

**NEW CASTLE COUNTY EMPLOYEES' PENSION PROGRAM  
Minutes of August 19, 2015**

The regular meeting of the Board of Trustees was held on August 19, 2015 in the Government Center (Manager's Conference Room), 87 Reads Way, New Castle, DE 19720.

The meeting was called to order at 8:11 a.m.

<p align="center"><b><u>BOARD MEMBERS PRESENT:</u></b></p> <p>Douglas Merrill, FOP Lodge #5 Kenneth Porter, Trustee Michael Coupe, 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 Terry Stone, Trustee</p>	<p align="center"><b><u>BOARD MEMBERS ABSENT:</u></b></p> <p>Christine Dunning, CHRO Daniel McFadden, Chairperson</p>
<p align="center"><b><u>OTHERS PRESENT:</u></b></p> <p>David L. Finger Bob Wasserbach, County Auditor Nicole Racine, Local 3109 Lisa Lancaster, Executive Asst. Mark Wolanski, Local 3109 Maria Scarpa, NCC/Finance George Smiley, County Council Bob Weiner, County Council</p>	<p align="center"><b><u>STAFF PRESENT:</u></b></p> <p>Susan Lawler, Pension/Benefits Coordinator Judi Mitchell, First Asst. County Attorney Rowena P. Liles, Administrative Aide</p>
<p align="center"><b><u>INVITED GUESTS:</u></b></p> <p align="center">Kevin Leonard, NEPC David Boomershine, Boomershine Consulting Group Scott Howe, Alliance Bernstein &amp; Co. Chris Marx, Alliance Bernstein &amp; Co. Scott Boyle, Alliance Bernstein &amp; Co.</p>	

**8:11 a.m. APPROVAL OF THE MINUTES**

The minutes from the July 15, 2015 meeting are attached for approval.

**A motion was made by Saul Polish and seconded by Doug Merrill to approve the minutes from the July 15, 2015 meeting.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

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**8:11 a.m. APPROVAL OF THE INVOICES**

Alliance Bernstein & Co.	\$24,551.08	2 <sup>nd</sup> Quarter 2015
Boomershine Consulting Group	\$10,860.00	June, 2015
Eaton Vance	\$16,115.43	2 <sup>nd</sup> Quarter 2015
Income Research & Management	\$41,536.07	2 <sup>nd</sup> Quarter 2015
Mellon Capital	\$96,390.66	2 <sup>nd</sup> Quarter 2015
MFS	\$132,130.27	2 <sup>nd</sup> Quarter 2015
NEPC	\$3,479.19	2 <sup>nd</sup> Quarter Expenses
State Street Corp.	\$125.00	Class Action Admin Fee
State Street Corp.	12,582.17	June, 2015
Systematic Financial Mgt.	\$43,503.68	2 <sup>nd</sup> Quarter 2015

*Rich – I would like clarification on the Boomershine invoice. The Actuarial Study for \$4,600 dollars is that supposed to be a cost for the Board?*

*Susan – Yes. Boomershine absolutely distinguishes and sends separate invoices for what is administrative billing and what is Board billing. Are you saying that your contention is that the HB#279 review should be administrative and not a Board cost?*

*Rich – Yes. In a past meeting, if my understanding is correct, I might be wrong I thought that was originally a cost to be borne by the administration versus the trust.*

*Mike F. – I do agree with that and remember that really wasn't at our urging on HB#279.*

*Mike C. – We do have a Purchase Order.*

*Susan – Okay we can amend it to exclude that value and we will send the value of that expense to the administration for payment. We will reflect that change and update the minutes to show what was paid at the time we do that.*

**A motion was made by Ken Porter and seconded by Paul Frese to approve the payment of invoices.**

\*THE MOTION WAS PASSED UNANIMOUSLY.

