



THE COUNTY OF CHESTER



COMMISSIONERS
Marian D. Moskowitz
Josh Maxwell
Michelle Kichline

OFFICE OF THE COMMISSIONERS
313 W. Market Street, Suite 6202
P.O. Box 2748
West Chester, PA 19380-0991
(610) 344-6100

AGENDA **RETIREMENT BOARD**

May 13, 2020

- 1. CALL MEETING TO ORDER**
- 2. MINUTES OF PREVIOUS MEETING – February 11, 2020**
- 3. PERFORMANCE UPDATE REPORT**
- 4. VENTURE CHESCO**
 - a. Amendment to Ben Franklin Technology Partners Agreement**
- 5. SECURITIES LITIGATION**
 - a. Rigrodsky & Long Securities Litigation Monitoring**
 - b. Grant & Eisenhhofer Securities Litigation Monitoring**
- 6. INVESTMENT MANAGERS**
 - a. Walter Scott Commingled Fund**
- 7. ACTUARY UPDATE**
 - a. Korn Ferry Presentation**
- 8. ADMINISTRATION UPDATE**
- 9. PUBLIC COMMENT**
- 10. NEXT MEETING – Tuesday, August 11, 2020 at 1:00 PM**
- 11. ADJOURNMENT**

**CHESTER COUNTY, PENNSYLVANIA
RETIREMENT BOARD MEETING MINUTES**

February 11, 2020

1. CALL MEETING TO ORDER

Chair Marian D. Moskowitz called to order the Retirement Board Meeting on Tuesday, February 11, 2020 at 1:03 PM in the Commissioners' Board Room, located at 313 West Market Street, West Chester, Pennsylvania.

In addition to Chair Moskowitz, the following board members were in attendance: Commissioner Josh Maxwell, Commissioner Michelle Kichline, and Controller Margaret Reif.

2. APPROVE MINUTES OF PREVIOUS MEETINGS

- **Motion**

Chair Moskowitz asked if there was a motion to approve the minutes from the October 30, 2020 Retirement Board meeting and January 6, 2020 Retirement Board Organizational Meeting. Controller Reif made the motion to approve the minutes. Commissioner Kichline seconded the motion. All were in favor. Motion carried.

3. PERFORMANCE UPDATE REPORT

Michael Courtney of Courtney Investment Consulting Group stated that the market value at the end of December totaled \$447,118,557. He also noted a performance of 5.8 percent, versus the Benchmark of 5.9 percent for the fourth quarter.

Bruce Besecker of Courtney Investment Consulting Group recommended that the Board of Commissioners consider revising the Asset Allocation. He suggested moving money to the fixed income funds as a way to minimize risk.

- **Motion**

Chair Moskowitz called for a motion to approve the recommendation to move \$20 million dollars from the domestic equities funds to the S&P 500 fixed income funds. Commissioner Kichline made the motion to approve, which was seconded by Chair Moskowitz. All were in favor. Motion carried.

4. VENTURE CHESCO

There were no updates on Venture Chesco.

5. INVESTMENT MANAGERS

Joe Conroy of Wells Capital Management Incorporated presented to the Board an overview of how Wells Capital Management manages their allocation of the County's funds, as well as their performance.

Bruce Besecker presented a Revised Fee Agreement for Wells Capital Management Incorporated and explained to the Board how the revised agreement would benefit the County.

- **Motion**

Chair Moskowitz called for a motion to update the Fee Agreement with Wells Capital Management. Commissioner Maxwell made the motion to approve, which was seconded by Commissioner Kichline. All were in favor. Motion carried.

6. ADMINISTRATION UPDATE

Julie Bookheimer, Chief Financial Officer for Chester County, gave an overview of what the County's employees pay in to the pension fund versus what the County pays. Robert Kagel, County Administrator, noted that the County's Fund Custodian, Wells Fargo, was purchased by a company called Principal.

7. PUBLIC COMMENT

Jim DiLuzio, a former employee in the department of Children, Youth and Families asked the Board to consider offering an early special retirement provision for County employees as they have in the past. He also asked that the Board consider holding some of their public meetings at the Government Services Center.

There was no further public comment.

8. ADJOURNMENT

- **Motion**

Chair Moskowitz called for a motion to adjourn the meeting. Commissioner Maxwell made a motion to adjourn this meeting. Controller Reif seconded the motion. Motion carried. Meeting adjourned at 2:04 PM.

