

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of October 22, 2020**

The regular meeting of the Board of Trustees was held on October 22, 2020 via Zoom webinar.

BOARD MEMBERS PRESENT:

Vanessa Phillips, CAO – Chair
Jacqueline Jenkins, CHRO – Administrator
Michael Smith, CFO – Treasurer
*Karen Brown, Pension & Benefits Admin. – Trustee
Karen Smalls, Office of Finance – Trustee

OTHERS PRESENT:

Bob Wasserbach, NCC/Audit
Joe Wolfram, Vanguard
Lisa Kots, Vanguard
Wil Davis, NCC/Law

STAFF PRESENT:

Joe Szczechowski, Public Information Specialist

ABSENT MEMBERS/STAFF:

**John Gysling, Union Representative – Trustee

*Joined meeting at 1:06 p.m.

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The meeting was called to order by Chief Administrative Officer Vanessa Phillips at 1:04 p.m.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the July 23, 2020 meeting are attached for approval.

Karen Smalls made a motion to approve the minutes from the May 28, 2020 meeting.

The motion was seconded by Michael Smith and unanimously approved.

NEW BUSINESS

- Investment Update by Vanguard – Senior Investment Consultant Joe Wolfram introduced Investment Analyst Lisa Kots, who reviewed the performance report dated October 22, 2020, which covered third quarter portfolio performance. The materials provided included the following reports, all measured as of September 30, 2020: Market Performance Summary, Total Portfolio Performance and Asset Allocation, Performance Summary (Gross of Advisory Fees), Total Portfolio Performance, Cash Flow Summary, Benchmark History, and Fee Analysis. Also included was a report on the Market and Economic Outlook, Private Equity Considerations, and Vanguard Fund Information.

Ms. Kots started with the Market Performance summary on page 4. She stated that the market this year has been volatile, with sharp declines in the first quarter across most asset classes. Since then, most markets have recovered those losses and have produced positive returns on a year-to-date basis.

As of September 30, 2020, the market value of the OPEB portfolio was \$54,235,113. As of October 21, 2020, plan assets were up an additional 1.86%, sitting at \$55,245,000. The plan has returned an 8.85% return on an annual basis.

In the first three weeks of July we have had very strong returns, so our portfolio is now positive for the year. Mr. Wolfram noted that as of the close of business on July 22, 2020, the asset value was approximately \$53.5 million.

Mr. Wolfram noted that the OPEB portfolio was rebalanced on March 17, 2020, achieving positive year-to-date results.

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of October 22, 2020**

Ms. Kots continued to review the details of the Performance Summary (Gross of Advisory Fees), Total Portfolio Performance, Cash Flow Summary, Benchmark History, and Annualized Fee Analysis (pages 6 – 12). Vanguard’s Total estimated annual fees and expenses were \$85,102.

Mr. Wolfram presented the material in the report under tab II – “Market and Economic Outlook” (pages 14 – 26). He noted that balanced portfolios like OPEB’s have done well this year. The Federal Government has indicated that it will do everything possible to stimulate the economy.

On page 19, Mr. Wolfram reviewed Vanguard’s October 2020 market and economic outlook at a glance. Key takeaways are:

- *It will take until the end of 2021 for U.S. GDP to return to pre-COVID levels.
- *Vanguard expects agreement on a continuing resolution to fund the government at least through the election.
- *Monetary policy should remain loose into 2021, with risks skewed toward further easing.
- *Global trade is poised for a sharp rebound through October, followed by a slower recovery.
- *Vanguard expects core inflation to remain below 2% over the medium term.
- *The United States will finish 2020 with an unemployment rate in a range of 7% to 9%.

Ms. Phillips asked if Vanguard recommends any changes to the OPEB portfolio given their projections. Mr. Wolfram stated that the current allocations are in a good position, and he did not recommend any tactical moves at this time.

Mr. Wolfram concluded with an overview of how presidential elections have impacted the market historically.

Mr. Wolfram reviewed the information under Tab III – “Private Equity Considerations.” He noted that OPEB’s Investment Policy Statement does not specifically prohibit investing in private equities, but it does include a statement (under section II, D 4) that says, “engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios is prohibited.” This may need to be examined by our legal advisor.

Mr. Wolfram presented a broad overview of private equities and their place in portfolios. In February, Vanguard partnered with HarbourVest to provide a private equity offering. Private equity has found its place in many portfolios, particularly non-profits and public government pension plans seeking higher returns and more diversity. However, the expected time horizon for this investment is 12 to 14 years.

Ms. Phillips suggested that the board members review the information and bring questions or concerns to the next meeting.

- ◆ Financial Update –Karen Smalls reviewed the financial update on the OPEB fund for FY2020 as of September 30, 2020 as provided. A comparison to FY2020 figures was included.
 - FY 2021 Revenue – \$5,080,420.67
 - Investment Income – \$3,074,951.67
 - County’s Contribution – \$1,712,653.00
 - Pensioner Contribution – \$292,816.00

NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of October 22, 2020

- FY 2021 Expenditures – \$2,006,721.50
 - Retiree Healthcare & Life Insurance Costs – \$2,006,469.00
 - Financial Advisor / Actuarial Fees – \$1,252.50

◆ Date for next meeting – The next meeting will be January 28, 2021 at 1:00 p.m. It will be held via Zoom webinar.

Michael Smith made a motion to adjourn the meeting at 2:12 p.m.

*The motion was seconded by Jacqueline Jenkins and unanimously approved.