

NEW CASTLE COUNTY GOVERNMENT EMPLOYEES' PENSION PROGRAM

MINUTES of February 15, 2017

The regular meeting of the Board of Trustees was held on February 15, 2017 in the Government Center (Manager's Conference Room), 87 Reads Way, New Castle, DE 19720.

The meeting was called to order at 8:17 a.m.

<p><u>TRUSTEES PRESENT:</u> Vanessa S. Phillips, CHRO Douglas Merrill, FOP Lodge #5 Daryl Brown, Trustee Brian Maxwell, CFO Michael Finnigan, Trustee, Retirees Paul Frese, Trustee Non-Union Members Regis Yurcich, Trustee, Local #1607 Rich Piekarski, Jr., Trustee, Local #3109 Robert Barczak, Trustee, Local #459 Saul Polish, Trustee, Local #3911</p>	<p><u>TRUSTEES ABSENT:</u> Daniel McFadden, Chairperson Terry Stone, Trustee</p> <p><u>STAFF PRESENT:</u> Susan Lawler, Pension/Benefits Coordinator Frank Benevento, Pension Program Analyst Judi Mitchell, First Asst. County Attorney Rowena P. Liles, Program Analyst</p>
<p><u>OTHERS PRESENT:</u> Christine Piekarski, NCC/Finance Bob Wasserbach, County Auditor Lynne McIntosh, County/Audit Ken Porter, NCC/Finance</p>	<p><u>INVITED GUESTS:</u> Will Forde, NEPC</p>

APPROVAL OF THE MINUTES (8:17 a.m.)

The minutes from the January 18, 2017 meeting are attached for approval.

A motion was made by Saul Polish and seconded by Paul Frese to approve the minutes from the January 18, 2017 meeting.

*THE MOTION WAS ADOPTED UNANIMOUSLY.

APPROVAL OF THE INVOICES (8:00 a.m.)

Alliance Bernstein	\$26,217.28	4 th Quarter 2016
Boomershine Consulting Group	\$1,590.00	December, 2016
Eaton Vance	\$12,551.87	4 th Quarter 2016
Income Research & Mgt.	\$35,244.53	4 th Quarter 2016
Mellon Capital	\$78,778.45	4 th Quarter 2016
MFS	\$126,230.92	4 th Quarter 2016
Nat'l Association of Public Pension Attorneys	\$450.00	2017 Annual Dues
NEPC	\$2,608.64	4 th Quarter 2016
Northern Trust Co.	\$17,320.79	4 th Quarter 2016
State Street Corp. (Class Action Fees)	\$500.00	3 rd Quarter 2016

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

*THE MOTION WAS ADOPTED UNANIMOUSLY.

COORDINATOR’S REPORT by Susan Lawler (8:00 a.m.)

- Confirmation of Gross Active Payroll and Employer Contributions January, 2017 – *Rowena sent under separate cover the confirmation of the Employers Contribution 2017. Starting this month I am adding just a small informational thing for the Board to continue to give you an idea of the enormity of the people we serve. We often talk about the \$400 million dollars we have, but behind that, in January, we paid 1,400 retirees and pensioners, benefits at \$3.3 million dollars for January alone and in accordance with the rules governing the Retirement System increase monthly liability due to automatic COLA increases by over \$57,000 dollars a month. Again that is just for informational purposes so you guys can see how it grows and ebbs and flows and our obligation continues. While we often have to liquidate funds compared to what the employees and employer put in sometimes we need to liquidate funds to meet our monthly obligations. Are there any questions?*
- January Pension Payments
 - a. Payees for January 1,409
 - b. Benefits total \$3,338,573.29
 - c. Cost of living adjustments for 2017
 - i. \$25,333 increase in *monthly* liability for Retirement System
 - ii. \$32,620 increase in *monthly* liability for Police

Susan – *Dan asked the last time that we were here for me to move the Capital Calls and Distributions up front. They had previously been on a separate page. We’ve missed recognizing them so they now fall right below Coordinator’s Report. Since the last meeting we’ve had no Capital Calls and one distribution from Lexington Partners.*

CAPITAL CALLS

- None

DISTRIBUTION OF CAPITAL

- Lexington Partners \$73,781.00 January 31, 2017

APPROVAL OF THE APPLICATIONS FOR BENEFITS (8:20 a.m.)