SECOND AMENDMENT TO MEMORANDUM OF UNDERSTANDING FOR VENTURE CHESCO CO-INVESTMENT INITIATIVE

This Second Amendment to Memorandum of Understanding for Venture Chesco Co-investment Initiative (“Second Amendment”) is made as of this ___th day of _____, 2020 (the “Effective Date”) by and between the Chester County Employees’ Retirement Fund (“CCERF”) and Ben Franklin Technology Partners of Southeastern Pennsylvania (“BFTP”). BFTP and CCERF are sometimes referred to herein collectively as the “Parties” and individually as a “Party.”

Background

BFTP and CCERF entered into a Memorandum of Understanding for Chester County “Venture Chesco” Co-investment Initiative as of December 29, 2017 (as subsequently amended in 2018, the “MOU”). The MOU sets forth the framework for the Parties to cooperatively work together in executing their co-investment initiative (the “Program”), which focuses on supporting the creation and growth of technology companies based in Chester County, Pennsylvania.

The Parties now desire to amend the MOU, and to make a conforming revision to the form of Participation Agreement attached thereto as Exhibit 1 (the “Participation Agreement”), with respect to providing CCERF with more flexibility in the management of its participation interests under the Program.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises set forth herein, and for other good and valuable consideration, the adequacy and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

Agreement

1. Administrative Flexibility in the Event of a Program Participant Move. The third sentence of Section 2.B.(v) of the MOU is hereby amended by deleting that sentence in its entirety and substituting therefor the following language:

It is acknowledged that the only such condition communicated to BFTP by CCERF as of the date of this MOU is the requirement that a Program participant continue to maintain a significant presence in Chester County during the term of the Venture Chesco funding and until the five-year anniversary of the date of such participant’s last Program funding. In the event that the Program participant fails to comply with such condition by moving outside Chester County and to another county within the Commonwealth of Pennsylvania (a “County-to-County Move”), (a) BFTP will notify CCERF of such County-to-County Move and (b) CCERF will have the option either (x) to elect to continue to participate in that Program funding of that Program participant by retaining CCERF’s purchased Percentage Interest (as defined in the corresponding Participation Agreement therefor)

in such funding or (y) to have its purchased Percentage Interest therein be fully redeemed (and its Participation Certificate canceled) by BFTP in exchange for the lesser of (i) the amount of the funds that CCERF had actually paid to BFTP to purchase such Percentage Interest and (ii) the carrying value of such Percentage Interest (as determined by BFTP and carried on its most recent quarter's books). In that event, CCERF must notify BFTP in writing of CCERF's choice of option (x) or (y) within ten (10) business days of BFTP's notification of CCERF of such County-to-County Move. In the event that the Program participant fails to comply with the significant presence condition by moving outside the Commonwealth of Pennsylvania, such failure will constitute a default by the Program participant, and such failure will result in a requirement that the Program participant must immediately (a) repay the Program funding previously provided and (b) completely defease and discharge all of its obligations under the Program documentation for such funding, unless otherwise agreed in writing by BFTP.

2. Corresponding Revision to Closing Provisions. The second sentence of Section 2.C.(ii) of the MOU is hereby amended by deleting that sentence in its entirety and substituting therefor the following language:

Incorporated substantively into the legal documentation will be the special Commonwealth requirement that should the funded Program participant not maintain a significant presence in the Commonwealth of Pennsylvania during the term of the Program funding and until the fifth anniversary of the date of such participant's last Program funding, the participant must repay the Program funding.

3. Conforming Revision to Participation Agreement. Section 8 of the form of Participation Agreement (Exhibit 1 to the MOU, as such form was revised in 2018) is hereby amended by deleting the existing language of such section in its entirety and substituting therefor the following language:

In the event that the Program-funded Borrower moves, before the fifth anniversary of the date of the last disbursement to Borrower of Program funds, outside Chester County, Pennsylvania and to another county within the Commonwealth of Pennsylvania (a "County-to-County Move"), (a) Principal will notify Participant of such County-to-County Move and (b) Participant will have the option either (x) to elect to continue to participate in this Program funding of the Borrower by retaining Participant's purchased Percentage Interest in this funding or (y) to have its purchased Percentage Interest in this funding be fully redeemed (and its Participation Certificate canceled) by Principal in exchange for the lesser of (i) the amount of the funds that Participant had actually paid to Principal to purchase such Percentage Interest and (ii) the carrying value of such Percentage Interest (as determined by Principal and carried on its most recent quarter's books). In that event, Participant must notify Principal in writing of Participant's choice of option (x) or (y) within ten (10) business days of Principal's notification of Participant of such County-to-County Move.

