

NEW CASTLE COUNTY EMPLOYEES' PENSION PROGRAM
Minutes of March 16, 2016

The regular meeting of the Board of Trustees was held on March 16, 2016 in the Government Center (Manager's Conference Room), 87 Reads Way, New Castle, DE 19720.

The meeting was called to order.

BOARD MEMBERS PRESENT:

Christine Dunning, CHRO
Douglas Merrill, FOP Lodge #5
Michael Coupe, CFO
Michael Finnigan, Trustee, Retirees
Paul Frese, Trustee Non-Union Members
Robert Barczak, Trustee, Local #459
Saul Polish, Trustee, Local #3911
Terry Stone, Trustee

BOARD MEMBERS ABSENT:

Daniel McFadden, Chairperson
Rich Piekarski, Jr., Trustee, Local #3109
Regis Yurcich, Trustee, Local #1607
VACANT, Trustee

OTHERS PRESENT:

Bob Wasserbach, County Auditor
Maris Scarpa, NCC/Finance
Joe Dudzinsky, Local 3109 Treasurer
Ron Russell, NCC/Finance

STAFF PRESENT:

Susan Lawler, Pension/Benefits Coordinator
Frank Benevento, Pension Program Analyst
Judi Mitchell, First Asst. County Attorney
Rowena P. Liles, Administrative Aide

INVITED GUESTS:

William Early, Principal, Clifton Larson Allen
Remi Omisore, Manager, Clifton Larson Allen
Kevin Leonard, NEPC
David Boomershine, Boomershine Consulting Group

APPROVAL OF THE MINUTES

The minutes from the February 17, 2016 meeting are attached for approval.

A motion was made by Doug Merrill and seconded by Paul Frese to approve the minutes from the February 17, 2016 meeting.

***THE MOTION WAS PASSED UNANIMOUSLY.**

APPROVAL OF THE INVOICES

Boomershine Consulting Group	\$6,250.00	January, 2016
Eaton Vance	\$13,783.03	4 th Quarter 2015

A motion was made by Terry Stone and seconded by Doug Merrill to approve the payment of invoices.

***THE MOTION WAS PASSED UNANIMOUSLY.**

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APPROVAL OF THE APPLICATIONS FOR BENEFITS

Service Retirements

Gail A. Kelley	\$942.41	03/01/2016	RetGen
John P. Lloyd	\$3,378.65	02/18/2016	RetGen
Nora Heuer	\$190.00	03/13/2016	SCGPen
Stephen DiVirgilio	\$5,686.93	04/12/2016	RetGen

APPROVAL OF THE SURVIVOR BENEFITS

Patricia Downward	\$645.97	02/11/2016	PenPln
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APPROVAL OF THE REFUND BENEFITS

Travis Duffin	\$13,106.55		RetAMD
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A motion was made by Terry Stone and seconded by Doug Merrill to approve the service retirements, survivor and refund benefits.

***THE MOTION WAS PASSED UNANIMOUSLY.**

NEW BUSINESS

- Report of External Auditors – Presentation by Remi Omisore of Clifton, Larson & Allen. *Copies of the reports titled New Castle County, Delaware Employees' Pension Program Audit Results Year Ended June 30, 2015 and New Castle County, Delaware Employees' Pension Program Financial Statements and Required Supplementary Information For The Year Ended June 30, 2015 were distributed to the trustees for review and discussion.*
- Actuarial Assumption & Valuation Review by Dave Boomershine. *A copy of the 2016 Pension Plan Review was distributed to the trustees for review and discussion.*

The Board of Trustees agreed to take a break.

The meeting reconvened.

Applications for Disability - The Board may go into Executive Session to discuss the disability retirement applications. Susan Lawler will provide the recommendations and medical information at the March 16, 2016 Board meeting.

Virgil Pugh, Jr. has made application for a service-connected disability pension as a participant in the New Castle County Employees' Retirement System. If approved, he shall be entitled to a service-connected disability benefit, in the amount of **\$3,858.40 per month effective March 20, 2016.**

David Bender has made application for a disability pension as a participant in the New Castle County Employees' Pension Plan. If approved, he shall be entitled to disability pension benefit in the amount of **\$1,824.79 per month effective March 20, 2016.**

A motion was made by Terry Stone and seconded by Doug Merrill to move into Executive Session to discuss the disability applications for Virgil L. Pugh, Jr and David Bender.

