

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of October 28, 2021**

The regular meeting of the Board of Trustees was held on October 28, 2021 both in person in the Managers Conference Room at the Government Center and via Zoom webinar.

BOARD MEMBERS PRESENT:

Vanessa Phillips, CAO – Chair
Jacqueline Jenkins, CHRO – Administrator
Michael Smith, CFO – Treasurer
Karen Smalls, Office of Finance – Trustee

OTHERS PRESENT:

Joe Wolfram, Vanguard
Kevin Childs, Vanguard
Mengting Chen, NCC/Law
*Erik Raser-Schramm, Deputy CAO

STAFF PRESENT:

Joe Szczechowski, Public Information Specialist

ABSENT MEMBERS/STAFF:

John Gysling, Union Representative – Trustee
Karen Brown, Pension & Benefits Admin. – Trustee

*Joined at 1:40 p.m.

The meeting was called to order by Chief Administrative Officer Vanessa Phillips at 1:02 p.m.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the July 22, 2021 meeting are attached for approval.

Michael Smith made a motion to approve the minutes from the July 22, 2021 meeting.

The motion was seconded by Jacqueline Jenkins and unanimously approved.

NEW BUSINESS

Investment Update by Vanguard – Senior Investment Consultant Joe Wolfram reviewed the performance report dated October 28, 2021, which covered third quarter portfolio performance. The materials provided included the following reports, all measured as of September 30, 2021: Market Performance, Total Portfolio Performance & Asset Allocation, Performance Summary (Gross of Advisory Fees), Cash Flow Summary, Investment Expense Analysis, and Benchmark History. Also included was a Market Update and Economic Outlook, a report on International diversification, and Vanguard Fund Information.

Mr. Wolfram started with Market Performance on page 4. He noted that for September 2021, all asset classes were either flat or zero, but this type of volatility is expected, especially given the large run we have had in equities and some of the movements in the fixed income markets as well. For the last three months, equities were negative, largely due to the September market returns. On a year-to-date basis, however, equities have performed very strongly. Intermediate and short-duration fixed income has been flat to slightly negative. Expectations going forward are somewhat muted, due to the significant returns of the past several years.

Mr. Wolfram introduced Senior Investment Analyst Kevin Childs, who continued on page 5 with the Total Portfolio Performance & Asset Allocation. Mr. Childs noted that the market value of the OPEB portfolio as of September 30, 2021 was \$65,927,919. The OPEB plan lost 1.09% (net) in the third quarter, but as of October 27, 2021, the portfolio had increased by approximately \$1.85 million, and plan assets were sitting at \$67,778,382. As of September 30, the plan returned 19.41% on a one-year basis, exceeding the composite benchmark. Mr. Wolfram noted that the portfolio was rebalanced at the

NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of October 28, 2021

end of September.

Mr. Childs continued to review the details of the Performance Summary (Gross of Advisory Fees) on pages 6 and 7.

Mr. Childs presented the material in the report included under Total Portfolio Performance and Cash Flow Summary (pages 8 – 9). He noted that by while there has been volatility, the portfolio has consistently outperformed the composite benchmark.

Mr. Wolfram presented the material under tab II – “Market Update and Economic Outlook” (pages 14 – 25). Balanced portfolios have produced strong returns over a one-year period. Looking ahead, inflation will not be as temporary as originally predicted. The inflation environment is likely to be more volatile in coming years than we’ve come to expect recently.

Key takeaways are:

- Because of the COVID-19 resurgence, we’re revising downward our forecast for full-year U.S. growth to around 6% from our previous expectation of around 7.5%.
- Vanguard has changed our outlook for the start of the Federal Reserve’s tapering of its asset purchases from the first quarter of 2022 to the fourth quarter of 2021.
- We foresee core inflation exceeding central bank targets in the United States and the United Kingdom in the months ahead and settling below the inflation targets in China and the euro area.
- Vanguard continues to expect that the U.S. unemployment rate will fall toward the mid-4% range by year-end.

Mr. Wolfram concluded with reviewing the material under Tab III – International Diversification (pages 27 – 37). He outlined a number of reasons why Vanguard recommends including international equity, especially international fixed income, in a balanced portfolio:

International stocks are a valuable diversifier to a balanced portfolio and can serve to dampen volatility over the long-term. Including emerging markets, they account for nearly half of the global equity market. They offer exposure to global industries and a wider array of economic and market forces.

Adding non-U.S. stocks has historically reduced volatility of an all-U.S. stock portfolio, with maximum volatility reduction at 20%-50%. Volatility reduction is not the only factor to consider when determining a non-U.S. equity allocation. Other considerations include market capitalization weight, volatility reduction, implementation costs, taxes, regulation, investor preferences and other factors.

Ms. Phillips asked Mr. Wolfram when he would recommend that the board revisit our investment in international stocks. Mr. Wolfram stated that Vanguard runs several forecasts at the beginning of every year. He stated that based on those forecasts, Vanguard would recommend overweighting the international equity allocation. He also mentioned that the board might want to consider adding private equity, which was mentioned last year pre-pandemic. He said those considerations could be discussed at the next meeting.

NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of October 28, 2021

- ◆ Highmark Update – Karen Smalls stated that there is an ongoing issue with Highmark involving the split between retiree and active claims. According to our Human Resources department, which is the point of contact with Highmark, the issue began in mid-June, so none of the data we have received since then has been accurate. Until the issue is resolved, we are unable to provide expenditures for the Financial Update.

- ◆ Date(s) for 2022 meetings – Ms. Phillips reviewed the proposed dates for the 2022 quarterly meetings. **Michael Smith made a motion to accept the schedule as submitted.**
The motion was seconded by Karen Smalls and unanimously approved.

- ◆ The next meeting will be January 27, 2022 at 1:00 p.m. It will be held via Zoom webinar, with a possible in-person option.

There being no further business, Vanessa Phillips adjourned the meeting at 1:52 p.m.