

# **Montgomery County Employees' Retirement Board**

## **Meeting Minutes from Thursday, February 7, 2019**

A meeting of the Montgomery County Employees' Retirement Board was held on Thursday, February 7, 2019 at 2:00 PM in the Commissioners' Board Room, 8<sup>th</sup> Floor, One Montgomery Plaza in Norristown, Pennsylvania.

Members present: Commissioner Dr. Valerie A. Arkoosh, Chair; Commissioner Kenneth E. Lawrence, Vice-Chair; Commissioner Joe Gale; Controller Karen Sanchez, Secretary; and Jason Salus, Treasurer.

The meeting was called to order by Chair Arkoosh at 2:07 PM.

### **Approval of Minutes of November 1, 2018 Meeting**

Chair Arkoosh called for a motion to approve the minutes of the November 1, 2018 meeting. Treasurer Salus so moved, Vice Chair Lawrence seconded the motion. The motion to approve the minutes passed unanimously.

### **Retirement Fund Performance Review**

Chair Arkoosh called on Chief Financial Officer Dean Dortone to update the Board on the performance of the retirement fund for the year ending December 31, 2018. Mr. Dortone started his presentation by informing the Board that the market value of the Pension fund was \$485,748,892 as of 12-31-2018. Mr. Dortone noted that as of 12-31-18 we had 2,566 retired and 429 vested employees in the plan which was a net increase of 14 participants. Additionally, Mr. Dortone stated that as of 12-31-2018 the County had contributed approximately \$9.0 million to the retirement fund. Additionally, Mr. Dortone indicated that as of 12-31-2018 the overall performance of the fund showed an ROI of (5.76%) with makeup of the funds at 64.3% equity based and 35.7% in fixed income products. Mr. Dortone noted that SEI and Vanguard would give a more detailed analysis of the fund's and the overall market's performance.

### **SEI Performance Review**

Chair Arkoosh called on Mr. Roger Messina of SEI to present the portfolio and market review. He noted that SEI managed assets as of December 31, 2018 were \$48.2 million. Mr. Messina stated that as of 12-31-18, the rate of return on SEI managed funds was (8.55%) compared to a benchmark of (7.60%). Finally, Mr. Messina noted that since its inception our rate of return as of 12-31-2018 was 6.15% versus the benchmark of 5.67%.

Mr. Messina stated that volatility was the issue in 2018 and especially in December which had a (6%) return rate. Mr. Messina did indicate that our portfolio and the economy had started to rebound in 2019. He noted that economic activity in the U.S. was solid. The decline in energy prices was good news for the economy, reducing inflation fears and lowering costs for consumers and businesses. Corporate earnings, GDP growth and household income growth all remain strong. Mr.

Messina did mention that the housing market slow down and heightened trade tensions concerns were factors that needed to be monitored. Overall the market is now in a positive position and he felt that the FED could refrain from further rate hikes until later in 2019. Chair Arkoosh asked for any Board comment or questions, seeing none she called on Brian Binkley of Vanguard to present their results.

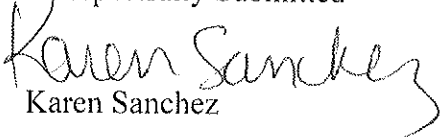
### **Vanguard Performance Review**

Chair Arkoosh called on Mr. Brian Binkley to present Vanguard's performance review. Mr. Binkley agreed with Mr. Messina that volatility was the big topic of discussion in 2018. He noted that less funding was flowing into the market as investors were more interested in making money then investing it. Mr. Binkley indicated that overall, 2019 would be a positive growth year for the U.S. economy. He felt that volatility would still be present but did not anticipate a recession and to stick with the safer companies.

Mr. Binkley started the review of our Vanguard portfolio. He noted that Vanguard managed assets as of December 31, 2018 were \$433.0 million. Mr. Binkley stated that the **domestic equity fund** as of 12-31-18 saw a return rate of (5.15%) compared to a benchmark rate of (5.17%). Since its inception, the rate of return for the domestic equity fund as of 12-31-18 is 10.30%, compared to a benchmark of 10.28%. Mr. Binkley noted that the **international equity side** as of 12-31-18 saw a return rate of (14.57%), compared to a benchmark of (14.61%). Since its inception, the rate of return as of 12-31-18 for the international equity fund was 3.59%, compared to a benchmark of 3.63%. **The fixed income** portion of the portfolio as of 12-31-18 showed a return rate of 0.14%, compared to the benchmark of (0.08%). Since its inception, the rate of return for fixed income as of 12-31-18 was 2.42% compared to a benchmark of 2.35%. The final component of the portfolio, **real estate/other investment (REIT) funds** the return of rate was (5.93%) compared to a benchmark of (5.88%) as of 12-31-18. Since this fund was established it has produced a 6.00% rate of return compared to a benchmark of 6.07% rate as of 12-31-18. Finally, the total portfolio rate of return year to date as of December 31, 2018 was (5.44%) compared to a benchmark of (5.34%), and since its inception the return rate is 5.95% vs. a benchmark of 5.92%. Chair Arkoosh asked for any Board comments or questions, seeing none she moved on to Public and Board comment.

### **Public and Board Comment**

Chair Arkoosh asked for public comment, and seeing none Chair Arkoosh asked for Board comment. Seeing none, Chair Arkoosh called for a motion to adjourn. Vice Chair Lawrence so moved, Controller Sanchez seconded the motion, and the motion for adjournment was approved unanimously at 2:42 PM.

Respectfully Submitted  
  
Karen Sanchez  
Controller - Secretary