4. Term. The first sentence of section 3 of the MOU is hereby amended by deleting “Effective Date of the First Amendment to the MOU (namely, 10-15-18)” from such sentence and substituting therefor “Effective Date of the Second Amendment to the MOU (namely, _____)”.
5. Limited Amendment. Except as specifically amended by this Second Amendment, all the provisions of the MOU (including the form of Participation Agreement attached thereto as Exhibit 1, as such form was revised in 2018) shall remain unmodified and in full force and effect.
6. Modifications and Waivers. A modification or waiver of any provision of this Second Amendment will only be effective if in writing signed by each Party or its authorized agent, and a waiver will be a waiver only for the specific instance involved and will not impair the rights of the Party making the waiver or the obligations of the other Party to such waiving Party in any other respect or at any other time.
7. Severability. In the event that any provision of this Second Amendment shall be, by a court of competent jurisdiction, held to be invalid, illegal or unenforceable in any respect or to any extent, such provision shall nevertheless remain valid, legal and enforceable in all other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provision hereof; furthermore, this Second Amendment shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.
8. Governing Law. This Second Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to conflict of laws principles or provisions of such jurisdiction.
9. Successors and Assigns. This Second Amendment is binding upon and inures to the benefit of each of the Parties and each of their respective successors and permitted assigns; *provided, however*, that neither Party may assign this Second Amendment, in part or whole (including but not limited to its respective obligations hereunder), without the prior written consent of the other Party.
10. No Third-Party Beneficiaries. There are no third-party beneficiaries of this Second Amendment or of the transactions contemplated hereby, and nothing contained herein shall be deemed to confer upon anyone other than the Parties hereto (and their respective successors and permitted assigns) any right to insist upon or to enforce performance of any of the obligations contained herein.
11. Further Assurances. CCERF shall take such further action and shall execute and deliver such additional documents and instruments (in recordable form, if requested) as BFTP may reasonably request to effectuate or enforce the terms of, and the objectives contemplated by, this Second Amendment or the documents amended hereby.

12. Counterparts. This Second Amendment may be executed in multiple counterparts (including copies and facsimiles hereof), but each of which shall constitute an original, and all of which shall constitute a single document.
13. Effectiveness. This Second Amendment shall become legally effective as of the Effective Date when executed and delivered by the Parties.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Second Amendment to be duly executed by their duly authorized officers as of the date first above written.

BEN FRANKLIN TECHNOLOGY PARTNERS
OF SOUTHEASTERN PENNSYLVANIA

By: _____
Name: Scott Nissenbaum
Title: Chief Investment Officer
Address: Building 100 Innovation Center
4801 South Broad Street, Suite 200
The Navy Yard
Philadelphia, PA 19112

CHESTER COUNTY EMPLOYEES' RETIREMENT FUND

By: _____
Name: Marian Moskowitz
Title: Chair
Address: The County of Chester
313 W. Market St., Suite 6202
West Chester, PA 19380

Chester County Employees' Retirement System

Actuarially Determined Contribution for 2020 Reflecting Potential Changes in Assumptions and Methods

Background

The 2020 valuation is completed to set the County's Actuarially Determined Contribution (ADC) for calendar year 2020. The purpose of this document is to summarize the effect on the ADC and funded ratio of potential changes in the actuarial assumptions and methods.

Actuarial assumptions and methods are not prescribed, but rather are set based upon recommendations and used as a budgeting tool to estimate the value of benefits to be paid by the plan and appropriately allocate costs to each fiscal year.

Effect of Potential Changes on County's ADC and the Funded Ratio (\$ Millions)

<u>Scenario</u>	<u>ADC</u>	<u>Funded Ratio</u>
<i>Current Assumptions</i>	\$10.1	86.9%
<i>1. Revised Life Expectancy</i>	\$13.2	82.9%
<i>2. Revised Method for Member Deductions</i>	\$8.4	86.5%
<i>3. Reduced Investment Return Assumption</i>	\$11.8	82.3%

The above table summarizes the effect on the County's ADC under various scenarios reflecting potential changes in the actuarial assumptions and methods.

1. Revised Life Expectancy

Reflects a change from the current life expectancy assumptions to the newly published study by the Society of Actuaries on life expectancies for general public sector employees. Korn Ferry is still reviewing the experience used in this study compared to the mortality experience of public sector employees in Pennsylvania but expects to recommend a change consistent with the newly published life expectancy assumption within the next few years.

