

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of January 26, 2023**

The regular meeting of the Board of Trustees was held on January 26, 2023 in the Government Center (Managers Conference Room), 87 Reads Way, New Castle, DE 19720.

BOARD MEMBERS PRESENT:

Vanessa Phillips, CAO – Chair
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

STAFF PRESENT:

Joe Szczechowski, Public Information Specialist

ABSENT MEMBERS/STAFF:

Jacqueline Jenkins, CHRO – Administrator

The meeting was called to order by Chief Administrative Officer Vanessa Phillips at 1:08 p.m.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the October 27, 2022 meeting are attached for approval.

John Gysling made a motion to approve the minutes from the October 27, 2022 meeting.

The motion was seconded by Karen Wallace and unanimously approved.

NEW BUSINESS

Investment Update by Vanguard – Senior Investment Consultant Joe Wolfram presented the performance report dated January 26, 2023, which covered fourth quarter portfolio performance. The materials provided included the following reports, all measured as of December 31, 2022: Market Performance, Total Portfolio Performance and Asset Allocation, Performance Summary (Gross of Advisory Fees), Total Portfolio Performance, Cash Flow Summary & Market Value History, Benchmark History, and Annualized Fee Analysis. Also included were reports on Market Update and Economic Outlook, 2022 Year in Review, and Private Equity Considerations.

Mr. Wolfram started with page 4, which illustrated average annual stock and bond returns from 1926 through 2022. He noted that 2022 was a negative outlier for both stocks and bonds. The Market Performance summary on page 5 offered some good news. Although every asset class remained negative for the year, over the last three months all but two (Treasury Strips and Long Treasury) were positive.

As of December 31, 2022, the market value of the OPEB portfolio was \$ 58,363,163. As of January 25, 2023, plan assets were sitting at \$61.7 million, an increase of \$3.4 million since the end of the year.

Mr. Wolfram continued to review the details of the Performance Summary (Gross of Advisory Fees) pages 7 and 8. Outside of the consideration of adding private equity, Vanguard does not recommend any changes to the portfolio, keeping the focus on long-term strategic asset allocation. Mr. Wolfram noted that over an eight-year period, OPEB started with a portfolio of \$26 million, added \$12 million, and now the portfolio sits at \$61 million.

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Mr. Wolfram continued presenting the material under tab II – “Market and Economic Outlook” (pages 14 – 26). Vanguard believes the Fed will raise interest rates in the first quarter and predicts a 90% chance of a recession.

Key highlights:

- Growth is likely to end 2023 flat or slightly negative in most major economies outside of China.
- Unemployment is likely to rise over the year but nowhere near as high as during the 2008 and 2020 downturns.
- Lower equity valuations and higher interest rates have pushed our 10-year return forecasts more than 2 percentage points higher than last year.

Mr. Wolfram continued with an overview of the material under tab III – “2022 Year in Review” (pages 27 – 41).

Mr. Wolfram concluded his presentation with a presentation of the material under tab IV – “Private Equity Considerations” (pages 42 – 61). He noted that private equity would add diversification to the OPEB portfolio, and it could improve expected returns for the long term. One negative consideration is that private equity requires a long-term investment of 7 to 15 years, usually through a limited partnership. Mr. Wolfram outlined some additional advantages and disadvantages of investing in private equity and reviewed comparisons to traditional markets. He also explained in detail how the investment process would work. Mr. Wolfram stated that at the next meeting he could cover costs in more detail.

- ◆ Financial Update – Karen Wallace reviewed the financial update on the OPEB fund for FY2023 as of December 31, 2022 as provided. A comparison to FY2022 figures was included.
 - FY 2023 Revenue – \$4,099,981.69
 - Investment Income – \$582,790.69
 - County’s Contribution – \$2,957,698.00
 - Pensioner Contribution – \$559,493.00
 - FY 2022 Expenditures – \$3,535,442.20
 - Retiree Healthcare & Life Insurance Costs – \$3,517,191.00
 - Financial Advisor / Actuarial Fees – \$18,251.20
- ◆ Boomershine Invoice Approval – The invoice dated January 19, 2023 was provided to the board. Michael Smith made a motion to approve payment of the invoice. The motion was seconded by Karen Wallace and unanimously approved.
- ◆ 2022 Annual Report – The 2022 Annual Report was provided to the board. Karen Wallace suggested a slight wording change to the footnote on page 1 of the report. Vanessa Phillips suggested adding a mention of private equity considerations under “Recommended Changes” on page 2. Michael Smith made a motion to approve the 2022 Annual Report with the recommended changes. The motion was seconded by John Gysling and unanimously approved.
- ◆ Other Business – Karen Wallace stated that it is time to get a quote for actuarial services. In the past, OPEB has gotten one quote (Boomershine). We received a favorable rate in the past because

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Boomershine also provided actuarial services for the Pension Board. The Pension Board has now contracted GRS (Gabriel, Roeder, Smith & Company) for actuarial services. The board agreed that we should also get quotes this year from both Boomershine and GRS, and vote on the quote at the next meeting.

- ◆ Date for next meeting – The next meeting will be April 27, 2023 at 1:00 p.m.

Karen Wallace made a motion to adjourn the meeting. The motion was seconded by John Gysling and unanimously approved. Vanessa Phillips adjourned the meeting at 2:29 p.m.