

# Montgomery County Employees' Retirement Board

## Meeting Minutes from Thursday, May 16, 2019

A meeting of the Montgomery County Employees' Retirement Board was held on Thursday, May 16, 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 2:02 PM.

### Approval of Minutes of February 7, 2019 Meeting

Chair Arkoosh called for a motion to approve the minutes of the February 7, 2019 meeting. Treasurer Salus so moved, Controller Sanchez 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 YTD performance of the retirement fund as of March 31, 2019. Mr. Dortone started his presentation by informing the Board that the market value of the Pension fund was \$517,478,956 as of 3-31-2019. Mr. Dortone noted that as of 3-31-19 we had 2,550 retired and 425 vested employees in the plan which was a net decrease of 20 participants. Additionally, Mr. Dortone stated that for 2019, the County had budgeted contributions to the plan of \$9.2 million. Mr. Dortone mentioned that as of 3-31-2019 the overall performance of the fund showed an ROI of 9.29% with makeup of the funds at 66.0% equity based and 34.0% in fixed income products. Mr. Dortone noted that Vanguard and SEI would give a more detailed analysis of the fund's and the overall market's performance.

### Vanguard Performance Review

Chair Arkoosh called on Mr. Brian Binkley to present Vanguard's performance and market review. Mr. Binkley was happy to report Global equities and fixed income assets had rallied strongly in 2019, helping to recover from the sharp losses in late 2018. Aiding in this turnaround were the ongoing US/China trade negotiations, solid economic fundamentals and positive indicators from all the major central banks. Vanguard expects global growth to stabilize and see some modest improvements in the second and third quarters of 2019. Mr. Binkley also expected the US economic growth to decline slightly from current levels and trend toward growth of about 2%. Furthermore, Vanguard is expecting the Federal Reserve to propose no rate hikes in 2019. Mr. Binkley started the review of our Vanguard portfolio. He noted that Vanguard managed assets as of March 31, 2019 were \$464.9 million. Mr. Binkley stated that the **domestic equity fund** as of 3-31-19 saw a return rate of 14.05% compared to a benchmark rate of 14.06%. Since its inception, the rate of return for the domestic equity fund as of 3-31-19 is 12.37%, compared to a benchmark of 12.35%. Mr. Binkley noted that the **international equity side** as of 3-31-19 saw a return rate of 10.35%,

compared to a benchmark of 10.21%. Since its inception, the rate of return as of 3-31-19 for the international equity fund was 5.22%, compared to a benchmark of 5.24 %. The **fixed income portion** of the portfolio as of 3-31-19 showed a return rate of 3.02%, compared to the benchmark of 3.00%. Since its inception, the rate of return for fixed income as of 3-31-19 was 2.84% compared to a benchmark of 2.78%. The final component of the portfolio, **real estate/other investment (REIT) funds** the return of rate was 17.28% compared to a benchmark of 17.28% as of 3-31-19. Since this fund was established it has produced a 8.70% rate of return compared to a benchmark of 8.77% as of 3-31-19. Finally, the total portfolio rate of return year to date as of March 31, 2019 was 9.47% compared to a benchmark of 9.41%, and since its inception the return rate is 7.36% vs. a benchmark of 7.32%. Chair Arkoosh asked for any Board comments or questions, seeing none she called on Peter Glennon of SEI to present their results.

### **SEI Performance Review**

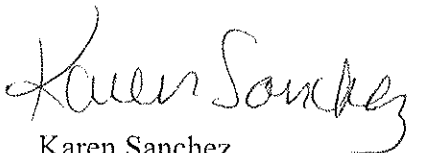
Chair Arkoosh called on Mr. Peter Glennon of SEI to present their portfolio review. Mr. Glennon noted that SEI managed assets as of March 31, 2019 were \$51.2 million. He also stated that as of 3-31-19, the rate of return on SEI managed funds was 8.38% compared to a benchmark of 8.42%. Finally, Mr. Glennon noted that since its inception our rate of return as of 3-31-2019 was 7.38% versus the benchmark of 6.92%.

Mr. Glennon agreed with Mr. Binkley that Global markets rebounded significantly in the first quarter of 2019 with risk assets leading the way. Mr. Glennon mentioned that in addition to no rate hikes some economists are forecasting a cut in the rate by the Federal Reserve. He indicated that attention should be paid to international and emerging markets as market valuations continue to look attractive. SEI feels that US economic activity will accelerate in the second half of 2019 as consumer price inflation continues to slow from its Mid-2018 highs. Likewise commodities, energy and industrial metals rebounded from steep fourth quarter declines to help with the recovery. Overall, SEI feels that 2019 will be a positive year for the fund. Chair Arkoosh asked for any Board comment 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. Treasurer Salus so moved, Controller Sanchez seconded the motion, and the motion for adjournment was approved unanimously at 2:39 PM.

Respectfully Submitted,



Karen Sanchez

Controller - Secretary