

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of January 28, 2021**

The regular meeting of the Board of Trustees was held on January 28, 2021 via Zoom webinar.

BOARD MEMBERS PRESENT:

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

OTHERS PRESENT:

Bob Wasserbach, NCC/Audit
Joe Wolfram, Vanguard
Lisa Kots, Vanguard
Greg Stump - Boomershine
Christine Piekarski, Finance
Judy Mitchell, NCC/Law

STAFF PRESENT:

Joe Szczechowski, Public Information Specialist

ABSENT MEMBERS/STAFF:

The meeting was called to order by Chief Administrative Officer Vanessa Phillips at 1:09 p.m.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the October 22, 2020 meeting are attached for approval.

Jacqueline Jenkins made a motion to approve the minutes from the October 22, 2020 meeting.
The motion was seconded by John Gysling 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 January 28, 2021, which covered fourth quarter portfolio performance. The materials provided included the following reports, all measured as of December 31, 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 Overview/HarbourVest, Private Real Estate Overview, and Vanguard Fund Information.

Ms. Kots started with the Market Performance summary on page 4. She noted that despite the volatility the markets experienced this year, all markets except for REITs had a positive one-year performance.

The OPEB plan returned 11.28% in the fourth quarter and 14.02% for the year. As of December 31, 2020, the market value of the OPEB portfolio was \$60,533,677. As of January 27, 2021, plan assets were sitting at \$60,907,089.

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

Ms. Kots continued to review the details of the Performance Summary (Gross of Advisory Fees) on pages 6 and 7.

Mr. Wolfram presented the material in the report included under Total Portfolio Performance, Cash

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Flow Summary, Benchmark History, and Annualized Fee Analysis (pages 8 – 12). He noted that the OPEB portfolio began the year with a market value of approximately \$51.5 million and crossed the \$60 million threshold for the first time in 2020. Vanguard’s Total estimated annual fees and expenses were \$91,659.

Mr. Wolfram continued presenting the material under tab II – “Market and Economic Outlook” (pages 14 – 36). On page 19, Mr. Wolfram reviewed Vanguard’s December 2020 market and economic outlook at a glance. Key takeaways are:

- The path of the U.S. economy will depend on the course of the COVID-19 pandemic.
- Vanguard now sees an increased likelihood of the U.S. economy reaching pre-COVID-19 output levels before the end of 2021.
- Easy employment gains from temporary workers returning will have disappeared by the end of 2020.
- China remains on course to be the world’s only major economy to reach pre-pandemic trend levels by the end of 2020.
- Vanguard expects some volatility in inflation in the near to medium term, perhaps pushing inflation above 2% momentarily in the first half of 2021.

Ms. Phillips asked if we could expect more instances of social media-driven stock trading similar to the GameStop / Reddit event that received national attention. Mr. Wolfram stated that on an individual stock basis, it could happen, but it is unlikely to affect larger market swings within portfolios.

- ◆ Private Equity Fund Update / Discussion – Mr. Wolfram reviewed the material under tab III – “Private equity overview / HarbourVest,” “Private real estate overview,” and “Fund information” (pages 39 – 66). 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 detailed overview of private equities and their place in portfolios. He specifically covered HarbourVest offerings and management fees. 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 holding period for this investment is approximately 14 years.

- ◆ Actuarial Valuation Presentation by Boomershine – Greg Stump of Boomershine Consulting Group presented the OPEB Actuarial Review as of June 30, 2020. Mr. Stump included a table featuring side-by-side comparisons of plan measures with the June 30, 2018 measures:

	June 30, 2020	June 30, 2018
Present Value of Projected Benefits (PVPB)	\$153,492,832	\$161,729,475
Actuarial Accrued Liability (AAL)	\$120,034,037	\$130,835,248

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Plan Asset Value	\$51,155,096	\$44,519,502
Unfunded Actuarial Accrued Liability	\$68,878,941	\$86,315,746
Funding Ratio	43%	34%
Actuarially Determined Employer Contribution (ADEC)	\$8,692,389	\$9,979,431
Expected Benefit Payments	\$6,008,914	\$5,566,582

Mr. Stump explained each measure in detail, pointing out that all of the measures have improved. He also included a comparison to the State of Delaware's OPEB plan. Mr. Stump stated that Boomershine expects our unfunded liability to continue to decrease gradually over the next ten years. At the same time, our assets are expected to grow over the next decade.

- ◆ Financial Update –Christine Piekarski reviewed the financial update on the OPEB fund for FY2021 as of December 31, 2020 as provided. A comparison to FY2020 figures was included.
 - FY 2021 Revenue – \$13,407,940.43
 - Investment Income – \$9,386,583.43
 - County's Contribution – \$3,434,544.00
 - Pensioner Contribution – \$586,813.00
 - FY 2021 Expenditures – \$4,041,449.63
 - Retiree Healthcare & Life Insurance Costs – \$4,021,357.00
 - Financial Advisor / Actuarial Fees – \$20,092.63
- ◆ 2020 Annual Report – Joe Szczechowski submitted the 2020 Annual Report to the membership for approval.
Michael Smith made a motion to approve the 2020 Annual Report as submitted.
The motion was seconded by Karen Smalls and unanimously approved.
- ◆ Date for next meeting – The next meeting will be April 22, 2021 at 1:00 p.m. It will be held via Zoom webinar.

There being no further business, Vanessa Phillips adjourned the meeting at 2:40 p.m.