2. Revised Method for Member Deductions

Reflects both the revised life expectancy assumptions and a change in the method used to account for member balances. Historically, the County has accounted for member contributions in the year received. The revised method projects the expected future member contributions to each individual's retirement and adjusts the value to reflect the difference between (a) the interest credited on the member balances and (b) the expected investment returns of the fund.

3. Reduced Investment Return Assumption

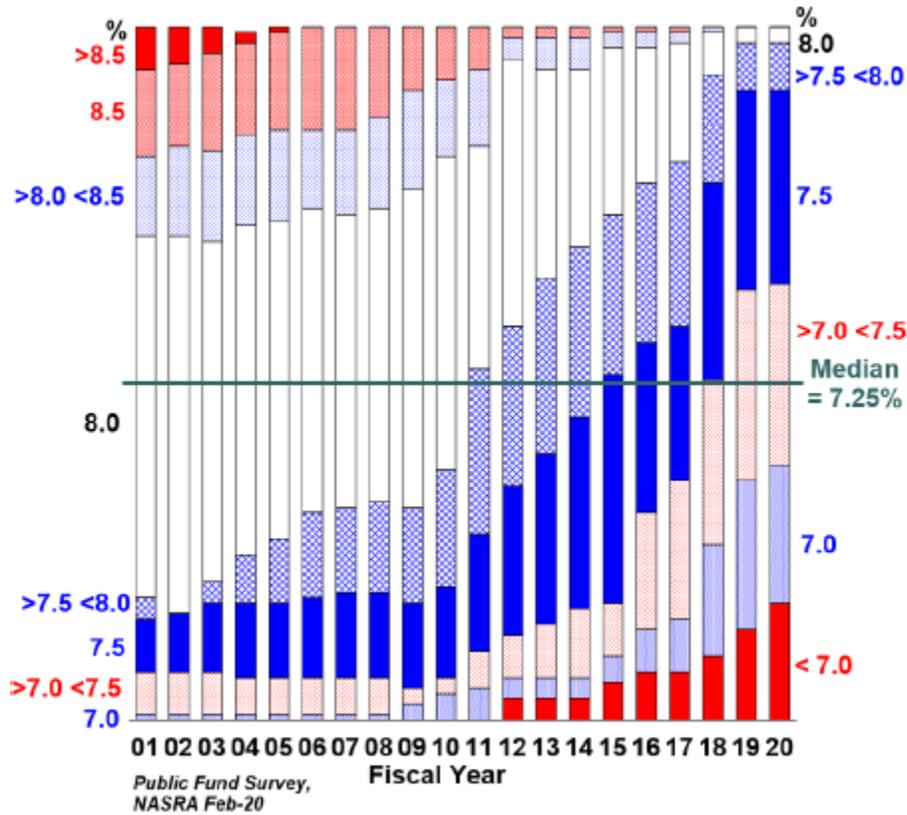
Reflects the revised life expectancy assumptions, the revised method for member deductions, and a reduction in the investment return assumption from the current rate of 7.5% to 7.0%. Although the current assumption of 7.5% is not unreasonable, there is a clear trend toward lower capital market expectations and lower assumptions being adopted by peer retirement systems as illustrated in Figure 1.



Chester County Employees' Retirement System

Actuarially Determined Contribution for 2020 Reflecting Potential Changes in Assumptions and Methods

Figure 1 – National Association of State Retirement Administrators (NASRA) Survey on Distribution of Public Pension Investment Return Assumptions



Projection of Future Contributions and Funded Ratio

Figure 2 provides the projected future Actuarially Determined Contributions (ADC) for each scenario. Figure 3 provides the projected future funded ratio (Assets/Liabilities) for each scenario. In order to provide a consistent basis for comparing results, the results assume the fund will experience an investment return of 7.00% per year during the projection period.



Chester County Employees' Retirement System

Actuarially Determined Contribution for 2020 Reflecting Potential Changes in Assumptions and Methods

Figure 2 – Projection of Actuarially Determined Contributions (ADC)

