

RETIREMENT BOARD MINUTES

April 26, 2023

4:00 p.m.

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

The following appointees to the Retirement Board were absent: Mr. Kerry Myers, Council 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; Paul Breaux, Active Employee

3. **Courtesy of the Floor – Mr. Breaux:** Active employee Mr. Paul Breaux asked the board to change the retirement plan to offer earlier retirement for employees staffed at the 911 Center, Juvenile Detention Center, Prison, and Gracedale Nursing Home, which he believes may encourage employee retention at these locations. The board thanked Mr. Breaux for his ideas.
4. **Approval of the February 9, 2023 Retirement Board minutes:** Mr. Seyfried made a Motion to approve the minutes of the February 9, 2023 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 2023.

Pension Fund market value as of March 31, 2023: \$452,547,911

As of March 31, 2023:

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| Q1 gain: | 4.53 percent |
| Gain since inception: | 6.12 percent (inception date is 9/1/2017) |
| YTD gain: | 4.53 percent |
| 1-year gain: | -7.02 percent |
| 3-year gain: | 9.86 percent |
| 5-year gain: | 5.69 percent |

The domestic equity, international equity, and fixed income sectors yielded a positive return in the market for the quarter. Information technology performed best and financials performed worst in the S&P 500. The U.S. Treasury yield curve fell sharply, which indicates a good outlook for bond returns. The Federal Reserve raised rates and is anticipated to raise them again to slow inflation. While unemployment dropped to 3.5 percent, hiring is slowing and industries are starting to see layoffs.

The pension fund's performance in the international equity and fixed income sectors was good, and the domestic equity sector underperformed by one percent against the blended benchmark. WCM Focused Growth International had a strong recovery for the quarter. The fund received almost 20 million dollars in investment gains during the first quarter and the portfolio total as of April 25, 2023 was \$455,223,666.75.

Mr. Barron asked whether it is prudent to move more assets to fixed income now that the U.S. Treasury yield curve fell and bond returns are positive, and given the current market volatility. Mr. Spagnola responded that PFM does not intend to move the fund's assets further into fixed income because although bonds are capturing a higher yield currently, there will still be downward pressure on bonds and we cannot anticipate how the Federal Reserve's changes will influence the fixed income sector in the future.

Ms. Vargo Heffner noted the addition of Golub Capital Partners to the fund. PFM allotted 17 million dollars for Golub, and a 13.6 million dollar capital call already occurred for the pension fund. Mr. Spagnola stated that PFM anticipates an 8 to 10 percent return from Golub, which excels in middle market lending, or lending to companies that are not profitable enough to receive attention from big investment banks. Ms. Vargo Heffner asked the status of adding Blackstone Infrastructure fund to the portfolio, and Mr. Spagnola responded that the process is nearly finished.

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. Seyfried made a Motion to approve the list of retirees submitted by Ms. Mutarelli. Ms. Vargo Heffner seconded the Motion. The vote to approve was unanimous.

7. 2023 Actuarial Valuation Report

Mr. Barron presented the 2023 Actuarial Valuation Report for the Pension fund, which includes the actuarially determined contribution for the budget that Council approves annually. The recommendation for 2023 funding is \$10.03 million dollars. The funded ratio of our pension is 93.9 percent, and is one of the healthiest county pensions in the state. The unfunded actuarial liability of seven percent represents the financial health of the fund, and indicates that even if there were significant short-term liabilities to the fund the County could pay for them.

8. Discussion regarding RFP for Professional Services

Mr. Barron opened a discussion with the board regarding PFM's contract as the manager of the pension, OPEB, and Hugh Moore Trust funds. It is an evergreen contract that automatically renews without board action, and the current board and administration inherited it from the previous one. Mr. Barron felt it incumbent upon himself as the Director of Fiscal Affairs to remind the board of the contract's evergreen status and facilitate a discussion since the board manages the funds in the best interest of the taxpayer. Mr. McClure indicated that it is the board's fiduciary responsibility to address an issue with the fund should a problem occur, and they may do so at any time. The board agreed to present the contract for discussion annually each spring.

9. Adjournment: Ms. Vargo Heffner made a Motion to adjourn the meeting. The Retirement Board meeting adjourned at 4:50 p.m.