

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of July 23, 2020**

The regular meeting of the Board of Trustees was held on July 23, 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
John Gysling, Union Representative – Trustee
Karen Smalls, Office of Finance – Trustee

OTHERS PRESENT:

Christine Piekarski, NCC/Finance
Bob Wasserbach, NCC/Audit
Judi Mitchell, NCC/Law
Joe Wolfram, Vanguard

STAFF PRESENT:

Joe Szczechowski, Public Information Specialist

ABSENT MEMBERS/STAFF:

*Joined meeting at 1:11 p.m.

The meeting was called to order by Chief Administrative Officer Vanessa Phillips at 1:03 p.m.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the May 28, 2020 meeting are attached for approval.

Michael Smith made a motion to approve the minutes from the May 28, 2020 meeting.

The motion was seconded by Karen Smalls and unanimously approved.

NEW BUSINESS

- ◆ Investment Update by Vanguard – Senior Investment Consultant Joe Wolfram reviewed the performance report dated July 23, 2020, which covered second quarter portfolio performance. The materials provided included the following reports, all measured as of June 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 and Vanguard Fund Information.

Mr. Wolfram started with the Market Performance summary on page 4. He stated that the market this year can be divided into three parts. The first was the year up until February 19 – both equity and fixed markets were strong, but somewhat volatile. With the impact of COVID-19 we were in a bear market. from February 19 through March 23. The S&P 500 was down about 34%. In the third part of the year to date, the Fed introduced the stimulus programs and the markets have rebounded significantly.

There is a lot of uncertainty going forward, but Mr. Wolfram reiterated that Vanguard’s previous advice to “stay the course” has not changed. It is difficult to time the market, but there are two things we can do – set the proper asset allocation and rebalance that allocation when needed. As of December 31, 2019, the market value of the OPEB portfolio was \$51,543,054. As of June 30, 2020, the market value of the OPEB portfolio was \$51,172,999. 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.

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Mr. Wolfram 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 \$83,185.

Mr. Wolfram presented the material in the report under tab II – “Market and Economic Outlook” (pages 14 – 25). He noted that Vanguard recently released its mid-year economic forecast, which states that COVID-19 has caused the sharpest and deepest short-term economic contraction in modern history. Mr. Wolfram outlined Vanguard’s projected economic scenarios going forward. A slow recovery will continue, but, depending on possible shut-downs due to the pandemic, additional market corrections could occur.

Ms. Phillips asked if Vanguard expects any future corrections to be dramatic. Mr. Wolfram said that given Vanguard’s projections, he would not expect a dramatic correction. In terms of equities, the market has experienced a “V-shaped” recovery. He noted, however, that much of that recovery has been driven by FAANG stocks (Facebook, Amazon, Apple, Netflix, and Google).

Mr. Wolfram said that any surprises in terms of the Federal Government not providing anticipated aid or stimulus related to COVID-19 would cause market volatility, but it would not be significant. The Federal Government has indicated that it will do everything possible to stimulate the economy. It being an election year, this is largely a bi-partisan goal.

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

- U.S. growth will turn positive in the third quarter, but significant risks to the economy remain.
- Vanguard expects that the U.S. unemployment rate will fall to around 10% by year’s end.
- Continuing U.S.-China tensions are likely to accelerate the regionalization of supply chains.
- China’s return to growth may happen as soon as the second quarter, with a full-year outlook for growth in a range of 1% to 3%.
- The euro area economy may contract by as much as –20% before the economy begins to recover in the second half of the year.

Mr. Wolfram noted that Vanguard has a new private equity offering. 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. Mr. Wolfram stated that he could present more detailed information on this option at the next OPEB meeting.

- ◆ Financial Update – Christine Piekarski had to leave the meeting early, so Karen Smalls reviewed the financial update on the OPEB fund for FY2020 as of June 30, 2020 as provided. A comparison to FY2019 figures was included.
 - FY 2020 Revenue – \$8,355,813.80
 - Investment Income – \$1,932,952.80
 - County’s Contribution – \$5,206,368.00
 - Pensioner Contribution – \$1,216,493.00

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- FY 2020 Expenditures – \$5,463,792.31
 - Retiree Healthcare & Life Insurance Costs – \$5,422,861.00
 - Financial Advisor / Actuarial Fees – \$40,931.31

Mr. Gysling noted that there was a \$500,000 savings in Retiree Healthcare & Life Insurance Costs in FY 2020 compared to FY 2019. Ms. Smalls stated that it may have to do with the benefit rate, but she would have to check with Ms. Piekarski, who would have the details. Ms. Phillips asked if there had been any savings due to the pandemic in that some retirees might be postponing elective surgeries. Ms. Smalls stated that she would consult with Ms. Piekarski regarding that as well.

- ◆ Date for next meeting – The next meeting will be October 22, 2020 at 1:00 p.m. It will be held via Zoom webinar.

John Gysling made a motion to adjourn the meeting at 2:00 p.m.

*The motion was seconded by Karen Smalls and unanimously approved.