**8:00 a.m. COORDINATOR'S REPORT by Susan Lawler**

- ❖ *PBI Process Update – I just wanted to let you know we are getting regular notifications from PBI which is the agency we engage to look at our data base with respect to deaths and that sort of thing. We are just coming out of the trial period and the Board had previously approved a contract going forward. So we are getting routine things some of which we are aware of and some that we are not.*
- ❖ *There are three capital calls done in August. They are listed on the agenda.*
- ❖ *Gross Payroll and Employer Contributions for Month of July 31, 2015. – In front of you are the fiscal year 2015 summary of Contributions to the Trust based on salaries inclusive of administrative cost. Going forward we will only be handing out the fiscal year 2016, but because it had been asked for previously, we gave you all of fiscal year 2015 as well.*
- ❖ *Lexington Partners gave us a distribution in July 31, 2015 for \$69,682.00.*

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**8:15 a.m. APPROVAL OF THE APPLICATIONS FOR BENEFITS**

**Service Retirements**

Robert Hill	\$190.00	August 29, 2015
Mary S. Tise (vested former)	\$1,369.71	October 26, 2009

*Unfortunately that is not a typographical error. Mrs. Tise is a former vested employee who contacted us anticipating receipt of her pension at age 62. It was discovered, in reviewing her file, that she should have commenced receipt of her pension at age 55. Throughout the years we have attempted to put safeguards in place to make sure peoples benefits start in a timely manner and the safeguards failed us in this particular case and we owe her retro to her eligibility date.*

**A motion was made by Doug Merrill and seconded by Terry Stone to approve the service retirements.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

*Susan – We will momentarily skip the Disability Retirement benefit and move to the other benefits.*

**Disability Retirement (Previously Tabled) - The Board may go into Executive Session to revisit the disability retirement application. The Independent Medical Review results have been provided. The recommendation from Human Resources is to approve the disability application.**

**Robert Weeks** has made application for a non-service connected disability pension as a participant in the New Castle County Employees' Pension Plan. If approved, he shall be entitled to a non-service connected disability benefit, in the amount of **\$1,807.04 per month effective August 22, 2015.**

**8:17 a.m. APPROVAL OF THE LUMP SUM BENEFITS**

Anthony Troise for Isadore Troise	\$990.08
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**8:17 a.m. APPROVAL OF THE REFUND BENEFITS**

Christopher Szymanski	\$24,237.81	RetGen
Lorraine Gorman	\$3,889.89	CPGen

**A motion was made by Doug Merrill and seconded by Paul Frese to approve the lump sum and refund benefits.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

**8:19 a.m. NEW BUSINESS**

- Alliance Bernstein & Company - *Investment Manager Performance Review by Scott Howe, Chris Marx and Scott Boyle.*

*Kevin – In an effort to save paper all the NEPC reports for the meeting will be emailed to the Trustees.*

**8:56 a.m. OLD BUSINESS**

- Discussion on Custodial Provider Search (Kevin Leonard) – We need to wrap up the Custody Search. You interviewed three firms the consensus was you were unhappy with State Street. You found Northern Trust to be the most attractive and we agree with that. I had asked you not to take a formal vote to hire them until you allowed me to negotiate fees. They were already significantly cheaper than State Street. I went back to them and they did agree to lower the fee. The percentage basis is about 10% further reduction of the fee. When you have a separate account every time a manager buys and sells a stock there is a charge; which is called a transaction charge. Originally they bid \$8 dollars per transaction and have lowered that to \$7. Depending on how many transactions you have on an annual basis that would be a variable cost.

