



Lehigh County Retirement Board Meeting

PUBLIC MEETING

MINUTES

November 9th, 2021

1. CALL TO ORDER: 9:30 AM

ATTENDEES:

Lehigh County Executive Phillips Armstrong (**Chairman**)
Director of Administration, Ed Hozza (**Executive Appointee**)
Commissioner, Geoff Brace (**President Board of Commissioners**)
Commissioner, Bob Elbich (**Commissioner Appointee**)
Lehigh County Controller Mark Pinsley (**Secretary**)
Director of Corrections (Ret.) Ed Sweeney (**Retiree Representative**)
Fiscal Director, Tim Reeves (**Employee Representative**)

Principal & Senior Consultant Cornerstone

2. OLD BUSINESS

Approval of Old Minutes

County Executive Armstrong ask if there was any correction to the minutes from last meeting. Ed Sweeney, asked for clarification regarding the minutes mention of a retiree email list and opportunity for new retirees to add their name to a distribution list. Mr. Sweeney wanted to verify if that was a new addition as the previous process was more ad hoc. Mr. Reeves indicated it was a new procedure.

Mr. Reeves, indicated that the previous Controller had started building a database through word of mouth and the Finance Department then added the process of retirees providing their email upon retirement and adding it to the Controller's Office.

Joshua Siegel, the recorder of minutes indicated that the Controller's Office was continuing to operate a retiree email list and adding additional names as they were provided by the Finance Department. He indicated that the office sends out an email with the minutes, public handouts and agenda to the list of retirees prior to every meeting.

Mr. Sweeney, sought to clarify the minutes mention of both his and Mr. Reeves terms as Retiree and Employee Representative respectively, as having exceeded four years on the second page. Mr. Sweeney, indicated he wasn't sure if that was accurate.

Mr. Sweeney, provided clarification about home rule charter and recommendations from the prior retirement board. He noted the home rule charter spells out the four-year term limitation for the retiree representative and employee representative, the recommendations from the retirement board dealt with the Human Services conducting of the election for those positions.

Mr. Sweeney asked Commissioner Elbich to clarify that his comments from the previous meeting were about how the seven retirement board recommendations governed retiree board conduct as they related to retirement board election timelines. Mr. Sweeney further sought to clarify that commissioner Elbich was comfortable with that being reflected in the minutes.

(Correction made 1/25/2022- As requested by Commissioner Elbich)

Commissioner Elbich, noted he has consistently been an advocate for keeping policy centralized for the purposes of knowledge regarding policy guidelines. Mr. Sweeney, asked if Commissioner Elbich was okay with the minutes they were recorded.

Commissioner Elbich, indicated he was. County Executive Armstrong asked for a motion to accept the minutes, Tim Reeves made a motion, Ed Hozza seconded.

The minutes were accepted unanimously.

NEW BUSINESS

Presentation of Quarterly Finances

Cornerstone provided a pension update. Cornerstone indicated the market in September was relatively flat, he stated that year to date the pension was up 9.3% through September.

Cornerstone stated that the pension performance over the last decade has had average strong returns. The returns have been between 8%-10% per year.

Cornerstone indicated the current asset allocation of the pension plan is 60% equities. Cornerstone said the pension plan is at an all-time high, and has recovered strongly from the pandemic.

Cornerstone indicated that 14 of their 15 active managers has outperformed their benchmarks. The pension fund is currently up over 13% net of fees, which is ahead of the benchmark by .2%.

Cornerstone provided that the market value of the pension fund was \$631,908,000 at the end of October. The market value of the pension fund \$655,065,858 at the close of market November 10th, 2021.

Cornerstone indicated that they were pleased with the performance of the pension fund, and will monitoring any potential future volatility.

Ed Hozza, made note that the county's contribution to the pension fund was \$17 million. County Executive Armstrong asked if the board or public had any questions about the pension update.

Cost of Living Discussion

County Executive Armstrong asked Tim Reeves to lead the discussion on the cost-of-living discussion. Mr. Reeves, indicated that at the last meeting the board voted to return to the previous cost of living discussion process.

Under this scenario, the board looks at a cost of living increase every three years. The board last voted on a cost-of-living increase in 2020 which means the board will next look at a cost-of-living increase in 2023.

Mr. Reeves, explained the timeline of approving and paying for a cost-of-living increase. He stated that Lehigh County prepares its budget much earlier than most counties. Mr. Reeves, stated that Korn Ferry provides the cost-of-living amount in October when the budget is concluded.