***THE MOTION WAS PASSED UNANIMOUSLY.**

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Applications for Disability

A motion was made by Terry Stone and seconded by Saul Polish to exit the Executive Session after discussing the disability applications for Virgil L. Pugh, Jr and David Bender.

***THE MOTION WAS PASSED UNANIMOUSLY.**

A motion was made by Terry Stone and seconded by Saul Polish to approve the application for a service-connected disability pension for Virgil L. Pugh, Jr., in the amount of \$3,858.40 per month effective March 20, 2016.

***THE MOTION WAS PASSED UNANIMOUSLY.**

A motion was made by Doug Merrill and seconded by Terry Stone to approve the application for a disability pension for David Bender, in the amount of \$1,824.79 per month effective March 20, 2016.

***THE MOTION WAS PASSED UNANIMOUSLY.**

NEW BUSINESS (Cont'd)

- Review the Preliminary Investment Performance "Flash" report for the period ending February 29, 2016 – Kevin Leonard, NEPC – *Distributed copies of the Preliminary Flash Report – February 29, 2016, Third Quarter 2015 Private Markets Review, Investment Summary Quarter Ending December 31, 2015, Cupps Capital Management, LLC., and Alliance Bernstein L.P. reports for review and discussion.*
 - *Entrust your Hedge Fund to Fund manager in the portfolio. We will go over their performance because it has not been good for the last year. They recently announced their merger with another Hedge Fund to Fund firm by the name of Permal; which we are very familiar with. Permal is an institutional Hedge Fund to Fund a very large firm and we have clients who utilize Permal and Entrust is an institutional focus Hedge Fund to Fund. Both Permal and Entrust are what we classify as preferred managers. So if a client, such as yourself, were going to do a search for Hedge Fund to Fund these are both managers that are on our list of managers that we like. Permal is owned by Leg Mason and they bought Entrust. The new firm will be called Entrust Permal. At a high level, Permal has really two major Hedge Fund to Fund products and Entrust has multiple products, but their premiere product, if you will, is a product you are invested in. The entity as a whole will still have multiple Hedge Fund to Fund products.*

Kevin continued the discussion on the Entrust merger. I'm not here to tell you to sell Entrust, but we are keeping our eyes on this to see how this develops over the next six to twelve months. I will recommend you bring Entrust in to one of the upcoming meetings to talk about the merger and their performance. They did not have a good 2015 and it's time for them to come in to talk about what transpired last year and the fund positioning. As far as the contract, there should be a new one or an assignment of the contract. The official merger date hasn't come down yet. They are doing everything behind the scenes now. I will have to get you that information. We will work with staff prospectively when it comes up.

- *Alliance Bernstein; which is your large cap value manager, did make an announcement that one of their senior research folks who is the Head of Market Research has left the firm. We want to keep our eyes on this, but it is nothing of immediate concern. Kevin reviewed the handout Alliance Bernstein L.P., December 31, 2015 with the Board. A discussion was held.*
 - *Kevin will work with Staff to put together a work plan.*
 - *Asset Liability Study upcoming*

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- Cupps Capital will come in for performance review at the May 18th meeting.

A motion was made by Mike Finnigan and seconded by Christine Dunning to take a short break.

***THE MOTION WAS PASSED UNANIMOUSLY.**

The meeting reconvened at 9:38 a.m.