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**OLD BUSINESS (Cont'd)**

*Terry – What was State Streets cost?*

*Kevin – State Streets was \$7, but the overall fee for state Street coming in was \$108,000 and the overall fee for Northern Trust was \$93,000. There are different assuming variables in the fees. Northern Trust offered to lower the U.S. Transaction fee from \$8 to \$7. You had about 5,700 U.S. transactions so right off the bat that is a pretty big savings again a variable. And then for all of your mutual funds or co-mingled pooled funds those are what we call line items. So you have an account where all those sit and then they charge you an annual fee. They originally proposed a \$1,000 per line item and they reduced that to \$750 dollars. All-in-all in the take back is that currently the estimate was based off all your transactions from the last few years it equates to about a 10% discount. I think you were ready to go to Northern Trust without that further negotiation. They are extremely happy to be potentially working with you. I didn't promise them anything, but I think again with the servicing, we consider Northern Trust a top tier consulting firm very equal and even more recently with all the issues State Street seems to be having with their client servicing a far better option for you. As we went into this, it's never easy and not something you go to lightly when you do a custodial transaction transition, but based off the poor servicing you've been getting over the last several years, I support if the Board does decide to go with Northern Trust. I think the servicing level will increase and in fact the current services you are getting from State Street, you will be getting the same and better from Northern Trust.*

*Paul – Since the interviews you guys have discussed this have you heard back from State Street at all?*

*Kevin – So amazingly I didn't hear anything from the people who sat at this table presenting. I didn't want to call them. I had a senior executive at State Street that I've known for 20 plus years. I had heart-to-heart with her and I didn't tell her that you were going to be leaving. I said there was a very high probability and she completely understood and recognized. She clearly made a phone call because about two days later I received a phone call from the head of your Account Services in Kansas City where all the small and mid-size. I received a phone call from a gentleman who runs that whole unit. I called him back, but haven't heard back from him since.*

*Susan – I too received a voice mail I assume from the same gentlemen saying he wanted to touch base, but was going to be out of town and that he would follow up and that would have been this week and I have not heard back from him.*

*Kevin – I fully support the Boards choice to terminate State Street and move to Northern Trust. Again the service you will be getting the lower fee and you better believe with the servicing you will be getting you will probably be calling me telling me telling me to tell them to stop calling you. Because they will over service you because I think that Northern Trust we have a number of relationships with Northern Trust and I think they understand that State Street is dealing with some issues.*

*Ken – What about timing? We talked last time about an effective date and which is better.*

*Kevin – As I said, both sides of the table can work on any date that we so direct. Your actuary suggested it's probably not ideal to do it at the end of a fiscal year, from an evaluation standpoint. It's not something we have to rush into though. Obviously, NEPC will be there in full support staff. To go through this transition State Street will be extremely professionally about it. It will be a three party set-up. Northern Trust actually has a transition team that will really coordinate all of this. Agreement documents have already been sent and it's just a matter of reviewing it. Honestly, as I said to you, I always find it easier to do it at the end of a month. Some argue it's easier to do it at the end of a calendar year. I tend to push back and say I know for a fact that the industry goes on vacation the last two weeks of December and doing a custodial transition December 31<sup>st</sup> or January 1<sup>st</sup> is probably not ideal. Again, I would just say let's see how quickly legal counsel can review the documents and make sure we get all the ducks in line. If you vote today to hire Northern Trust, I will immediately to let them know they need to get the transition team going on it. Obviously, I'm with you monthly and ultimately based on that information that Northern Trust can give me and that obviously eternally here*

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*on legal documents I think we can then select a date. The date will be set ideally based off of when we know everything is in line to go. Because literally you are shutting the switch off the close of business and turning the new switch on the next day. We want to make sure we are not rushing. Your portfolio is very simplistic in the sense that obviously you don't have any separate account alternatives. All your kind of alternative private market accounts are co-mingled funds. Obviously, all your separate accounts are either U.S. Equities or U.S. Fixed Income so it's a very simple transition.*

*Susan – In terms of timing though, would your expectation be November or would it be the end of January?*

*Kevin – I would prefer to do it sooner.*

*Susan – Okay.*

*Kevin – Ideally if you can't do it before November, I would push it until after.*

*Susan – Ideally, October 31<sup>st</sup> or November 1<sup>st</sup> would be a good transition.*

*Kevin – If you can get the contracts turned around, yes absolutely.*

*Regis – Just for the record the proposal for Northern Trust was around \$84,000.00?*

*Kevin – There are so many variables on this. It was originally about \$93,000 and if you took 10% discount off that yeah takes another \$9,000 off that.*