Mr. Reeves, has asked Korn Ferry, to provide the cost-of-living letter in August so the pension board has access to the information prior to the conclusion of the budget. This would allow the cost-of-living increase to be recommended to Commissioners in time to include it in their budget.

Mr. Reeves, noted that the board can only recommend a cost-of-living increase, the Board of Commissioners must ultimately approve it.

Mr. Reeves, said he is also looking to see if there is the option to take a percentage of the expected cost of providing a cost-of-living increase. He stated the letter in 2020 put the cost of a living at \$15.2 million.

Mr. Sweeney, sought to clarify that there is no prohibition against raising the discussion of a cost of living increase every year. He stated the language regarding boards guidelines says must be reviewed at least every three years.

Mr. Sweeney, said his question was whether the 4.2% consumer price index was the highest possible cost of living increase that could be given, and if it was possible to do less than that.

Mr. Sweeney, also explained that when it comes to timing of implementing the cost-of-living increase, he believed that if the board approved the increase today, it would take effect at the start of the new year and the county would make the allocations.

Update on Participation in Litigation

Sarah Murray provided an update on the Novo Nordisk settlement. Mrs. Murray, explained that the county directed outside counsel to settle if the settlement was \$75 million or more. The case settled for \$100 million.

Mrs. Murray, indicated we don't know how much of the settlement that the county will see. The county was one of the co-lead plaintiffs and our losses were just \$200,000.

Ed Hozza, added that company in question was a pharmaceutical company.

Mrs. Murray, stated there is a second litigation issue. A second firm reached out to Lehigh County requesting them to join an amicus brief. An amicus brief, is a brief filed by a non-party to the case because the non-party could be impacted by the outcome of the case.

The case was in the 9th Circuit Court and now is in the Court of Appeals. The case revolves around the right of investors to pursue security claims against companies that make false or misleading statements before initial public offerings. Mrs. Murray recommended the board sign onto to the brief.

She indicated that a loss in the case would deprive Lehigh County of its capacity to pursue recourse should false or misleading information from firms.

Chairman Brace clarified that the motion would be for the board to join the amicus brief. Chairman Brace made the motion to join the brief, Commissioner Elbich seconded the motion.

Executive Armstrong asked if there was any discussion. Controller Pinsley, asked to clarify what the outcome would be if the case was overturned. Mrs. Murray, clarified if the case was overturned the Lehigh County would lose its legal right to take legal action for false claims.

County Executive called for a vote on the motion. The motion passed with a unanimous vote.

Setting Dates for 2022 Retirement Board Meeting

County Executive Armstrong listed the dates for the 2022 Pension Board Meeting dates. Executive Armstrong asked for a motion to approve the dates. Ed Hozza made a motion, Chairman Brace seconded the motion.

Mr. Reeves, explained the January 25th meeting, is simply to set interest rates and is not part of the quarterly meetings. Commissioner Elbich, stated the November 8th pension board meeting coincided with election day. Mrs. Murray, reminded the board that the public hearing room is utilized as a polling location.

Chairman Brace, asked to modify the motion, and move the meeting to the 15th of November. The motion was modified and it passed unanimously.

3. Citizen's Input

Executive Armstrong asked if there was any citizen input. Thomas Cunningham, a retiree, indicated that he believed that Mr. Sweeney's position had expired. He wanted a ruling from the county solicitor about the legality of the board's action, as the term has expired.

He wanted to know if the board was illegal. Ed Hozza, stated that IT was able to retrieve how the previous election was held. Mr. Hozza, indicated he would send out information on the election in the next few weeks.

Chairman Brace, indicated that he sent an email asking for clarification on the question. Mr. Cunningham, also requested better communication. He asked why he had not received an email communication about the minutes or agenda.

Mr. Sweeney, indicated that IT established a retiree representative email listing that would make it easier to communicate with retirees. Mr. Sweeney, stated the county needs to send a mailer to all retirees for them to make use of the retiree representative email address.

Mr. Sweeney, said the mailer for the election of the retiree representative should be the means of building out the viability of the email service. Mr. Hozza, also said the county is collecting retiree emails through its medical program.

Commissioner Elbich, also noted that the Controller's Office maintains the retirement board records and the mailing should notify them that information is available there for those that don't have an email address.

A second retiree asked when there would be an election. Mr. Hozza indicated before the end of the year.

There were no further questions.

4. Adjourn

The meeting was adjourned.