

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of October 27, 2022**

The regular meeting of the Board of Trustees was held on October 27, 2022 in the Government Center (Managers Conference Room), 87 Reads Way, New Castle, DE 19720.

BOARD MEMBERS PRESENT:

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

OTHERS PRESENT:

Joe Wolfram, Vanguard
Maria Knoll, NCC/Law
Bob Wasserbach, NCC/Audit

STAFF PRESENT:

Joe Szczechowski, Public Information Specialist

ABSENT MEMBERS/STAFF:

The meeting was called to order by Chief Administrative Officer Vanessa Phillips at 2:04 p.m.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the July 28, 2022 meeting are attached for approval.

Karen Wallace made a motion to approve the minutes from the July 28, 2022 meeting.

The motion was seconded by John Gysling and unanimously approved.

NEW BUSINESS

- ◆ Financial Update – Karen Wallace reviewed the financial update on the OPEB fund for FY2023 as of September 30, 2022 as provided. A comparison to FY2022 figures was included.
 - FY 2023 Revenue – (\$2,011,330.49)
 - Investment Income – (\$3,660,816.49)
 - County’s Contribution – \$1,368,168.00
 - Pensioner Contribution – \$281,318.00
 - FY 2022 Expenditures – \$1,650,328.50
 - Retiree Healthcare & Life Insurance Costs – \$1,649,486.00
 - Financial Advisor / Actuarial Fees – \$842.50
- ◆ Investment Update by Vanguard – Senior Investment Consultant Joe Wolfram presented the performance report dated October 27, 2022, which covered third quarter portfolio performance. The materials provided included the following reports, all measured as of September 30, 2022: Market Performance, Total Portfolio Performance and Asset Allocation, Performance Summary (Gross of Advisory Fees), Total Portfolio Performance, Cash Flow Summary, Investment Expense Analysis, and Benchmark History. Also included were reports on Market Update and Economic Outlook, Market Volatility and Market Timing, and Vanguard Fund Information.

Mr. Wolfram started with the Market Performance summary on page 4. He noted that the entire

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market continues to struggle in 2022, with every asset class posting negative in September. Both equities and bonds have performed negatively all year. Since 1926, there have only been six times that this has happened.

Mr. Wolfram explained that the Fed is trying to fight inflation by controlling the money supply. The Fed will continue to raise rates to eventually get the Federal Funds rate above the 10-Year Rate. That inversion will cause a recession and reduce inflation in the long term. The Fed will then cut rates to get us out of the recession.

As of September 30, 2022, the market value of the OPEB portfolio was \$ 54,132,616. As of October 26, 2022, plan assets were sitting at \$56.017,027 million. Mr. Wolfram also noted that the portfolio is higher now on a net of cashflow basis than it was on January 1, 2020 (pre-pandemic).

Mr. Wolfram continued to review the details of the Total Portfolio Performance & Asset Allocation and the Performance Summary (Gross of Advisory Fees) pages 5 through 7. Going into 2022, the anticipation was that the Fed would raise interest rates twice. Now it appears that rates will be raised seven times, taking the interest rate from basically 0 to almost 5%. Vanguard does not recommend any changes to the portfolio, keeping the focus on long-term strategic asset allocation.

Mr. Wolfram stated that one change he would like the board to consider next year would be to add some private equity to the portfolio. He noted that the New Castle County pension plan currently hold some private equity. He outlined some of the reasons and both the advantages and disadvantages of doing so.

Mr. Wolfram presented the material in the report included under Total Portfolio Performance, Cash Flow Summary, Investment Expense Analysis, Market Performance and Benchmark History (pages 7 – 12).

Mr. Wolfram continued presenting the material under tab II – “Market and Economic Outlook” (pages 14 – 22). He explained some of the reasons for the ongoing market volatility and reviewed several of the steps the federal government has taken to address the economic situation.

Key highlights:

- Inflation is becoming more broad-based and isn’t going away easily
- We see a 25% chance of a U.S. recession in 2022 and a 65% chance in 2023.
- Europe is likely to enter a mild recession around year-end.

Mr. Wolfram concluded by reviewing the material under tab III – “Market Volatility and Market Timing” (pages 24 – 37).

Mr. Wolfram presented a variety of historic data which supported benefits of following the strategic asset allocation plan rather than trying to “time the market.”

- ◆ Date for next meeting – The next meeting will be January 26, 2022 at 1:00 p.m.

John Gysling made a motion to adjourn the meeting. The motion was seconded by Michael Smith and unanimously approved. Vanessa Phillips adjourned the meeting at 2:49 p.m.