*Regis – What was State Street's proposal?*

*Kevin – Their latest final proposal was \$107,500.00. The other thing too, in the most, we talked about obviously using Northern Trust's Securities Lending as part of the process.*

**A motion was made by Ken Porter and seconded by Terry Stone to hire Northern Trust and terminate State Street.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

**An amended motion was made by Ken Porter and seconded by Terry Stone to hire Northern Trust pending successful contract negotiations and terminate State Street.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

**9:07 a.m. NEW BUSINESS (Cont'd)**

- Review the Preliminary Investment Performance "Flash" report for the period ending July 31, 2015, – (Kevin Leonard, NEPC) – *A copy of the Preliminary Performance "FLASH" report for period ending July 31, 2015 was distributed for the Boards review and discussion.*
- Proposed Legislation Regarding Investments (Kevin Leonard) – *Kevin provided an update for the Board. If the Board chooses to adopt the legislation, they will need a formal list of securities. Once implemented, this legislation will be part of the Investment Policy and followed by the managers.*

*A discussion was held on the Proposed Legislation Regarding Investments.*

*Councilman Weiner advised the Board to take the necessary time to do their due diligence and he supports the Board in having outside counsel review legislation once it is introduced by County Council.*

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**NEW BUSINESS (Cont'd)**

- Request Board approval for Christine Dunning to attend the Certificate of Achievement in Public Plan Policy (CAPPS) conference October 6-9, 2015 in Providence, Rhode Island – (Susan Lawler).

**A motion was made by Saul Polish and seconded by Doug Merrill to approve Christine Dunning to attend the CAPPS Conference on October 6-9, 2015 in Providence, Rhode Island.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

*The Board to a short break at 9:55 a.m.*

**The meeting resumed at 10:07 a.m.**

**10:07 a.m. OLD BUSINESS**

- Update – HB#279 (Mike Coupe & Dave Boomershine) – *Dave Boomershine distributed a copy of the Emergency Personnel Actuarial Study – House Bill 279 Review for discussion.*

*A question and answer session was held during the review. Dave Boomershine will follow-up on the questions from the Board and return his findings.*

**10:28 a.m. NEW BUSINESS (Cont'd)**

- *Copies of the Investment Summary Quarter Ending June 30, 2015, Private Equity & Private Debt 2015 Strategic Investment Plan and First Quarter 2015 Private Markets Review reports were distributed.*
  - *\$7 million dollar allocation in 2015 to Private Equity and \$5 million dollar allocation in Private Debt is NEPC's recommendation.*

**A motion was made by Ken Porter and seconded by Saul Polish to move into Executive Session.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

- Executive Session Discussion on a Personnel issue (Terry Stone).

**The meeting resumed at 11:01 a.m.**

**A motion was made by Rich Piekarski and seconded by Ken Porter to approve the non-service connected disability application for Robert Weeks effective August 22, 2015.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

- Actuarial Services (Terry Stone) – *As a point of interest, I'd like to present to the Board, in as much as we've reviewed fund managers in the past, if we also take a look at actuarial services. Invite three people to present to us including Boomershine Consulting Group.*

*A discussion was held on actuarial services.*

**A motion was made by Terry Stone and seconded by Ken Porter to form a sub-committee to look at Actuarial Services for the future and propose to interview three candidates.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**

*Sub-committee members are Ken Porter (Chair), Terry Stone and Rich Piekarski.*

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*Saul – I have a one question on the presentation from Boomershine Consulting says Personal and Confidential. Is it literally Personal and Confidential to the Board only?*

*Judy – No.*

*Paul – On the County Contribution for 2015 there is a big spike in October for that cycle. I'm just curious as to what may have caused that spike in that dollar amount of administration costs?*

*Susan – We can look at that if you like.*

**8:00 a.m. ADJOURNMENT**

**A motion was made by Saul Polish and seconded by Rich Piekarski to adjourn the meeting at 11:18 a.m.**

**\*THE MOTION WAS PASSED UNANIMOUSLY.**