investments in both the Pension and OPEB funds with Golub Capital Partners, which would remain in our portfolio for a 10-year period and is not an open-ended fund. Golub raises funds to provide senior and junior debt financing to companies when banks are unwilling or unable to lend, and has a history of reliable returns for investors, averaging a ten percent cash yield. They raise a new fund approximately every year, and use the waterfall from previous years to help the current year's fund and diversify risk. The average position for each company is 0.2 percent of the portfolio and we would be at the top of the capital stack if a company went bankrupt.

Ms. Vargo Heffner noticed that some of Golub's fund years had a higher inception rate and decreased by the end of their term. Mr. Spagnola replied that the funds' 2020 performance was impacted by the pandemic, and Mr. Barron interjected that investors from that fund year also bought in at a higher rate when people were doing well.

Ms. Vargo Heffner asked how the Board would determine that Golub Capital Partners and Blackstone Infrastructure Partners are not good investments. Mr. Spagnola replied that the investment with Golub would be locked in for ten years, but we would receive investment yields before then. Mr. Barron suggested that we could reinvest those yields in fixed assets.

Mr. Spagnola recommended that we try to get into the fund sooner than the meeting in July because the final close for Golub is the second quarter of 2023. Ms. Vargo Heffner made a Motion to have an official Retirement Board meeting in May to review information about PFM's proposal, and potentially vote with Mr. McClure and Mr. Heckman present. Mr. Myers seconded the Motion. The date is to be determined.

6. Pension Updates – Mr. Barron

Ms. Mutarelli prepared a summary sheet showing the individuals who retired during the first quarter and the amount of their pension benefits. Mr. Barron provided the summary sheet to each member present on behalf of Ms. Mutarelli, who was absent.

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

7. 2022 Actuarial Valuation Report – Mr. Barron

Mr. Barron presented the 2022 Actuarial Valuation Report for the pension fund. He stated that the investments from 2020 and 2021 did well and the contributions to the pension are in line to fully fund the actuarial amount. The plan increased from 76 percent funded to 95.1 percent funded over the last nine years. The county workforce has grown so that the amount of money added to cover payroll has decreased in the last ten years, which reflects a healthy pension fund. The actuarially determined total funding requirement for 2022 is \$9,420,477, which factors in the remaining amortization charges for the retiree COLA increases from January 2021 and January 2022.

Mr. Barron and Mr. Seyfried explained that when the board provides a COLA to retirees, this also advantageous for employees participating in the plan because they receive the benefit of that new factor in their retirement calculation.

Mr. Seyfried made a Motion to accept the Actuarial Valuation Report. Ms. Vargo Heffner seconded the Motion. The vote to approve was unanimous.

8. **Adjournment** – Ms. Vargo Heffner made a Motion to adjourn the meeting. The Retirement Board meeting adjourned at 5:10 p.m.