Susan Kline (vested)	\$1,867.37	03/18/2017	RetGen
John Prokopchak	\$1,333.40	02/13/2017	RetGen
Margaret E. Dougherty	\$310.00	01/01/2017	SCGPen
Alaine K. Cofrancisco (vested)	\$258.73	02/24/2017	RetGen

DELPEN Retirements (For Informational Purposes Only) (8:20 a.m.)

Jeffrey Steinberg 01/29/2017

APPROVAL OF THE SURVIVOR BENEFITS (8:20 a.m.)

Lorette Caulk	\$936.99	12/29/2016	PenPln
Donna Celli	\$1,238.55	01/15/2017	RetGen
Maryann McGonigal	\$346.23	01/30/2017	PenPln

APPROVAL OF THE LUMP SUM BENEFITS (8:20 a.m.)

Sydney Farrell	\$7,411.51	(Nicholas Rich)
Sandra Fede	\$872.02	(Thomas Fede, Sr.)
DeVaughn Wilson, Sr.	\$1,392.87	(William Sheridan, Sr.)
Thomas Fede, Jr.	\$872.02	(Thomas Fede, Sr.)
Tina Pinder	\$872.02	(Thomas Fede, Sr.)

APPROVAL OF THE REFUND BENEFITS (8:20 a.m.)

Christopher Bullock	\$5,233.13	CPGen
Lisa Lancaster	\$4,168.66	CPGen
Bernard Pepukayi	\$15,249.90	CPGen (Tabled)

A motion was made by Saul Polish and seconded by Paul Frese to approve the service retirements, survivor, lump sum and refund benefits.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

OLD BUSINESS (8:21 a.m.)

- Update (Frank Benevento) Discussion on educational training for Board Trustees – *There was an attachment sent out yesterday with the agenda regarding the update on the educational training. It's more of a clarification. Did everyone have a chance to review the letter? Basically I will cover that in general. At the NCC Board meeting on January 6, 2008, there was a motion made that all new board members immediately enroll in CAPP Training. On the face, that is the way we interpreted it, but the way it should be interpreted is that the Board recognizes the importance of educational and professional development and encourages all Board members to participate in this training. It's not mandatory it's not that every Board member should enroll immediately, but the Board wanted to recognize that the opportunities are out there and if anyone was interested that they could reach out to any of the pension staff. Does anyone have any questions on the letter and the intent of the motion? I don't believe there is another motion that would have to be made. I think this is just a clarification.*

A discussion was held on educational training.

- (Frank Benevento) - *We've finalized the restructure and policy target allocation in our Fixed Income portfolio by funding the second half of Blackrock Strategic Income Opportunities Fund Investment of \$13.5 million. The total for this investment now is \$27 million and all the transactions have been completed. This is just an update because at last month's meeting we got approval to fund the second half and now this update being given that the process has been completed.*
- (Frank Benevento) - *We received a distribution in the amount of \$462,335.50 representing proceeds from an approved full redemption of hedge fund manager Crestline. This was approved on May 18, 2016. This is a residual distribution. I believe we have one more distribution which is expected at the end of the fund year for Crestline which is 2nd Quarter 2017. That amount is expected to be around \$500,000 dollars. After that amount is received, it will be the full redemption of Crestline. Any questions?*

Susan – *Just from a perspective of information we are trying to document some of the follow-up of the actions the Board has authorized. Where you said to defund Crestline and fund Blackrock and once the statement and authorization leaves the meeting, we want to make sure to reflect that those actions have been fulfilled and taking place. That is why we are trying to add some additional bullets to Old Business to give you a follow-up as to what's taken place based on your authorization.*

Saul – *Susan where does that money go to immediately to a new investment or somewhere else?*

Frank – *I can help also. The redemption with Crestline took a few different dates to liquidate instead of all at one time. So say the investment was for \$10 million. It didn't liquidate all in one amount but in four different redemptions over a period of time. It occurred during a period of time where we would have had to liquidate for our monthly benefits. So those funds currently have been used for monthly benefits.*

Will – *I think the remaining funds will be used to pay monthly benefits or be put into the Global Asset Allocation mandate until we figure out what changes the asset allocation today or at the next meeting.*