- Third Quarter 2015 Private Markets Review – *Kevin provided an overview of how the alternative investment is doing. Stone Harbor who we talked a lot about. We also have to talk about you did do the Unconstrained Fixed Income Manager search and interviewed three managers. You did say you do want to move forward and you're not sure when. We have to figure out what manager and when. We will probably add that to the May pension agenda for continued discussion.*
- Commission Recapture – *When you were with State Street you had a program for Commission Recapture. When you buy or sell a stock you pay a fee. When the managers are using your money to buy stocks that's a commission that goes to the broker. You had an arrangement with State Street Global Markets that if any of your managers traded through them they would rebate back to you some of the money. Whatever the number was it was a volume thing and what the appeal with State Street was, if I can get more people to trade from my desk, it's a volume game and I will entice them to by saying I will give you some of it back. That is what a Commission Recapture program is. You still have a relationship with State Street on the Commission Recapture program and Northern Trust has one as well. Do we formally terminate the State Street relationship and do we look at opening up a relationship with Northern Trust that is the question. I think what we will do is revisit this to see if it's really worth doing it anymore. We will come back with a formal recommendation.*

COORDINATOR'S REPORT by Susan Lawler

DELPEN Retirements

<u>Name</u>	<u>Effective</u>	
Jeffrey Shriner	04/02/2016	DelPen

OLD BUSINESS

- Update - Actuarial Services (Terry Stone) – Just to let everybody know we do have three actuaries coming in to speak to us next month. Bolton Partners, David Boomershine and GRS. They will speaking to us for about half an hour and prior to we've asked them to complete an RFP; which is supposed to come back to Susan by April 11th and she will forward out to us. I've asked for mine specifically to be electronic, but I know we will need to have some hard copies for signature. They will come in and do their presentations and we will be able to review the information beforehand so it should only take about 30 minutes per person.

Susan – So the April agenda will have the Actuarial invitation and the RFP information will hopefully go out today to those three firms. We will be inviting them as a follow-up to their submission to be at the April meeting leaving Boomershine to the third presenter. As Dave left today, he asked to be added to next month's agenda to follow-up to what he spoke about this morning a 10-year plan. I'm trying to get the Board's opinion, as to whether we should be permitting that, or saying to him that would not be an appropriate time being the April meeting for you to do a follow-up presentation when we are reviewing services. I just want to clarify that and not make that decision on by myself. So just to be clear the April meeting will be regular business and three firms.

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OLD BUSINESS (Cont'd)

Mike F. – *We will make that clear.*

Susan – *I will make that clear to Dave. He's welcome to file a report on the 10-year plan and we will follow-up at a later time.*

A brief discussion was held on the current contract for Actuarial Services.

Susan – *A question for Christine did we get back the approval from the CAO for Frank & Saul's travel requests?*

Christine – *I haven't received anything yet.*

Susan – *It was a question from active employees Saul brought to our attention regarding potential earnings codes being designed for Board members attending. There have been some issues in various departments with senior management questioning time spent at the Board meeting by different staff members and how they want that coded. We are currently working with the Payroll office to give you guys an earnings code that would clearly indicate when you are in attendance at a Board meeting. So nothing is done of a punitive nature based on your attendance. Most of our people are fine, but that is not to say going forward that for example our 1607 representative could be a librarian that works second shift or those various things. We are trying to get that resolved.*

Mike F. – *Roughly, what do we have on the April agenda?*

Susan – *April is strictly routine business and Kevin to talk about the Flash report and the three actuarial firms. In May, we have Entrust and Cupps Capital doing presentations.*

Christine – *The only other thing pending is it still hasn't been determined we are one Board member short and there hasn't been any movement yet.*

Frank – *At which point do we want to progress to our presenters coming in a doing Power Point presentations displayed on the wall versus still handing out hard copies.*

Terry – *Now.*

Susan – *To Frank's point and I think we spoke briefly Frank has already prepared for if firms come in and want to use their laptops to be able to project presentations. I think going forward we will ask anyone that's going to come in to bring no more than five physical copies of their documents and that will be for HR records and Ro's filing and everything else. Obviously we will have to get on a schedule because we've discussed how poor the wireless internet is while we are sitting here. Get on a schedule to see whether or not they can get those various presentations to us no later than 48 hours prior to our meetings. So people can get them properly uploaded on their systems. The question came from outside for those individuals that are in the audience, if you will, their access to materials it is a public meeting and whatever documents are deemed public documents we will make copies of or send electronically to members outside of the Board that are asking for that information.*

ADJOURNMENT

A motion was made by Terry Stone and seconded by Paul Frese to adjourn the meeting.

***THE MOTION WAS PASSED UNANIMOUSLY.**