

NEW CASTLE COUNTY GOVERNMENT EMPLOYEES' PENSION PROGRAM MINUTES of March 29, 2017

The regular meeting of the Board of Trustees was held on March 29, 2017 in the Government Center (Manager's Conference Room), 87 Reads Way, New Castle, DE 19720.

The meeting was called to order at 8:22 a.m.

<p><u>TRUSTEES PRESENT:</u> Vanessa S. Phillips, CHRO Daniel McFadden, Chairperson Douglas Merrill, FOP Lodge #5 Daryl Brown, Trustee (conference call) Brian Maxwell, CFO Michael Finnigan, Trustee, Retirees Regis Yurcich, Trustee, Local #1607 Rich Piekarski, Jr., Trustee, Local #3109 Robert Barczak, Trustee, Local #459 Saul Polish, Trustee, Local #3911 Terry Stone, Trustee</p>	<p><u>TRUSTEES ABSENT:</u> Paul Frese, Trustee Non-Union Members</p>
<p><u>OTHERS PRESENT:</u> Ed Milowicki, Executive Office Christine Piekarski, NCC/Finance Bob Wasserbach, County Auditor Lynne McIntosh, County Audit Ron Russell, NCC/Finance</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>INVITED GUESTS:</u> Will Forde, NEPC Kevin Leonard, NEPC (conference call) Greg Stump, Boomershine Consulting Group David Boomershine, Boomershine Consulting Grp</p>	

APPROVAL OF THE MINUTES (8:22 a.m.)

The minutes from the February 15, 2017 meeting are attached for approval.

A motion was made by Saul Polish and seconded by Doug Merrill to approve the minutes from the February 15, 2017 meeting.

*THE MOTION WAS ADOPTED UNANIMOUSLY.

APPROVAL OF THE INVOICES (8:23 a.m.)

Boomershine Consulting Group	\$8,200.00	February, 2017
NEPC	\$52,537.72	4 th Quarter 2016

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

*THE MOTION WAS ADOPTED UNANIMOUSLY.

COORDINATOR'S REPORT by Susan Lawler (8:23 a.m.)

- Gross Payroll and Employer Contributions for the month of February 28, 2017 were emailed to everyone on Monday, March 27th. We may move that a month behind going forward because it never seems to get on the agenda when it is going out. We end up sending you guys a lot of paperwork.
- Starting last month we started including the number of pension payments for the month and the value of benefits being paid each month just to get a matter of perspective to the trust.

CAPITAL CALLS (8:23 a.m.)

- Lexington Partners \$28,975.00 March 22, 2017

DISTRIBUTIONS (8:23 a.m.)

- Brookfield Capital Partners \$39,604.35 December 29, 2016
- Lexington Partners \$66,748.00 February 28, 2017

CASHLESS CAPITAL CALLS & DISTRIBUTION (8:24 a.m.)

- Crescent Direct Lending \$130,797.00 March 3, 2017

APPROVAL OF THE APPLICATIONS FOR BENEFITS (8:25 a.m.)

Service Retirements

Gordon E. Kyle, Jr.	\$2,567.96	04/04/2017	RetGen
Karen L. Olsen	\$1,591.36	05/06/2017	RetGen
Paul Bazzoli	\$2,899.64	03/13/2017	RetGen

DELPEN BENEFITS – For Informational Purposes Only (8:25 a.m.)

David Neilson	March 10, 2017
Lester Lee, III	March 12, 2017
Christopher Guyton	March 10, 2017

APPROVAL OF THE SURVIVOR BENEFITS (8:25 a.m.)

Janet Moser (Louis Moser)	\$753.61	01/15/2017
Cynthia Clark (Lonnie B. Clark, Sr.)	\$620.47	02/11/2017

APPROVAL OF THE LUMP SUM BENEFITS (8:25 a.m.)

DeVaughn Wilson, Jr.	\$1,392.87	(William Sheridan, Sr.)
Nyair Wilson	\$1,392.85	(William Sheridan, Sr.)
Aa'Khai Hollis	\$1,392.87	(William Sheridan, Sr.)
Cheryl Snuffer	\$872.02	(Thomas Fede, Sr.)
Donna Hopkins	\$1,921.25	(Johanna Wills)
Edgar Enders	\$2,451.00	(Patricia Enders)

APPROVAL OF THE REFUND BENEFITS (8:25 a.m.)

