

NORTHAMPTON COUNTY RETIREMENT BOARD MINUTES

July 28, 2022

4:00 p.m.

1. **Call to Order:** Mr. Lamont McClure called the meeting to order at 4:02 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. 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.

The following appointee to the Retirement Board was absent: Mr. Kerry Myers, Council Vice President.

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

3. **Courtesy of the Floor** – None.
4. **Approval of the April 28, 2022 Retirement Board minutes.** Mr. Heckman made a Motion to approve the minutes of the April 28, 2022 board meeting. Mr. Seyfried seconded the Motion. The remaining board members voted to approve, and noted Mr. McClure’s abstention due to his absence from the previous meeting.
5. **Performance Updates – PFM, John Spagnola.** Mr. Spagnola gave the presentation of the fund’s performance in the 2nd quarter of 2022.

Pension Fund Market Value as of June 30, 2022 = \$444,314,704

Quarter gain:	-11.74 percent
YTD gain:	-17.17 percent
1-year gain:	-13.18 percent
3-year gain:	5.11 percent
5-year gain:	6.28 percent
Gain since inception:	5.95 percent (inception date is 9/1/2017)

Mr. Spagnola stated that we are currently in a mild recession and seeing little reversal in the markets overall. Consumer spending is positive but slowed due to inflation. Economic growth is negative, but the economy has not slowed enough to see corporate layoffs and the labor markets are still strong with unemployment at 3.6 percent. The Fed is acting aggressively to help the economy and combat inflation by raising rates, which PFM anticipates will rise quickly. Political risks in the Ukraine and China and new COVID strains continue to affect the market.

There were negative returns in all asset classes for the quarter. PE ratios dropped, and equities are now more attractive because they are cheaper.

The Pension fund was down 11 percent for the quarter, but performed better than the benchmark. The fund increased by approximately 17 million dollars since the quarter closed on June 30 and was valued at 461 million dollars as of July 27, 2022. The fund is underweight by two percent in the domestic equity asset class and lost less than the benchmark because of this. The fund is also underweight by 4.5

percent in international equity, and the underperformance of WCM Focused Growth International strongly affected that asset class. PFM moved that money to cash to be defensive, and the fund currently holds seven percent in cash instead of zero percent because it is currently yielding over two percent. PFM also moved money to preferred shares and commodities to capture the benefit of inflation.

Mr. Heckman asked whether PFM is confident that the market is currently at the bottom and will start trending up. Mr. Spagnola replied that they are optimistic, and remarked that the advantage of tracking equities for a long-term fund like ours is that we will see the market bounce back over time.

6. Pension Updates – Ms. Mutarelli

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

Approval of 2nd quarter Pensions: Mr. Seyfried made a Motion to approve the list of retirees submitted by Ms. Mutarelli. Mr. Barron seconded the Motion. The vote to approve was unanimous.

7. Medicare Advantage PPO Presentation – Ms. Mutarelli

Ms. Mutarelli indicated a new medical plan would be available to retiree subscribers and their eligible dependents effective the 2023 benefit year and Human Resources will announce it during open enrollment. The Medicare Advantage PPO product is a plan offered through Capital Blue Cross that includes a national network of coverage. Its introduction would provide a creditable coverage option to Medicare-eligible retirees who live outside the BlueJourney HMO plan's 21-county coverage area, no matter where they live in the continental United States. The plan adds routine dental and vision services, hearing aid coverage, and the Silver Sneakers fitness program, which the County has never offered to eligible retiree medical individuals before.

Ms. Vargo Heffner asked how retirees adversely effected for lack of this option previously would become aware of the new plan. Ms. Mutarelli responded that Human Resources would mail letters to everyone who is eligible for retiree medical benefits in the second week of September to give them time to prepare. This will include every single person enrolled in retiree medical benefits currently, in addition to those who deferred based on where they live. Mr. Seyfried indicated that he would mention the new plan in the newsletter for the fall luncheon in October. Mr. McClure requested to have a representative from Capital Blue Cross at the luncheon to answer questions.

Mr. McClure requested to know the cost difference of the new plan. Ms. Mutarelli stated that the cost would increase from \$300 to \$325 per member per month.

Mr. Barron remarked that the new Medicare Advantage PPO plan might positively affect the OPEB fund because there may be less interest in the current Retiree PPO with lifetime maximum benefit plan. Ms. Mutarelli agreed that this shift would remove the County's risk association from the self-funded plan to one fully insured by Capital Blue Cross.

Mr. Seyfried noted that the current Retiree PPO with lifetime maximum benefit plan was intended for people ineligible for Medicare who retire early, and it is his opinion that the current plan would no longer be needed or wanted when people become Medicare eligible and we offer the Medicare Advantage PPO. Ms. Mutarelli agreed that the County intended the current Retiree PPO with lifetime maximum benefit product to be a transitional plan for those retiring at age 55, and then at age 65 they were meant to move over to the BlueJourney HMO. She stated that we cannot force enrollment in the new plan, but the option is of great benefit to Medicare eligible individuals and she anticipates many of them moving to the new product. Mr. Barron remarked that the current Retiree PPO with lifetime maximum

benefit plan is still important to retain for the very few employees who retire early and need to wait several years before becoming eligible for Medicare, and the OPEB fund is equipped to handle the liability. Mr. McClure indicated that the board would watch the OPEB fund for financial pressure stemming from the current Retiree PPO with lifetime maximum benefit plan, and address it at that time if it occurs.

8. **Adjournment** – Mr. Heckman made a Motion to adjourn the meeting. Mr. Barron seconded the Motion. The Retirement Board meeting adjourned at 4:30 p.m.