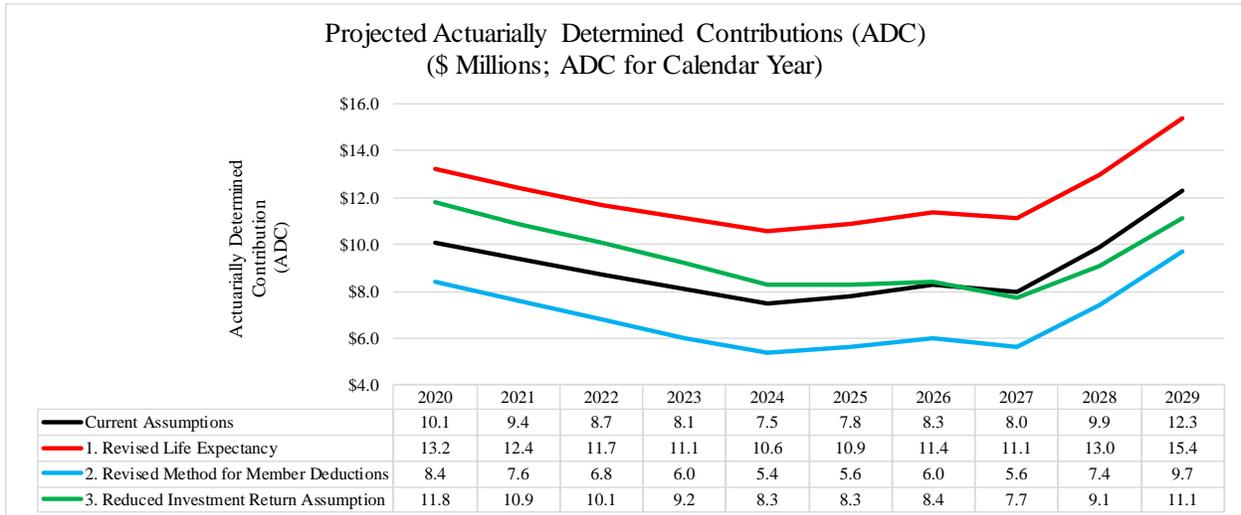
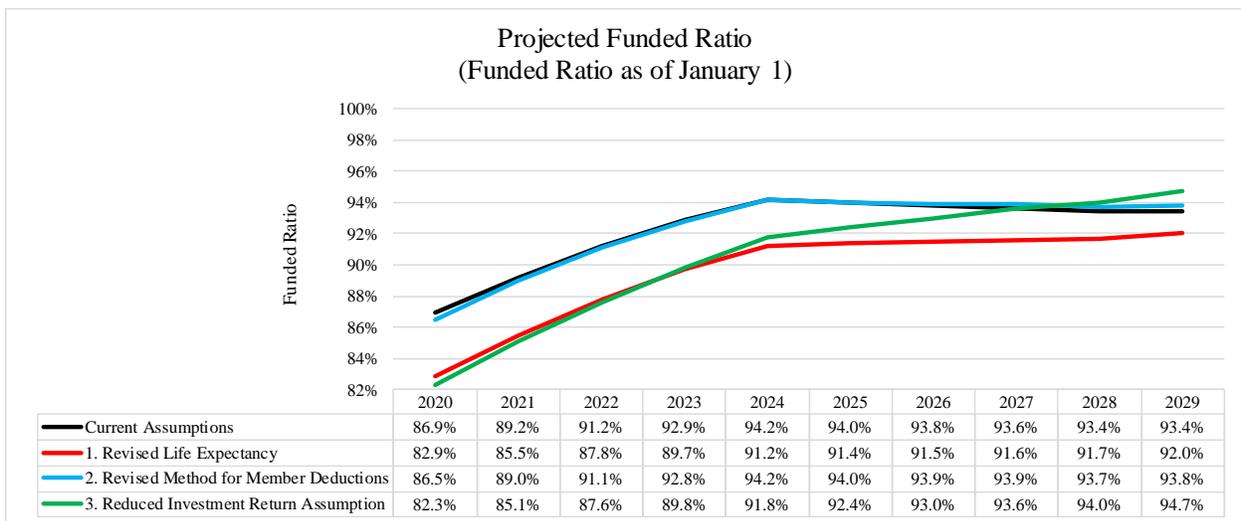


Figure 3 – Projection of Funded Ratio



Pension Fund Data for Administrative Reports
(For the May 13, 2020 Meeting)

	4/30/2019		4/30/2020	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
Employees contributing 5%	1124	50.8%	1024	46.9%
Employees contributing 6%	1087	49.2%	1159	53.1%
Total	<u>2211</u>	<u>100.0%</u>	<u>2183</u>	<u>100.0%</u>
Employees contributing after tax dollars	<u>370</u>		<u>377</u>	
	April 2010	April 2020	Ten Year Change	
Pension Payments	<u>889</u>	<u>1,395</u>	<u>506</u>	<u>56.9%</u>

YTD through April 30 - **345** employees no longer employed with the County but remain vested in the fund.
44 employees ended employment with the County requested/received refunds.