Bernard Pepukayi	\$15,249.90	CPGen
Waynna Dobson	\$5,779.36	CPGen
Antonio Prado	\$10,119.62	CPGen
James T. McDonald	\$2,371.93	CPGen

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

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

OLD BUSINESS (8:26 a.m.)

➤ (Susan) - NEPC provided fee schedule for Fund Managers (emailed to Trustees on Feb 22, 2017) - *This was at the request of Brian Maxwell. He asked that we provide information related to what our current fee is for each of the investments we were in and NEPC pulled it together and it was distributed. There was not a discussion beyond his request for that information.*

Dan – *He’s not here to chat with us about what his intent was. I’m sure he will bring it up, if he has any questions.*

Susan – *I think it was probably just an inquiry with him being new to the Board, but we can certainly put that back on next month’s agenda if he desires.*

➤ Discussion on current travel ban instituted on February 7, 2017 by the County Executive. – *This item will be tabled until the April 19th meeting because it was also raised by Brian.*

NEW BUSINESS (8:27 a.m.)

➤ MetLife Presentation by Ray Abbruzzese, MBA, Senior Account Executive.

➤ Investment Manager Allocation Mixes and Target Rate of 7.5% – (Will Forde, NEPC).

A motion was made by Regis Yurchich and seconded by Terry Stone to accept and approve the combined asset allocation mix recommended by NEPC as presented.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

➤ Review the Preliminary Investment Performance “Flash” report for the period ending February 28, 2017 – (Will Forde, NEPC).

A motion was made by Mike Finnigan and seconded by Terry Stone to take a five minute break.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

The meeting reconvened at 9:58 a.m.

NEW BUSINESS (Cont’d)

➤ Annual Actuarial Valuation Presentation (Dave Boomershine).

Brian – *I would like to draw everyone’s attention to Page 12, on the Reconciliation of Unfunded Actuarial Liability this is a lot of information. One of my concerns is there is really no post reconciliation to a prior year as to what the net of expected State contributions is. That figure is fine, if we say that was what the net was expected to be, but I would like to see in the future, what the actual was and the comparison to those two.*

NEW BUSINESS (Cont'd)

As Mr. Boomershine mentioned, he was asked to dig a little bit deeper and that was as a result of some inquiries that came out of the Office of Finance with regards to the amount of covered payroll that is being charged. The rate of payroll that we actually make our annual required contribution and there was a significant difference between the base of payroll that Mr. Boomershine was using and what the Office of Finance believed he was using. The information was coming from I believe the Pension Office with regards to what the amount of covered payroll was. When we received our first initial rate we saw a rate I think was much lower at 24 range and then we had another revision that got us to about 25.02; which brought us to today's meeting where you are saying it's at 25.66%. This is kind of moved significantly more than I've heard it's moved in the past. So it's a little bit concerning to me that we're not doing this reconciliation as to what is the expected contribution and what was actually contributed to the Pension.

The discussion continued on the County contribution and there is no call to action, at this time. Boomershine Consulting Group will monitor this on an ongoing basis.

A motion was made by Doug Merrill and seconded by Regis Yurcich to accept the 2017 Actuarial Assumption & Valuation Report by Boomershine Consulting Group.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

A motion was made by Vanessa Phillips and seconded by Doug Merrill to approve the recommended County contribution rate of 25.66% of payroll, as recommended by Boomershine Consulting Group.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

A motion was made by Rich Piekarski and seconded by Mike Finnigan to approve the \$82,187 dollars recommended contribution for the School Crossing Guards presented by Boomershine Consulting Group.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

Bob Wasserbach – *What is the definition of open amortization versus closed amortization?*

Gregg Stump – Open amortization means you are amortizing the same fraction of the unfunded liability every year, as opposed to setting up a schedule, like a mortgage would where it would be paid off let's say we had a 20 year close it would be paid off in 2037. If you have a fifteen year open, you are just amortizing whatever that fraction is one piece of the unfunded liability every year. The reason we would choose a fifteen year over a twenty year is because of that other graph. We don't get meaningful funding progress with an open twenty. A number of clients use an open fifteen year amortization as an ongoing basis as part of their funding policy because they are already very well-funded. There around 90%. A really good idea when you are there because when you are close to 100% your cost becomes really low. That might be a reason to get to that point, but for now it's kind of not the best of both worlds.