Mike – *Do we want to discuss the Asset Allocation in today's meeting? I know it wasn't on this month's agenda, but was prepared.*

Susan – *Just an introduction. Will Forde is one of our consultants from NEPC. Will sitting on either side of you are two new Board members Brian Maxwell, CFO and Vanessa Phillips, CHRO. Will again is from NEPC and last month you met Kevin Leonard. Will is here to do the investment summary for January, but is also prepared to review a previously requested Asset Allocation Study, if the Board would like that reviewed today; he indicates he's prepared to do so. If not, we can move that to next month's agenda it is up to the Board. It was not previously advertised as part of the agenda.*

The Board agreed to hear the Asset Allocation Study.

NEW BUSINESS (8:29 a.m.)

- (Will Forde, NEPC) - *Review the Preliminary Investment Performance "Flash" report for the period ending January 31, 2017 and the 2017 Asset/Liability Study.*

NEW BUSINESS (Cont'd)

Bob Wasserbach – *When you say 60 basis points to the value added that doesn't reflect fees charged by the investment managers?*

Will – *That is correct. It is gross of fees.*

The review and discussion continued on the Asset Allocation Study.

- Mr. Forde will work with Kevin to provide some additional mixes that get to the 7.5% and include a projection of each of those mixes that impact the funded status over the next 5 – 10 years.

A motion was made by Doug Merrill and seconded by Daryl Brown to accept NEPC's Asset Liability Study as presented.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

- (Frank Benevento) - CP 2011 Investment Provider contract (current MetLife expires 06/30/2017) – *To give MetLife a heads up I've asked for the following:*
 - Plan Review for year end 12/31/2016 separately for 401(a) and 457(b) Plans
 - Investment Performance for year end 12/31/2016 separately for 401(a) and 457(b) Plans
 - Plan Value for year end 12/31/2016 separately for 401(a) and 457(b) Plans
 - Fees for year end 12/31/2016 separately for 401(a) and 457(b) Plans
 - Brief discussion on the expiration of their contracts with the County and the Board

The main reason this is being brought up and the Board should be concerned with is

1. *The pension board is the administrator of the 401(a) defined contribution portion of the County 2011 Plan.*
2. *The 401(a) portion of the plan includes two parts: 1% mandatory (non-elective) contribution and 2% 457(b) match.*
3. *Pension board's 3 year service agreement with MetLife expires 06/30/17. The same time as the County 457(b) plan.*
4. *Pension board agreed to pool funds with County's 457(b) plan due to size/value at time of agreement.*
5. *County's 457(b) deferred comp plan was established by code and established by deferred comp committee consisting of CHRO, CFO and County Attorney to make recommendation on the selection of a third party administrator for the 457(b) plan.*
6. *County's 3 year service agreement with MetLife expires 06/30/17.*
7. *It should be recommended to the County that the 457(b) deferred compensation committee meet regarding the expiration of the service provider contract with MetLife for due diligence. The County Attorney should be invited to the next meeting to hear the presentation.*
8. *It should also be recommended to the pension board to be prepared to make a decision to continue to pool the County 2011 Plan 401(a) funds or to hire a separate provider after board is presented with updated numbers from MetLife.*

Brian – *I have a question on the refund for the last item. Is the pension contribution and 457 contribution included in this calculation.*

Susan – *No this is only reflecting pension contributions. The 457 refunds are administered by MetLife through GASB. Those numbers are not included in this calculation.*

Brian – *So why would the 2015 contributions be so much higher than the 2016?*

Susan – *Are you looking at a particular individual?*

Brian – *Yes the last item under refunds for Bernard.*

Susan – *Rowena said there has been a 2nd revision. Sorry I was misunderstanding your question that it was for a specific individual.*

Brian – *Mine says revised on it also.*

NEW BUSINESS (Cont'd)

Susan - *I will review that one and withhold payment until we are satisfied. That could be a combined number and could be absolutely incorrect.*

Brian – *Can I make another request? What would be helpful to me as a Board member to know the fees that are being charged for each of our managers? I know we are reviewing the invoices and the disparity between what one manager charges versus another is sometime significant.*

Susan – *So you would like a summary by manager as to what their fee structure is?*

