

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of July 26, 2018**

The regular meeting of the Board of Trustees was held on July 26, 2018 in the Government Center (Managers Conference Room), 87 Reads Way, New Castle, DE 19720.

BOARD MEMBERS PRESENT:

Vanessa Phillips, CAO – Chair
Deloris Hayes-Arrington, CHRO
David Gregor, CFO – Treasurer
Mary Evans, Comp. & Pension Systems Coordinator
John Gysling, Union Representative

OTHERS PRESENT:

Sanjay Bhatnagar, NCC/Law
Karen Smalls, NCC/Finance
Christine Piekarski, NCC/Finance
Bob Wasserbach, NCC/Audit
Lucy Momjian, Vanguard
Christine Kim, Vanguard
Jacquelyn Herbert, NCC/Executive

STAFF PRESENT:

Joe Szczechowski, Public Information Specialist

ABSENT MEMBERS/STAFF:

The meeting was called to order by Vanessa Phillips at 1:03 p.m.

As there were new members attending the meeting, Ms. Phillips asked that everyone present introduce themselves to the group.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the April 26, 2018 meeting are attached for approval.

Deloris Hayes-Arrington made a motion to approve the minutes from the April 26, 2018 meeting.

* The motion was seconded by Mary Evans and unanimously approved.

NEW BUSINESS

- ◆ Investment Update by Vanguard – Senior Investment Consultant Lucy Momjian introduced Christine Kim, who is the Senior Investment Analyst supporting New Castle County's account.

Ms. Momjian reviewed the performance report dated July 26, 2018, which covered second quarter portfolio performance. The materials provided included the following reports, all measured as of June 30, 2018: Total Portfolio Performance and Asset Allocation, Performance Summary (Gross of Advisory Fees), Total Portfolio Performance (Both Net and Gross of Fees), Cash Flow Summary, Investment Expense Analysis, Market Performance, and Benchmark History. Also included were a Market Performance overview; Total Return Framework, Risk/Return Study for both the 10- and 30-Year Time Horizon; Fee Analysis; and information regarding Investment Committee Best Practices.

Ms. Momjian presented an overview of the overall market performance for the second quarter, covering the information presented on pages 2 through 6 of the report. She then continued to review the information specific to New Castle County's account, found on pages 7 through 14 of the report. As of June 30, 2018, the market value was \$44.5 million. For the 3-month period, gross returns were .69 percent, net returns were .66 percent, and the composite benchmark was .86 percent.

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Ms. Kim presented the material in the performance report under tab II – “Risk/return and fee analyses.” The material included forecasts and return projections for various asset classes over a both 10-year and 30-year timelines. In the 10-year timeline, Vanguard is projecting returns for New Castle County’s OPEB Trust of between 3.8% and 6.0%. In the 30-year timeline, Vanguard is projecting returns for New Castle County’s OPEB Trust of between 6.1% and 7.1%.

Ms. Kim continued to review the Fee Analysis as of June 30, 2018 (page 19). Estimated annual fees and expenses were \$71,973.

Ms. Momjian continued presenting the material in the performance report under tab III – “Investment Committee Best Practices.” She noted that the New Castle County OPEB Trust meets all of the recommended fiduciary duties.

Ms. Momjian reviewed the New Castle County Other Post-Employment Benefits Investment Policy Statement (Updated June 2016), which began on page 40. She pointed out several areas which may need to be addressed:

Part I, Section D states that “The Board will review this investment policy statement at least once per year.” The bylaws, however, state that the investment policy statement should be reviewed every three years. Ms. Phillips stated that the bylaws would need to be reviewed to address the vacancy on the board. She suggested that the inconsistency could be addressed at the same time.

Part III, Section I-C lists “Barclays Aggregate Bond Index.” Barclays was acquired by Bloomberg, so Vanguard will change the wording to “Bloomberg-Barclays Aggregate Bond Index.”

Ms. Momjian reviewed the included “Sample Investment Committee Charter.” She noted outside of a conflict of interest policy, the OPEB bylaws cover everything expected in an investment committee charter.

◆ **Financial Update** – Senior Budget & Procedures Analyst Christine Piekarski provided the financial update on the OPEB fund for FY2018 as of June 30, 2018 as provided.

- FY 2018 Revenue – \$11,401,579.82
 - Investment Income – \$3,216,555.82
 - County’s Contribution – \$8,185,024.00
- FY 2018 Expenditures – \$7,219,020.99
 - Retiree Healthcare Costs – \$7,185,024.00
 - Financial Advisor / Actuarial Fees – \$33,996.99

◆ **Board Vacancy** – Ms. Phillips noted that she and Chief Financial Officer David Gregor had not yet discussed how to address the board vacancy that was created when Cash Management Accounting and Fiscal Manager Ken Porter retired. Mr. Gregor stated that the position title was eliminated with Mr. Porter’s retirement. He has a candidate in mind, but an ordinance would need to be passed and the bylaws would need to be changed to effect the change.

There was some discussion among the group as to whether the ordinance or the bylaws should be addressed first. Ms. Phillips suggested that the board move forward with the ordinance process, and

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that the bylaws be revisited at the next meeting. We will have a draft of the revised bylaws available for a vote at the October meeting. County Auditor Bob Wasserbach suggested that the amended bylaws include a brief conflict of interest policy.

Other Business – Ms. Phillips stated that at the April 26 meeting, the board had discussed the international allocations in the OPEB portfolio. Knowing that new members would be joining, the board agreed to table the discussion and continue to monitor the market to see if a change in allocation was warranted. With the remaining board vacancy, it was decided to wait until the seat is filled before making any investment decision.

Joe Szczechowski presented an invoice to the board totaling \$4,010 from Boomershine Consulting for Actuarial Valuation and GASB 74/75 Disclosure Compliance services. There was some discussion among the board members regarding the OPEB Board of Trustees' contractual relationship with Boomershine.

John Gysling made a motion to approve the payment of the invoice.

* The motion was seconded by Vanessa Phillips and unanimously approved.

◆ Date for next meeting – The next meeting will be October 25, 2018 at 1:00 p.m.

Deloris Hayes-Arrington made a motion to adjourn the meeting at 2:01 p.m.

*The motion was seconded by John Gysling and unanimously approved.