Dan – *With the open amortization do you get the zero at the end of the fifteen years?*

Gregg – *No with the open amortization you are always amortizing one piece of the unfunded liability.*

NEW BUSINESS (Cont'd)

Saul – I brought up at the last meeting about where we are at now with the County 2011 Plan since we are five years into it now. I had questions about it and it is something to address with the Board and I was asked to put my concerns to paper. To the Board something that would have to be voted on, as far as cost goes, but as it relates to the 2011 Plan moving forward I want to make sure that this is the best option and the financial stability of the fund. With the implementation of the 2011 Plan there was supposed to be cost savings to the County of \$1.5 million over a ten year period and \$11 million dollars over a twenty-five year period. So I was curious to see if we are still on track for both those time frames? Some of the other questions I had were

- 1) What if any, are the adverse fiscal effects to the overall pension fund, as a result of the implementation of the County 2011 Plan implementation?
- 2) What would be the fiscal impact if the 2011 Plan had not been implemented and we stayed on course with the 3% Plan and the 5% Plan was closed, but there were still investment in that?

A discussion was held on the questions raised by Saul. The Board agreed that Boomershine Consulting would come back with a proposal and the cost associated with the project.

- (Brian Maxwell) - Review Board Travel Policy (distributed to Trustees on Feb 21, 2017). I had raised some concern on the Travel Policy which is different from the normal state travel policy I didn't see in the procedures actually provided and actual per diem mentioned in here of \$80 per day.

Frank – The per diem is under Section 5(a) which deals with per diems.

A discussion was held on the daily per diem. A recommendation was made to amend the Travel Policy to include a specified amount for each meal not included during a conference. The policy will be amended and brought back to the Board for a vote.

- 5 Year Travel Expenditures (emailed to Trustees on March 2, 2017).
- CP 2011
 - Finalize Trustee submitted questions and authorizing request to analyze/study CP 2011 after 5 years (motion needed to get cost prior to start of study)
- Request Board approval for Saul Polish and Susan Lawler to attend NEPC's 22nd Annual Investment Conference on May 9-10, 2017 in Boston, MA (Susan Lawler).

A motion was made by Terry Stone and seconded by Mike Finnigan to approve for Saul Polish and Susan Lawler to attend NEPC's 22nd Annual Investment Conference on May 9-10, 2017 in Boston, MA.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

OLD BUSINESS (Cont'd)

Saul – I missed us moving out of Old Business to New Business and I wanted to go back, but there was something on the agenda about the additional personnel for the pension office. I know we had requested a memo be sent to the County Executive, as to this request and the financial ratio with the cost from the Pension Board and the cost from the County. I'm just looking for any follow-up.

Dan – That was not listed under our current Old Business on this agenda. It must have been on the previous month. That will be put back on for next month to revisit, but you raise another point, Brian I'll let you make the decision. I think you had come in a few minutes late and there were a few items attached to you.

OLD BUSINESS (Cont'd)

Brian – *Yes. I got the fee schedules.*

Dan – *Are you good?*

Brian – *Yes I appreciate that. The other thing was the travel expenses and everyone did get a copy of that.*

Dan – *The Travel Policy ban was a question you had?*

Brian – *As far as it applying to the Board, I think the Board is a separate entity based on the Boards vote on whether it is approved or not.*

Dan – *The item was discussion on the current travel ban instituted on February 7, 2017 by the County Executive. We didn't talk about it.*

ADJOURNMENT (11:12 a.m.)

A motion was made by Mike Finnigan and seconded by Terry Stone to adjourn the meeting at 11:12 a.m.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**