Brian – *Yes.*

Susan – *We will see if we can get that for you.*

Brian – *I apologize I was a few minutes late so I did miss the meeting minutes approval, but there was an item on there that said that I believe it was in regards to the position. I did go not voting on that particular item, for the record, the motion was adopted unanimously needs to be changed.*

Susan – *We will update the minutes.*

Brian – *We did receive a travel request for one of the Board members to attend a conference. I did work with Frank to get back up with regards to what the overall cost of the trip was. I don't know if you are aware, we did put a moratorium on out-of-state travel. I did communicate with the CAO that this was approved at a previous Board meeting. It did get her acknowledgement, but one of the things I noticed was that I understand the travel policy for the Board is different than for the County. That there is a perdiem that's allowable as you go to travel. I have a little bit of a concern with that policy. We are not acknowledging that some meals are being provided by the conference. So I have a little bit of heartburn that to go to the conference this individual is going to breakfast and lunch is being provided through the conference, but then we are also giving them an \$80 perdiem; which I know won't be any receipts collected or anything. It is not a huge amount of money, but it feels like you could go away to a conference and actually make money by going to a conference. If all meals were being provided in this case it's only one of the meals not being provided. It would be something I would like everyone to take a look at.*

Susan – *So to your point why don't we re-distribute the Travel Policy to the Board members and place it on the agenda for discussion and amendment at the March meeting.*

Brian – *We don't have a ton of people travelling, but I would have thought if it comes up I wanted everyone to be aware of it. I am more in favor of it meals being provided by the conference should be taken into consideration.*

Susan – *It is a relatively newly approved policy and like a lot of policies can certainly be tweaked. To your point and with your experience outside of here that is something we can certainly consider and make amendments to. Frank can you re-distribute the current policy ask people to review it and then entertain adjustments or amendments to it. It is a Board policy so that is something that can be easily done by vote of the Board. Just to be clear you indicated that the CAO did approve travel that was previously authorized by the Board and I think that Vanessa and Brian, if you would confirm, that we should still go forward with offering opportunities for Board members to travel; or is it your expectation that the travel ban will extend to us as well.*

A discussion was held on the current travel policy.

The Board has requested the travel expenses for the last five years be provided at the next meeting.

Vanessa – *Last month the Board voted to recommend an additional position of Pension Program Analyst has a formal request been drafted and sent to the County Executive office?*

Mike – *We didn't recommend the filling of the position. We recommended the funding if a position was brought into the County. That is what I remember. Susan can you help with this?*

Susan – *You authorized the funding of a position if the County deemed one relevant.*

A discussion was held on the new position for Pension Program Analyst.

NEW BUSINESS (Cont'd)

Frank - *I can put that together and bring it to the next meeting.*

Susan – *I don't think it needs to be reapproved. I think we can review what the recommendation was and maybe Vanessa can assist us in making sure that whatever is put together on behalf of the Board meets what was agreed to by the Board.*

Rich – *To clarify the Boomershine invoice. Is it the assumption now that that is the first invoice being covered under the terms of the new contract, in the RFP process, is that correct?*

Susan – *That is correct and that was returned for re-submission. We've changed how we ask Boomershine to invoice us to assure that we get clarification of what we're being charged for and to what extent it consumes the entirety of his annual rate. Frank is handling that.*

A discussion was held on the Boomershine invoice matching the current contract.

Frank – *The Board is clear and approves any special projects or actuarial studies to Boomershine because that will add on to the contract.*

Mike – *Do we have any further questions, for the good of the order?*

Saul – *I had some. Quite some time ago there's been ongoing discussion about the County 2011 Plan and there was a group assembled including our Council. Jim McDonald, members of Council and Doug I think you were on the group as well when they were looking at the initial start of the 2011 Plan.*

A discussion was held on the County 2011 Plan and study by Boomershine Consulting Group.

The Board understands that asking Boomershine to look into the County 2011 Plan would be outside the scope of the annual review and would need a motion now or after his presentation next month to charge him with moving forward with the study and providing the results. Trustees would submit questions or concerns to Susan to pull that together to be presented to Boomershine. With MetLife coming in next month, they are supposed to be giving a review of the plan. That would be part of the discussion also.

ADJOURNMENT (9:57 a.m.)

A motion was made by Doug Merrill and seconded by Saul Polish to adjourn the meeting at 9:57 a.m.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**